Master Thesis IRIO

China’s transformation towards a market economy
and its changing position in the SADC region

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23 July 2012, University of Groningen
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Abstract

China’s growing presence in Africa has caused much controversy. Opinions vary between China as a development partner; China as an economic competitor; and China as a coloniser. China’s significant rise since its opening in 1978 and its shift towards a system which employs both a market economy and a communist ideology raise the question whether its role in the SADC changed because of the reforms. Africa’s vast economic merit, on the one side, and chronic underdevelopment, on the other side, make the previous question important for understanding how the economic hierarchy in the capitalist world-system functions. After all, only when one can understand patterns, one can attempt to change them.

This paper studies to what extent China’s role in the SADC region has changed towards one of domination when looking at trade network formations between 1980 and 2010, resulting in a South/South exploitative dynamic and facilitating underdevelopment in the region. Firstly, this paper conceptualises capitalism and explains its consequences in the facilitation of underdevelopment, using the world-systems theory. A quantifiable dimension is added, using the pattern approach as developed by Valentino Piana, trade networks are drawn and compared for the years 1980, 1990, 2000 and 2010.

The results show that since the onset of reforms, China has gained a dominant position in the SADC, whereas in the beginning the absence of relationships was the dominant pattern. Source dominance can mainly be found in manufactured goods, whereas destination dominance can be found in the trade of crude materials. To understand whether the shift in patterns can be attributed to China’s shift towards a market economy and whether this dominance is also exploitative, Chinese Africa policy with regard to FDI and development, using the lens of world-systems theory.

The paper concludes that a surge in dominant patterns can be perceived between 1980 and 2010. Secondly, these shifts correlate with China’s economic expansion in the SADC. Thirdly, China’s position can be seen as one of dominance, but whether it is also exploitative remains open for discussion. Lastly, it is concluded that the capitalist world system does determine political and social relations between nations, both for the dichotomy between North and South, and within the South itself.
Disclaimer

I declare that, this thesis is that of the candidate alone, except where indicated in the text and/or footnotes. This work has not been accepted anywhere else for the award of any other degree or diploma. All errors remain my own.

Acknowledgements

Firstly, I would like to offer my gratitude to my supervisor, Professor dr. H.W. Hoen, who has offered me help, support and patience, whilst allowing me the room to find my own way in a research paper that kept evolving both in size and complexity. Personally, I would like to thank my parents who believed I could finish this thesis even in moments that I did not, and for teaching me early on, that the path of least resistance is not always the most rewarding one. Moreover, I would like to thank all my friends for supporting me through the writing and editing process. In particular, my heartfelt thanks to dear friend and partner in crime, Sharron Xu. Without her constant encouragement, critical eye, editing assistance and comic relief this thesis would not have been what it is today.
1. Introduction

“When the winds of change blow, some build walls, others build windmills.” - Chinese Proverb

China is Africa’s third trade partner after the United States and France.¹ That being said, opinions about Chinese presence in Africa vary. According to Alden, these can be summarised into three interpretations:²

- China as a development partner, driven by a commitment to transfer its own development experience onto the African continent and a desire to build durable mutual partnerships.

- China as an economic competitor, occupied with short term resource grabbing and caring little for the local needs and concerns. As a result they are undermining any development gains Africa may have.

- China as a coloniser with a long term strategy aimed at dislodging the traditional Western orientation on the continent by forming partnerships with African elites under the guise of South-South solidarity.

Especially the image of China as a coloniser has been a favourite in popular media sources. Phrases like a “scramble for Africa” have often been used when writing about China’s interest in African natural resources to feed its economic growth. Since its “opening” in 1978, China has increasingly adopted more aspects of a market economy. However, it is still driven by a communist ideology. In a sense, a new kind of authoritarian state has emerged that exploits both a capitalist economy and a communist ideology. When looking at structural theories, where does this hybrid economy fall? From Karl Marx to Samir Amin, capitalism and colonialism are seen as inseparable:

“Capitalism has been colonial, more precisely imperialist, during all the most notable period of its development. […] capitalism has constructed a consistent dichotomy of relations between a centre and the periphery.”³

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² Alden pp. 6-7.
³ L. Degoy, “Samir Amin: Colonialism is Inseparable from Capitalism”.


The idea that imperial colonialism is the final stage of capitalist development to ensure greater profits, which eventually will lead to decay of capitalism, was first discussed in Lenin’s *Imperialism, the Highest Stage of Capitalism* and has influenced many later social scientists. For example, Immanuel Wallerstein who developed his world-systems theory in *The Modern World-System, vol. I - IV* (1974, 1980, 1989 and 2011), and Andre Gunder Frank whose *Capitalism and Underdevelopment in Latin America* (1967) was one of the first formative texts of dependency theory, as well as Raúl Prebisch, whose study *The Economic Development of Latin America and its Principal Problems* (1950), which described what is now known as the Singer-Prebisch thesis and jumpstarted the Latin American school of structuralist economics.

Despite these ideas that capitalism will eventually be replaced by communism, China seems to be moving in the opposite direction: its economy is becoming increasingly market-oriented. Is this then the reason – as explained by structuralist theorists – that China is seen as neo-colonial power in Africa? In another interview, Samir Amin admitted that there is no alternative for socialism in the long run. How can China’s shift away from it be explained then? What makes it more interesting is that initially, when thinking about the centre – semi-periphery – periphery division, countries of the North are typically seen as the centre and countries of the South as the periphery. In the case of Chinese imperialist tendencies in Africa, this would lead to a south-south exploitative dynamic.

Due to the limited length of this study the choice has been made to use but a portion of the African continent, namely the Southern African Development Community (SADC). The SADC is an intergovernmental organisation consisting of Angola, Botswana, Congo-Kinshasa, Lesotho, Madagascar, Malawi, Mozambique, Namibia, the Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe with the goal to further the socio-economic cooperation and integration in the region. It consists of some of the poorest nations (i.e. Seychelles) in Africa, but also some of the wealthiest (i.e. South Africa). The IMF predicts that in 2012, the global economic growth will be around 4%. Growth in Sub-Saharan Africa was 5.3% in 2011 and will be 5.8% in 2012. This generally varies from 2.5% in Zimbabwe to 10.5% in Angola. Because of the great disparity in this regional block it makes for a good petri dish to study the effects of the Chinese economic reforms on the region.

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5 World Economic Outlook Database, April 2011, <www.imf.org>
1.1-- Theory & Methodology

Immanuel Wallerstein’s modern world system (MWS) theory originated from the early 1970s. According to this theory, the (capitalist) world system determines the political and social relations within and between nations. Firstly, this system is characterised by a single division of labour, whereby there is mutual dependence on economic exchange between states. Secondly, products are sold for the sake of profit. Thirdly, the world is divided into three socio-economic areas, which correspond to the roles that nations in these areas play in the international economy.

The core countries have the most advanced economies, while the periphery provides the raw materials to fuel the expansion of the core country economies. The semi-periphery lies somewhere in between and is involved in a mixed production, some belonging to the periphery and others to the core. It also is a place for investment when wages in the core become too high. This means there is a hierarchical system formed by this unequal division of labour. Weak states of the periphery are dominated by the politically and economically dominant countries of the core. Wallerstein depicts the wealth of the North as the result of the transfer of surplus value from the South to the North. This unequal relationship leads to underdevelopment.

To find out whether China’s increasing shift towards a market-economy has changed its relationship with the South, this paper will employ the pattern approach as drafted by Valentino Piana. Piana crafted a method, which uses trade-networks to test the hierarchy structures in the world-economy by looking at reciprocal relationships of different gradations that two agents attach to each other. The data used for this derives from the United Nations Comtrade database.

The choice to use the period 1980 and 2010 is made for the reasons that China opened its economy in 1978, so 1980 is right at the beginning of the trajectory that China would take to become the economic power it is known for now. The year 2010 has been chosen for reasons of data prevalence as it is expected that not all data from 2011 might be available just yet. In addition, the three decades provide a sufficiently long period to be able to draw credible conclusions about patterns. For the purpose of following the trend of change, four points in time at ten year intervals shall be studied.

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8 Ibidem , pp. 353.
1.2 -- Research question & hypotheses

Taking the previous into consideration, the research question for this thesis can be formulated as follows:

*To what extent has China’s role in the SADC region changed towards one of domination when looking at trade network formations between 1980 and 2010, resulting in a South/South exploitative dynamic and facilitating underdevelopment in the region?*

This research question shall be sub-divided into the following sub-questions:

- **Sub-question 1**: *How did the trade networks between China and SADC region look in - and change between- 1980, 1990, 2000 and 2010, respectively?* This question will be answered by drawing the networks between 1980 and 2010 with ten year intervals, using the pattern approach as developed by Valentino Piana (Chapter 4).

- **Sub-question 2**: *How can the shift in networks between 1980 and 2010 be explained and to what extent does it correlate with China’s move towards a market (hybrid) economy?* To answer this question the change in the economic system in China shall be put next to the changes in trade patterns from decade to decade. How do the changing trade patterns correspond with China’s policy in the SADC region (i.e. China’s economic expansion towards Africa) in the same period?

- **Sub-question 3**: *To what extent can China’s increasing presence in the SADC region be seen as exploitative?* To answer this question a closer look shall be taken at China’s presence in the SADC region and its policies concerning empowerment and poverty reduction in the SADC region, as well as durable investments.

At the end of this research paper, the goal is to have the following hypotheses confirmed or disproved:

- **Hypothesis 1**: There are more trade networks between China and the SADC region in 2010 than there were in 1980.

- **Hypothesis 2**: China’s shift towards a market economy correlates with China’s economic expansion in the SADC region.

- **Hypothesis 3**: China’s position in the SADC region is one of dominance and exploitation.
**Hypothesis 4:** As described by a.o. Wallerstein, the capitalist world system does determine political and social relations between nations, but this is not only true for a dichotomy between the North and South, but also within the South itself.

1.3 -- *Justification*

Neo-colonialism is of course not a novel term. As early as 1973, Samir Amin did a study on this phenomenon in West-Africa (i.e. case studies of Senegal, Ghana, the Ivory Coast) making for a ‘classic’ dependency theory case as his study dealt with North-South exploitative dynamics. The development versus dependency issue has been raised with regard to Chinese presence in Africa, as well. S. Diagne’s case study of Chinese presence in Senegal uses dependency theory and neo-liberal theory. In “Chinese soft power, insecurity studies, myopia and fantasy” (2011) S. Suzuki comes to the conclusion that China propagates a ‘Beijing Model’ of autocratic development by use of soft power. Zhang (2011) discusses aspects of China-Africa energy diplomacy, focussing on China’s various energy-related diplomatic activities and Chinese national oil companies’ investment operations in Africa.

The South-South exploitative dynamic, however, has not yet been researched much. In “China, Africa and conceptualising development relations” (2011) Dent presents a conceptual framework of development relations to aid the understanding of what new directions the Africa-China relationship and inter-developing country economic diplomacy are taking. Idun-Ackhurst and Laing (2007) studied local and international responses to Chinese presence in Africa and its implications. Wang (2007) studied the role China plays in the development of Africa and argues that government policies, markets for each other’s exports, Africa’s demand for infrastructure, and China’s different approach to financing have together moved commercial activities to the centre of China-Africa relations.

Piana (2007) uses his pattern approach to explain world trade structures, based on a case study of 16 patterns of bilateral relationships between nations, with the goal to structure trade networks worldwide. In this paper, on other hand, his approach is applied to an isolated part of the world-economy, namely China and the SADC, in essence still drawing ‘bilateral’ relationships, but with the intention to draw a structure of networks for only a part of not only the world’s economy, but also that of China and the SADC (filtering out their other trade relations).
1.4 -- Motivation

In the course of the last ten years, among the ten fastest growing countries in the world six belonged to the African continent. In eight of these years Africa’s economy has grown faster than that of East Asia. Even considering the economic crisis that has plagued the North, Africa’s economy is expected to grow by almost 6 percent in 2012 (as fast as Asia). In addition, in April of 2011 South Africa was the fifth country to be added to the ‘big four’ emerging economies, forming the BRICS. However, at the same time, nine of the ten poorest countries belong to the African continent as well. Hence, Africa’s coin undoubtedly has two sides. These two sides are interconnected with the rich history of the continent, unquestionably tying it with the Northern hemisphere. But what lies ahead in the future? Is Africa bound to be stuck in a vicious cycle of a scramble for its land – first by the empires of the North and now also by those of the South?

As for China, it may be superfluous to mention the significance of the second largest economy in the world. It has, after all, remarkably altered the global economic and political relations in the past thirty some years. Perhaps more significantly it has changed itself into an unprecedented economic system, bearing both characteristics of capitalism as communism and it is important to understand how this change affects China’s position in a region that, on the one hand, has vast economic possibilities, but on the one hand, is suffering from chronic underdevelopment. After all, only when one can understand patterns, one can attempt to change them.

1.5 – Chapter Structure

The structure of this paper is as follows. Chapter 2 discusses the historical background of China’s economic transformation, because it is important to understand how the situation was prior to reforms in order to understand whether and how it changed. In chapter 3 the theoretical framework of World-Systems theory shall be discussed. This is the lens through which the results shall be viewed and which has led to the four hypotheses discussed in subchapter 1.2. Chapter 4 adds a quantifiable dimension to the theory of chapter 3 discussing Piana’s pattern-approach and the methodological data. The reason for the addition of this empirical chapter is because it should add tangible proof to an otherwise historically

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motivated theory. In chapter 5 the trade networks between China and the SADC countries between 1980 and 2010 shall be drawn, using the method of chapter 4. This chapter provides data to answer sub-question 1, subsequently confirming or disproving the first hypothesis, that there are more trade networks between China and the SADC in 1980 than there were in 2010. Some assumptions shall be made with regard to the rest of the hypotheses. However, in order to answer the following sub-questions and test the rest of the hypotheses, patterns alone are not enough. The need to be placed in a policy-making context. This shall be done in Chapter 6, which offers a discussion, focussing on China’s economic system and on China’s policies in the SADC region. By studying FDI flows, commodity composition and official development aid the attempt shall be made to explain China’s evolving position in the SADC. In addition, this should shed more light on whether China’s position in the SADC is exploitative and facilitating underdevelopment. The paper shall be concluded with a general conclusion.
2. Historical Background

“To get rich is glorious.” – Deng Xiaoping

These words, supposedly spoken by former leader of the Communist Party of China, Deng Xiaoping in 1978, unleashed a revolution. China threw open its doors to the world and ushered what later would come to be known as ‘market socialism’, causing what could be seen as one of the most remarkable economic turnarounds in modern history. A new kind of authoritarian state emerged, one that exploits both the capitalist economy and communist ideology to support its legitimacy.\(^{11}\)

Over the past thirty-some years, China has pursued a capitalist path of development which has resulted in spectacular economic growth. How exactly did this transformation take shape? Later on, China's Africa-oriented policies will be dealt with in this paper. In order to better understand these, however, it is important to first understand where China is coming from and where it is going. Seeing as external reforms go hand in hand with domestic policy shifts, this chapter provides a brief sketch of the domestic reforms since 1978.

The journey of the economic structure reform in China can be divided in stages. The number of these stages varies among authors.\(^{12}\) In this paper, the choice has been made to divide the reforms into three stages, roughly corresponding with the Plenary Sessions of the Party Central Committees. However, before these stages are discussed, a closer look must be taken at the noteworthy period that led up to this paramount change.

2.1 Prior to reforms

From 1949 until his death in 1976, Chairman Mao ruled China with an iron fist. He wanted to create a China in which the social order of domineering landlords and oppressed peasants would be reversed, the country would be industrialised and modernised and internationally

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respected, no matter the cost.\textsuperscript{13} He personified the Chinese resentment of Western imperialism, which had humiliated China in the 19\textsuperscript{th} century.\textsuperscript{14}

With technological and economic assistance from the Soviet Union the country launched its first Five-Year-Plan in 1953, concentrating on heavy industry. Agriculturally, on other hand, China was plagued by droughts and floods.\textsuperscript{15} Consequently, between 1958 and 1961, Mao launched The ‘Great Leap Forward’ (GLF) which was an economic and social campaign that aimed to rapidly transform China’s agriculture and industry. The cooperatives in the countryside were fused into larger ‘people-communes’ and were made responsible for mechanising production and the development of local rural industry.\textsuperscript{16}

The GLF failed disastrously. It led to economic turmoil, rural revolt and, combined with bad weather, to food shortages of such severity that between twenty and thirty million people lost their lives through starvation.\textsuperscript{17} The Great Leap Forward then soon turned into the Great Chinese Famine.\textsuperscript{18} In addition, the GLF created a rift between communist leaders. Simultaneously, a rift with the Soviet Union stopped Russian aid from flowing in to China, sinking the latter into even deeper isolation.\textsuperscript{19}

2.2 – First Phase

As stated before, the economic reforms in China since 1978 can be divided into several stages. The first phase (1978-1984) mainly focussed on agriculture and the balancing of foreign international relations. Procurement prices for agricultural products were increased; crop diversification and specialisation were encouraged; restrictions on rural trade fairs were loosened up; and decentralised farm organisation was explored.\textsuperscript{20} Preferential policies were granted to special economic zones (SEZs) to attract foreign investment and technology, to promote exports, and to pave the way for wider market-oriented reforms.\textsuperscript{21} Building on the success of rural reforms, Beijing turned to reform urban industries dominated by very large

\textsuperscript{14} Ibidem.
\textsuperscript{15} Ibidem, p.910.
\textsuperscript{16} Ibidem.
\textsuperscript{18} Ibidem.
\textsuperscript{19} Ibidem.
\textsuperscript{21} Ibidem.
and inefficient state enterprises. To attract foreign capital and technology, fourteen major cities were opened to foreign firms.\textsuperscript{22}

In 1980, Zhao Ziyang, an ally of Deng and an adamant advocate for faster growth, was promoted to Premier. He embraced the theory of comparative advantage and urged for China to let go of Mao’s obstinate idea of self-sufficiency.\textsuperscript{23} In 1981, the sixth Five-Year-Plan was adopted, its general objective being the ongoing pursuit of the principle to “adjust, reform, rectify and improve”; to further pursue economic development; to achieve a turnaround in the fiscal situation; and to “lay a solid foundation for the advancement of national economic and social development the next planning period.”\textsuperscript{24} Objectives of Plan included an annual growth of five percent for industrial and agricultural products; stable market prices; the supply and quality of consumer goods to be in line with the growth of the purchasing power and changes in the make-up of consumption; technological innovation; strengthening the national defence industry and forces; development of trade, development of trade, make efficacious use of foreign capital and introduce advanced technology; improve economic efficiency in order to increase the government’s revenue; strict control of population growth; improvement of the material and cultural lives of both the rural as urban population; strengthening environmental protection.\textsuperscript{25}

This Plan achieved great successes. The average annual growth rate for industrial and agricultural goods was eleven percent, by far surpassing the objective of five percent. The average annual growth between 1980 and 1985 was ten percent.\textsuperscript{26} In addition, the production of key products such as steel, coal, electricity, crude oil, cotton and grain rose spectacularly.\textsuperscript{27} Also, the progress in infrastructure and technological innovation was considerable. The fiscal situation improved, realising a balance between fiscal revenue and expenditure. Perhaps most notably for the world economy as a whole, China’s export value placed it on the tenth position by 1984, as opposed to the twenty-eighth position in 1980.\textsuperscript{28} On the flipside, consumption volumes grew too fast, there was a fiscal over-supply and there was a disproportionately high fixed asset ratio.\textsuperscript{29}

\begin{itemize}
\item \textsuperscript{22} Ibidem.
\item \textsuperscript{25} Ibidem.
\item \textsuperscript{26} Ibidem.
\item \textsuperscript{27} Ibidem.
\item \textsuperscript{28} Ibidem.
\item \textsuperscript{29} Ibidem.
\end{itemize}
The previous could be seen in a light of domestic development and attraction of FDI to China. Though, by 1984, China was no longer a shut-in country, its opening-up was marginal and directed at incoming investments and the gathering of technological and industrial know-how to optimise its own industries.

2.3 – Second Phase

The second phase (1984-1988), continued to build on the successful rural reforms of the sixth Five-Year-Plan, while also turning to restructuring the inefficient urban industries that were dominated by large state enterprises. In 1985 the agricultural procurement system was altered from a system with mandatory purchase quotas to a voluntary contract procurement system. As of 1986 the Contract Responsibility System required enterprises to pay a set amount of profits to the government, but were allowed to keep profits above this requirement. In order to attract foreign capital and technology fourteen major cities were opened to foreign firms. China was progressing towards development goals, but social and fiscal problems were still a considerable issue.

2.4 – Third Phase

The third phase (1989-1991) embodied a period of cutbacks. The adopted reforms spurred demand and production, which led to rising inflation that even managed to reach double digits in 1988. This fuelled urban anxiety, contributing to the atmosphere, which would eventually lead to the brutal events of the Tiananmen Square. To cool down the overheated economy, prices were recentralised. These measures succeeded in the stabilisation of prices, but also significantly slowed down the (industrial) economy. This led to large losses of state-owned enterprises, escalating debts, the accumulation of inventories, all of which threatened to destabilise the macroeconomic situation to such an extent that, by 1990, an economic crisis

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30 Jaggi, p.12.
31 Ibidem.
32 Bell, p. 3.
33 Jaggi, p.12.
34 Bell, p. 3.
was imminent.\textsuperscript{36} The authorities turned to stimulative measures, which led to an economic recovery by 1991.\textsuperscript{37}

In early 1992, the rectification programme ended and the authorities indicated that they wanted to speed up the process of reform and to open up.\textsuperscript{38} The aim was the establishment of a socialist market economy system.\textsuperscript{39} This stance signified the start of the fourth phase (1992 – present). In a speech in October 1992 Deng Xiaoping stated:

"A planned economy is not equivalent to socialism, because there is planning under capitalism too; a market economy is not capitalism, because there are markets under socialism too. Planning and market forces are both means of controlling economic activity. [...] If we want socialism to achieve superiority over capitalism, we should not hesitate to draw on the achievements of all cultures and to learn from other countries, including the developed capitalist countries, all advanced methods of operation and techniques of management that reflect the laws governing modern socialized production."\textsuperscript{40}

This speech brought agreement among the Chinese that capitalism was not incompatible with socialism.\textsuperscript{41} \textsuperscript{42} This signifies a momentous breakthrough and made it possible for authorities to begin formulating plans to establish a fully market based economy, which was followed by a constitutional amendment to erase references to a planned economy and entrenched the ambition to institute a market-based one.\textsuperscript{43}

As this overview shows, the reform process in China is an incremental one, unlike those that were initiated in, for example, the Soviet Union and its satellite states in Eastern Europe. This incremental approach has had several advantages. Firstly, major disturbances in the economy were avoided and if policies were found lacking (i.e. macro-economic instability between 1989-1990 and its consequences.), they could be tailored to fit the economy better.\textsuperscript{44} Secondly, the authorities implemented those measures with the highest chance of success

\textsuperscript{36} Bell, p. 3.  
\textsuperscript{37} Jaggi, p.13.  
\textsuperscript{38} Bell, p. 3.  
\textsuperscript{40} Selected Works of Deng Xiaoping, Vol. 3. (Beijing: Foreign Languages Press 1994), p. 243-244.  
\textsuperscript{41} Zhong-Liang, p.6.  
\textsuperscript{42} Bell, p.4.  
\textsuperscript{43} Ibidem.  
\textsuperscript{44} Ibidem.
first, which solidified political support, keeping internal Party conflicts at bay and paving the way for further policy adjustments.\textsuperscript{45} Thirdly, these reforms needed a new legislative and regulatory framework. New institutions needed to be built and staff prepared to deal with the new practices. Implementation of these tasks is a rather time-consuming affair. During the gradual transition, the bureaucratic apparatus of the ‘old’ planned economy continued to operate until a new system could become self-sufficient.\textsuperscript{46}

2.5 – Consequences

What then are the domestic consequences of these reforms for China? After the inception of the reforms, real growth accelerated remarkably. Since 1978, China's real gross domestic product (GDP) has grown by an average of about ten percent annually, as can be seen in the figure below.\textsuperscript{47}

Agricultural output contributed the most to the increase in productivity in the early years of reform.\textsuperscript{48} Industry contributed a great deal as well, especially non-state-owned enterprises and particularly township and village enterprises (TVEs), individual, and foreign-funded enterprises. State-owned enterprises were more rigid and inefficient, because they include not only profit-maximisation objectives, but also other social and economic purposes (such as

\textsuperscript{45} Ibidem.

\textsuperscript{46} Ibidem.


\textsuperscript{48} Jaggi, p.58.
social welfare, housing, medical care, etc.). The rapid growth during the first half of the 1980s led to a dramatic reduction in the incidence of poverty, from 28 percent in 1978 to below 9 percent, and the rural poverty decreased from 33 percent in 1978 to 11 percent in 1984, before stagnating. However, income inequality has crept up over the years. In 1978 the Gini coefficient was 0.3. So, although China was very poor at the time, the population was equally impoverished. In 2010 the Gini coefficient rated 0.47, meaning that the gap between rich and poor has grown. Wu writes that the aim of the Chinese Communist Party is to ensure stability, not for the average citizen, but for the apparatus itself and for foreign investors and local entrepreneurs who have a direct stake in the international market economy.

2.6 – Conclusion

More about the reforms and how they pertain to China’s position in the SADC region will follow. The purpose of this chapter was to sketch an overview of the changes that China went through in the past thirty-five years, which led to the emergence of a new kind of authoritarian state, one that exploits both the capitalist economy and communist ideology to support its legitimacy. The three phases of reform indicate an incremental restructuring of the economy unlike the ‘shock-therapy’ adopted in some other countries. The reform in China’s economic structure was carried out on the premise of political stability with leadership of the Chinese Communist Party under the socialist system. With time, the Chinese liberated their minds and acted upon the actual conditions in China, learning from the historical lessons and redressing errors without jumping from one extreme to another. By setting free productive forces that were previously held hostage by inefficient central planning, China has come far since the famine-ridden years. Economic growth in the double digits has signified great material wealth

49 Jaggi, p.58-60.
50 Idem, p.60.
51 The Gini coefficient measures inequality among values of a frequency distribution (for example levels of income). A Gini coefficient of zero expresses perfect equality where all values are the same, whereas a Gini coefficient of one expresses maximal inequality among values.
54 Landslowe, p.3.
and, since 2010, China has become the world’s largest exporter.\textsuperscript{55} The redistribution of this wealth, however, has become more unequal.

One question that arises when seeing this immense change is how China fuels economic growth of such magnitude. The first hypothesis of this paper is that there are more trade networks in 2010 than in 1980. It is assumed that many of the natural resources needed for (commodity) production are taken out of Africa and that since China’s shift in course where its economic policy is concerned would have led to more politically significant economic linkages with African countries and, in this paper, the SADC. With this assumption it is also implied that the change in economic system is responsible for this growth in trade networks and that China uses its newfound wealth to dominate the region and, vice versa, its dominance in the region to expand its wealth, in order to exploit its natural resources and last but not least leading to a South-South exploitative dynamic.


3. Theoretical Framework

“Structures are those coral reefs of human relations which have a stable existence over relatively long periods of time. But structures too are born, develop, and die.” -- Immanuel Wallerstein

The previous chapter has shown China’s shift towards a market economy. As the purpose of this paper is to examine whether this shift has had consequences for China’s relationship with the SADC region, it is important to understand exactly how capitalism is conceptualised and what its consequences are. The scope of this paper focuses on the structuralist school, and especially world-systems and dependency theory, which shall be closer examined in this chapter.

Dependency theory is a neo-Marxist perspective that supports the idea that the underdevelopment of Third World nations is a direct consequence of the activities of the First World. It is the result of the incorporation of the economies of the ‘South’ into a capitalist world system which is dominated by the wealthy nations of the ‘North’. The theory came into existence in the late 1950s, with at its cradle Raúl Prebisch, the Director of the United Nations Economic Commission for Latin America at the time. His main concern was that economic growth in industrialised countries did not necessarily lead to growth in poorer regions. In fact, his studies led to believe that economic activity in the wealthier nations often led to economic problems in poorer ones.

Modernisation studies focus on national units and presume that every national unit goes through the same course of development traverse, which will eventually ‘catch up’ with countries in the North. Dependency theorists, on other hand, argue that the wealth of the North is due to the gainful and exploitative relationships they have had with less-developed nations, condemning them to a different path of development in the process. Furthermore, they claim that the world’s unequal development is triggered by a set of economic processes which can be gathered under a single umbrella: capitalism.

3.1 – The conceptualisation of capitalism

Immanuel Wallerstein argues that all the totalities that historically exist (and have existed) are minisystems or world-systems and that for the last four or five centuries, but one world-system existed, which is the capitalist world-economy. He defines the world-system as a multiple cultural system with a single division of labour. Socialist states are part of this single world-system and do not form one of their own and, as such, the developments within these countries are determined by capitalist logic through their interconnection with Western countries.

Wallerstein defines ‘single division of labour’ as a network of exchange relationships. In this network, actors operate under the assumption that the sum of their essential and luxury needs (which are culturally defined) will be met through a combination of their own productive activities and some form of exchange. There are many actors in this network. A capitalist world-economy consists of many institutions, which, when combined, account for the way capitalism functions. The basic institutions are the market(s); the firms competing in these markets; multiple states; households; classes; and identities. All of these institutions are intertwined with each other. This thesis mainly deals with actors on state-level. However, states are not one-dimensional and, as such, it is important to also look at institutions within them, both public and private.

The essential characteristic of the capitalist world-economy is commodity production with the objective to maximise profit. As long as profit can increase, production will be expanded. Markets, both as concrete local structures in which individuals sell goods, as well as virtual institutions across space where the same kind of exchange occurs, are a vital attribute of a capitalist system. A virtual market exists in the world-economy as a whole, but in reality it consists of narrower, ‘protected’ markets, which paradoxically only spur on the endless accumulation of capital.

Max Weber formulated a theory of stratification in which he defines status-group as a group of people (part of society) that can be differentiated on the basis of non-economical qualities like honour, prestige and religion. Such status groups can for example be based on the affiliation with a certain political party or a religion.
For classical economists like Smith, the capitalist mode of production is inherent in mankind. Marxist inspired thinkers tend to view it as one of several possible modes. For Marx, private ownership and control of the major modes of production defined capitalism as a system. What is meant by ‘modes of production’ is the logical foundation of every social system. According to Marx, modes of production were directly related to material production. His focus was on the social relations and institutions, which organise the production and distribution of material goods that are required for the reproduction of a society as it is. More importantly, at the centre of capitalist mode of production is a set of social relations, that allows for a class of exploiters (bourgeoisie) to commandeer surplus product from a class of direct producers (proletariat). Interestingly, in China the set of social relations is Janus-faced, raising questions as to the relationship between the bourgeoisie and the proletariat in the setting, both domestically, and more importantly for this thesis, on an inter-state level.

Karl Polanyi arrives at a concept that is related to that of Marx, but somewhat different. He drafts three modes of societal integration to characterise exchange in different types of societies. These three modes are:

- The normative mode deals with reciprocity and distribution of resources according to culturally agreed upon rules. This can be found in communal or stateless societies.
- The political mode deals with politically determined distribution of goods, which has emerged after states monopolised legitimate violence. Thus it is states (governments) who extract surplus product from direct producers in this case, leading to the notion that state-formation cannot be separated from class-formation.
- The price-setting market mode deals with exchange that is regulated according to custom (i.e. reciprocity) or law (i.e. redistribution). It is thus not identical with all

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64 Ibidem.
66 Chase-Dunn (1989), pp. 15
67 Ibidem
68 Idem, pp. 15-16.
exchange, nor is it ‘natural’. It is, rather, an accumulation of different kinds of exchange in different societies which are culturally and historically determined.\textsuperscript{69}

Following Polanyi, Wallerstein agrees that exchange is not just exchange, but is institutionally underpinned. In some cases, these foundations are customary, others politically determined and some exist in the context of a price-setting market. This then connects with Marx’s idea that the core of capitalism lays in commodity production for the market.\textsuperscript{70}

However, where Marx believes that in the case of fully developed capitalism the state does not interfere with the markets, Wallerstein argues that states are more directly involved in the process of accumulation and are also politically and militarily in competition with one another. World-economies are missing the unifying factor of an overarching and, as such, unifying political or cultural structure and are held together by the value of the division of labour, which in the words of Wallerstein is “a function of the constantly expanding wealth that a capitalist system provides.”\textsuperscript{71} However, the only way a capitalist system can exist is within the framework of a world-economy. In doing so, it calls for a special relationship between economic producers and the political elite, one with a delicate balance, for if the political elite is too strong, its interests will override those of economic producers and the endless accumulation of power will no longer be a priority.\textsuperscript{72} How this tightrope dance plays out and who has the lead in it shall be discussed in the following chapters.

What capitalism needs is large markets and an array of states so that producers can gain advantages through cooperation with states that complement their interests, while evading those that are not.\textsuperscript{73} Therefore, domination in the capitalist mode of production is not solely defined by the condition of \textit{laissez faire}, but determined through a combination of the creation of economical advantage and political-military rivalry.\textsuperscript{74} The machinations of this rapport shall be further studied in the following chapters.

\textbf{3.3 – Modes of accumulation}

Barry K. Gills and Andre Gunder Frank go off on a slightly different tangent. Instead of looking at modes of production like Marx did, Gills and Frank opt to look at modes of accumulation. They choose to study modes of accumulation rather than modes of production,

\textsuperscript{69} Idem, pp. 16.
\textsuperscript{70} Idem, pp. 18.
\textsuperscript{71} Wallerstein (2004), pp. 24.
\textsuperscript{72} Ibidem.
\textsuperscript{73} Ibidem.
\textsuperscript{74} C.K. Chase-Dunn, \textit{Socialist States in the World-System}, (Beverly Hills: SAGE Publications Ltd. 1982), pp. 11.
because production is a means to an end, i.e. consumption and accumulation. These, however, are not isolated. They do not only take place within a specific zone of the world-system. Therefore it is imperative to study the interactions between different zones in the world-system. One also cannot simply separate agricultural and industrial modes of accumulation as they have both been present since even the archaic phases of the world-system. Gills and Frank make the distinction between four types of private and public accumulation. These are:

- Dominant private accumulation (the state facilitates private accumulation)
- Dominant state accumulation (the private accumulation facilitates state accumulation)
- All private accumulation.
- All state accumulation.

In the case of state accumulation, there is often a larger scale and greater potential capabilities to extract surplus than in a case of private accumulation, because the state centralises it. This is the reason why ‘imperialism’ is such an attractive means of accumulation. The fact that the state centralises accumulation more than private accumulation does lead to public and private elites being interlocked in a conflict over the redistribution of the surplus. Both the private and the state elites struggle to form a coalition, which would allow them to cooperate and to use the political apparatus to establish the dominant mode of accumulation. This liaison, and the fluctuations within it, is a key dimension of the cycles of accumulation. The public, private, redistributive and market modes of accumulation do not usually exist in isolation. China finds itself in a special position when it comes to this. After all, it has a market-oriented economy, in which *laissez faire* terms should operate freely. However, the central government in China is still very much in control of (large) corporations and their operations.

Accumulation entails infrastructural investment and technological development. Infrastructural investment can be found in many types and in many sectors, such as agriculture, transportation, communications, the military, industrial and manufacturing

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76 Gills and Frank, pp. 98
77 Ibidem.
78 Ibidem, pp. 99
79 Ibidem.
80 Ibidem.
81 Ibidem.
infrastructure and bureaucratic administration.\footnote{idem, pp. 90.} One can even find a kind of investment in ideological (symbolic infrastructure), i.e. the cult of the state and of religion.

The states incentive is to create social wealth, so that it can consecutively extract it. The state lays the foundation for increasing production and, in turn, increases its own surplus and with it its potential capabilities in relation to other states to protect its current surplus and to enhance it further.\footnote{idem.} Similarly, the private property-owning elites create wealth, in order to be able to extort it and to invest it into infrastructure to facilitate production, and, in turn, accumulation. In both the private and public form, the motivation of these investments is, in the words of Gills and Frank, “to preserve, enhance, and expand the basis of accumulation itself.”\footnote{idem.} The fusion of Chinese private and public sectors, as well as its marginal separation through the decades, makes for an interesting study and somewhat of a double bind. Are Chinese corporations operating in favour of the state? Or is the Chinese state operating in favour of the corporations?

The development of technology – and sequentially the infrastructure it makes possible – are interconnected with accumulation and the production of a surplus, which is used to further develop technology and infrastructure cumulatively in a spiral-like pattern.\footnote{idem.} This can, to an extent, be seen in the previous chapter. China’s interest was to develop its infrastructure and obtain technological knowhow to optimise its production and profits, so they could be invested (back) and spur China’s growth further.

Technological innovation in production techniques, trade and organisation have played an important role in the history of the world system and in the alteration of relations between different parts of this system. The fluctuations in technological progress in civil, as well as military sectors have had a sizeable contributory effect to regional and other relations of inequality within the world system. From its onset, this world system has depended on technological capabilities, both when thinking of military superiority, as the Industrial Revolution.\footnote{idem, pp. 90-92.} This is in line with Wallerstein’s train of thought about the influences that play a part in the capitalist world-system as described in the previous section.
Production is divided into core-like products and peripheral products through an axial division of labour. This makes core-periphery a relational model. The degree of profitability in the production processes plays a large part in this. Some kind of symbiotic relationship exists between profitability and monopolisation. The production processes of the core are those that are controlled by quasi-monopolies and peripheral processes are those that are truly competitive. Competitive products are in a relatively weak position and quasi-monopolised in a strong one. Consequently, there is a constant flow of surplus value from peripheral producers to core producers, which is defined as unequal exchange.

Where Ricardo is concerned, differences in terms of trade can only occur within the limits of comparative costs and, as such, a state can lose out relatively to its trade partner, but it will not become poorer in absolute terms. Emmanuel wanted to disprove this Ricardian idea that international trade was beneficial to both sides.

He argues that the capitalist world market is dominated by a distinct law of price formation, which consequentially leads to unequal rewarding of the factors, and especially the factor labour and unavoidably causes unequal exchange. This same inequality in rewards disadvantages the periphery. The inequality, in exchange, increases with time because the terms of trade tend to worsen. As such, unequal exchange leads to underdevelopment.

According to Emmanuel, there are two reasons for unequal exchange. One occurs due to differences among sectors in the organic composition of capital. The other occurs due to differences among sectors in average wages paid for equivalent kinds of work.

Chase-Dunn sees the core and peripheral activities as a continuum of relatively capital intensive versus labour intensive forms of production. Amin agrees that a noteworthy component of exploitation of the periphery is the product of monopolisation of more productive technologies at the core. Wallerstein, on other hand, argues that the reproduction

88 Ibidem.
90 Emmanuel, pp. 274
92 Chase-Dunn (1989), pp. 211
of non-wage forms of exploitation in the periphery are the main reason for the continuation of the core/periphery hierarchy.\textsuperscript{94}

The semi-periphery then finds itself in the middle of the continuum of core/periphery. In doing so, its economy exhibits a balance of both core-like production as peripheral production. There are no semi-peripheral activities as such. The notion that an intermediate position exists on this scale depolarises the core/periphery hierarchy and consequently reduces potential conflict “along the core/periphery dimension of inequality.”\textsuperscript{95} Chase-Dunn argues that the core/periphery hierarchy is necessary for capitalism because of the political effects that exploitation of the periphery by the core has.\textsuperscript{96}

3.5 – Stages of Capitalism

Both ‘classical’ Marxists and recent ones, who study the world-system, claim that capitalist development knows stages in which the features of core capital and its relationship to peripheral areas changes. Szymanski distinguishes four stages of imperialism: non-capitalist mercantile imperialism (1500 to approx. 1800); competitive capitalist imperialism (1840 – 1880); early monopoly capitalist imperialism (1890 – 1960s); late monopoly capitalist imperialism (1960s – onwards).\textsuperscript{97} According to Amin, there are two main stages of evolution in capitalism. The first was marked by the Industrial Revolution of which the main incentives were the accumulation of monetary wealth and proletarianisation at the core. The second was marked by imperialism as defined by Lenin.\textsuperscript{98,99,100} It was the concentration of capital in monopolies that made the export of capital to the periphery possible, because before the emergence of monopolies, capital could not emigrate without the emigration of the capitalist itself, due to the system of family enterprises.\textsuperscript{101} Capital exports to the periphery brought

\textsuperscript{94} Chase-Dunn (1989), pp. 233
\textsuperscript{95} Idem, pp. 210-211
\textsuperscript{96} Idem, pp. 243
\textsuperscript{97} A. Szymanski, The Logic of Imperialism. (New York: Praeger 1981), pp. 95.
\textsuperscript{98} Amin (1977) pp. 229.
\textsuperscript{99} Lenin defined imperialism as the highest stage of capitalism in his homonymous work: Imperialism, the Highest Stage of Capitalism (1917). He built on Marx’s theory and described how investment and exportation to peripheral countries was used to warrant greater profits. Lenin was convinced that this was the final stage of capitalism, because geopolitical expansion is finite and would eventually result in conflict and ignite a revolution under the proletariat both in core countries as in the periphery.
\textsuperscript{100} It should be noted, perhaps superfluously, that imperialism ought not to be confused with colonialism. Though both terms indicate political and economic suppression of another nation, imperialism implies the policy of a core country expanding its domain by military conquest, political or economic domination, or colonisation, whereas colonialism is the policy by which one nation controls a dependent area or people. So as post-colonial theorist Robert Young stated: imperialism is the concept of which colonialism is the practice.
\textsuperscript{101} Amin (1979), pp. 230.
about the development of primary export sectors, while the periphery maintained the pre-capitalist modes of organisation. This was the beginning of unequal exchange.\textsuperscript{102} Primary exports were the main source of growth, while imports consisted of manufactured consumer goods, thwarting peripheral industrialisation.\textsuperscript{103}

Another way of looking at the stages of capitalism is to periodise development in terms of processes of the system as a whole: invariable qualities, cyclic processes, and secular trends. In this case, the relationship between core and periphery is seen as of paramount importance to capitalism as a system. In this regard, imperialism, including colonialism, direct investment, core/periphery trade, and neo-colonialism, is seen as being essential to the functioning of the capitalist mode of production.\textsuperscript{104} Included in the capitalist system are both the expanded reproduction and the primary accumulation in the periphery.\textsuperscript{105} The state as well as the inter-state system constitute the major constitutional support of capitalist production relations in a structure of unequally powerful and competing nation states. This is in line with Wallerstein’s argument that geopolitical and economic competition are connected in capitalist dynamics.\textsuperscript{106}

Wallerstein distinguishes four epochs of capitalism from 1450 to present. The first period signifies transition from feudalism to capitalism in Europe. During this time, a stable institutional basis for capitalism had yet to be formed.\textsuperscript{107} The second epoch signifies a stagnation of the world-economy. The third epoch signifies the final expansion of the capitalist system to the whole world and its consolidation (including the Industrial Revolution, rapid urbanisation of the core). This period was followed by the fourth epoch from 1917 to present, which, according to Wallerstein, is the final solidification of the system, indicating a period of instability or crisis and will eventually lead to an entirely different kind of system.\textsuperscript{108} This corresponds with Lenin’s idea that core countries must resort to re-division of territory that has already been colonised, when expansion hits its ceiling. An even larger constraint on the system is exercised by the formal sovereignty of nearly the whole periphery, which means that competing core countries have to rival for access to the periphery by offering better socio-economic/political conditions.\textsuperscript{109} This reasoning could also be turned around in that peripheries vie for the ‘attention’ of core countries by offering better conditions for them,

\begin{thebibliography}{9}
\bibitem{102} Idem, pp. 232.
\bibitem{103} Ibidem.
\bibitem{104} Chase-Dunn (1989), pp. 60.
\bibitem{105} Idem, pp. 61.
\bibitem{106} Ibidem.
\bibitem{107} Chase-Dunn (1989), pp. 62
\bibitem{108} Ibidem.
\bibitem{109} Idem, pp. 63.
\end{thebibliography}
such as lower environmental standards, tax-exemptions, etc., thwarting their own development.

3.6 – Conclusion

So far this paper has sketched a historical background of the reforms undergone by China in the past thirty-five years, leading to the emergence of a state which exploits both a capitalist economy and a communist ideology. The switch towards a market economy has led to immense economic growth. The main question of this research paper is whether this shift has led to China developing more dominating relationships with the countries of the SADC, creating an exploitative dynamic, such as that which has existed between the North and South, and facilitating underdevelopment. To be able to study this it is of paramount importance is the concept of capitalism itself, which has been elaborated in this chapter.

Historically, the world-systems theory emerged from a dissatisfaction with the dominant modes of historical research and social science theory, which tended to take the state as the basic unit of analysis. Therefore, world-systems theory aims to rewrite the history and development of a singular world-system.

For Wallerstein, all the totalities that have existed could be classified as mini-systems or world-system, the one that everyone has been part of for the last five centuries being that of the capitalist world-economy. Its main characteristic is commodity production with the goal of profit-maximisation. For Marx, this is directly connected to modes of production and their private ownership, causing a class-division. The next chapters will determine how much China is driven by profit-maximisation, and what the role of the SADC plays in this quest. As stated in the hypotheses in the introduction, it is assumed that as reforms made headway, politically significant trade networks increased, between 1980 and 2010. It is also expected that within these networks China gained a dominant and exploitative position. This leads to the hypothesis that a capitalist system does not only determine social and political relations between the North and South, but also within the South itself.

According to Gills and Gunder Frank, modes of production are a means to an end, namely accumulation and distinguish four different types of accumulation. In their case, it is the state that has a greater chance of accumulation, because it has greater capabilities to extract surplus than in the case of private accumulation. In both cases, however, the capitalist world-system is a combination of laissez faire and political-military rivalry. China seems to be the literal embodiment of this assumption, for, albeit operating under market-capitalist
principles, China’s Communist Party is still in control of the thermostat of China’s economic climate. After all, it was the Party that jumpstarted the reforms, and it is still the Party which dictates further policy in, for example, its Five-Year-Plans.

Production is divided into core-, peripheral, and semi-peripheral parts through a division of labour. This relational model implies unequal exchange, due to the difference in surplus extraction from capital intensive versus labour intensive forms of production. It is assumed that to fuel its economy, China’s primary goal is to

Finally, capitalist development knows stages or cycles that signify capitalist expansion and interstate competition which intensifies as expansion hits a physical ceiling. Formal sovereignty of most of the periphery makes the rivalry for new ‘colonies’ a complicated game of socio-economical and political bargaining. An important question in today’s development economics is whether the periphery can make the bargains work to its advantage. This issue will be investigated further in chapters four to six.

Following this chapter, the four hypotheses have to be confirmed, in order for the theory to be applicable in the case of China and SADC – a South-South dynamic. China’s shift towards a market economy should lead to patterns of dominance and China’s policy of Sino-African relations should back this up by policies that enforce that pattern. So, firstly, this paper shall attempt to investigate whether China’s move towards the market-economy is a factor in unequal development in the SADC region by adding a quantifiable dimension to this thesis in the form of the pattern approach as designed by Valentino Piana, in the next chapter.
4. Methodology and Data

“No man is an island, entire of itself...any man's death diminishes me, because I am involved in mankind; and therefore never send to know for whom the bell tolls; it tolls for thee.”

– John Donne (1572-1631)

What John Donne meant to say with this quote is that human beings do not thrive when isolated from others. Networks shape the world, be it in a social or in a mathematical sense. Globalisation is then nothing more than an intensification of these relationships between different agents (i.e. people, companies, cities, regions, countries, etc.). In the previous chapter, Wallerstein’s definition of ‘single division of labour’ was given as ‘a network of exchange relationships, operating under the assumption that the sum of their essential and luxury needs will be met through a combination of their own production and some form of exchange’. By representing the world as a network, a structure is created, a world-system, in which every country is a node in this network.

There are no boundaries as to how simple or complex a network can be drawn. However, the predicament arises when wanting to draw it thoroughly enough to show complex relationships, while keeping it simple enough to make it possible to study it both visually and qualitatively. This is the main reason why, in this paper, the choice has been made to use but a part of the world economy and to zoom in on the relationship between China and the SADC region. The networks between the countries of the SADC region and China are drawn using the method of Valentino Piana, which shall be explained in the rest of this chapter.

4.1 – The pattern approach

Valentino Piana presents a new technique of analysis of trade values which, in his study, reveals the asymmetric structure of relationships among countries in line with Wallerstein’s world-systems analysis. This so-called pattern approach looks at the reciprocal importance (of


113 Valentino Piana is the director of the Economics Web Institute. He has been teaching Macroeconomics and Microeconomics at the Cracow University of Economics and Management at a private business school. He is also the coordinator of the Scientific Committee of Ecoquartierei per l’Italia and the author of several books.
different gradations) that two agents attach to each other.\textsuperscript{114} He analysed 64 countries which together represent 97 percent of the global GDP and 85 percent of the global population.\textsuperscript{115} From this he drew a hierarchical list that is based not on a country’s shares in world exports and imports. The network analysis allows to group countries’ strength balance with its partners.\textsuperscript{116}

International trade is usually measured using the monetary value of exports and imports between countries. This makes trade relationships comparable to valued links in a network.\textsuperscript{117} In international economic and political relations, major trade partners hold more importance to bounded-rational governments than minor ones and, as such, inspire preferential treatment. Consequently, inherent to this relationship is a potential for influence, either that of being influenced or that of influencing. These relations are not symmetric per se, leading to a hierarchical system.\textsuperscript{118}

Piana takes two actions to formalise his approach. Firstly, he simplifies the data at national level by discriminating major trade partners from the rest.\textsuperscript{119} He does this because one could find some measure of trade between any two countries, but relatively few of these trade relations are actually politically sensitive.\textsuperscript{120} Secondly, he merges the information that results from the previous simplification and draws four conditions between two trade partners that can be either true or false:\textsuperscript{121}

1. For B, A is a major export destination.
2. For B, A is a major import source.
3. For A, B is a major export destination.
4. For A, B is a major import source.

For every ‘true’ condition, the score of 1 is given. For every ‘false’ condition a score of zero is given. By putting these numbers one after the other, a two-country pattern is obtained, ranging from 0000 (i.e. complete absence of relations) to 1111 (i.e. integration, whereby there is a reciprocal relationship between trade partners). The following scores are possible:\textsuperscript{122}

\begin{itemize}
  \item Piana (2006), pp.9.
  \item Piana (2004), pp.1.
  \item Ibidem.
  \item Idem, pp. 1-2.
  \item Piana (2006), pp. 11.
  \item Ibidem.
  \item Ibidem.
  \item Ibidem.
  \item Piana (2004), pp.3-4.
\end{itemize}
<table>
<thead>
<tr>
<th>Type of relationship</th>
<th>Binary description</th>
<th>Qualitative description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence of relationships</td>
<td>0000</td>
<td>The countries &quot;ignore&quot; each other.</td>
</tr>
<tr>
<td>Dependence</td>
<td>0011</td>
<td>B is very important to A, but not vice versa.</td>
</tr>
<tr>
<td>Source dependence</td>
<td>0001</td>
<td>B is an important provider for A.</td>
</tr>
<tr>
<td>Destination dependence</td>
<td>0010</td>
<td>B is an important market for A.</td>
</tr>
<tr>
<td>Dependent source interconnection</td>
<td>0111</td>
<td>A depends on B, but B only needs A as a source of supply.</td>
</tr>
<tr>
<td>Dependent destination interconnection</td>
<td>1011</td>
<td>A is very important to B, but A needs B only as a destination.</td>
</tr>
<tr>
<td>Integration</td>
<td>1111</td>
<td>A and B need each other equally.</td>
</tr>
<tr>
<td>Destination integration</td>
<td>1010</td>
<td>A and B both need each other as exporters.</td>
</tr>
<tr>
<td>Source integration</td>
<td>0101</td>
<td>A and B both needs each other as providers.</td>
</tr>
<tr>
<td>Mono out- integration</td>
<td>0110</td>
<td>One flow is important for both: A’s exports to B.</td>
</tr>
<tr>
<td>Mono in- integration</td>
<td>1001</td>
<td>One flow is important for both: B’s exports to A.</td>
</tr>
<tr>
<td>Dominant destination interconnection</td>
<td>1110</td>
<td>A is very important to B, but A needs B only as a destination.</td>
</tr>
<tr>
<td>Source dominance</td>
<td>0100</td>
<td>A is an important provider of B, but not vice versa.</td>
</tr>
<tr>
<td>Destination dominance</td>
<td>1000</td>
<td>A is an important destination for B, but not vice versa.</td>
</tr>
<tr>
<td>Dominant source interconnection</td>
<td>1101</td>
<td>A is very important to B, but A only needs B as a source.</td>
</tr>
<tr>
<td>Dominance</td>
<td>1100</td>
<td>A is very important to B and can afford to ignore it.</td>
</tr>
</tbody>
</table>

Table 1. List of 16 patterns as created by Valentino Piana.

Using this binary system, a pattern matrix can be created, comprehending the pattern of relationships involving each couple of countries.
Piana builds a one-dimensional, so-called Strength Index to compare and measure nations. He gives scores to each pattern and then counts how many relations a country has of each kind.

Naturally, there are many more factors that could be taken into consideration when attempting to calculate a ‘balance of strength’, such as FDI, cultural and historical linkages, distance, political distance in the course taken by the respective governments, etc. However, purposefully interpreting trade data between two nations provides a summary of the reality of hierarchy. If country B is a major export market for country A, the economic conditions of B will significantly affect the exports of A.

This method then draws a map in which different countries are defined according to their relative roles. The core exists of countries that dominate others. The periphery exists of the countries that do not wield any domination over other countries. The semi-periphery consists of a set of countries which are being dominated by at least one country, while simultaneously dominating others. In addition to these, Piana adds a fourth category, that of the ‘independent’, consisting out of countries that are outside any domination-dependent relationship.\(^\text{123}\)

4.2 — Data

The data used in this research paper hails from Trade Map. Trade Map was developed by the International Trade Centre UNCTAD/WTO (ITC) to research the competitiveness of national and sectoral trade performance and identify priority products and markets for trade development, as well as aiding the understanding of the structure and evolution of international markets.\(^\text{124}\) Trade Map contains different sources of information. The largest source is UN COMTRADE, maintained by the United Nations Statistics Division (UNSD). UN COMTRADE covers over 90 percent of the world trade. Other sources of data that Trade Map employs that are relevant for this paper are: Angola Permanent Mission to the United Nations in Geneva, the Direcção Nacional das Alfândegas de Angola, Central Statistics Office of Mauritius, Export Board of Zambia, Central Statistics Office, South African revenue services (SARS), and Bureau National des Statistiques des Seychelles.\(^\text{125}\)

Most countries report their own data to UN COMTRADE, however over 50 low-income countries do not. Trade Map has reconstructed the trade statistics of these countries on the basis of data reported by partner countries or mirror statistics. Granted, using mirror

\(^{123}\) Piana (2006), pp. 14-15
statistics has its downsides, which are discussed in Annex I. Even if using mirror statistics has its shortcomings, it does generate information which would otherwise would be unavailable. This mix of direct and mirror statistics gives the best estimation of the worldwide market for all products.\textsuperscript{126}

4.3 – Product classification

Next to the total trade sum, the data used in this paper shall be structured using the Standard International Trade Classification (SITC) of the UN. The SITC is a nomenclature of goods used to classify the exports and imports of a country, maintained by the United Nations, to enable comparing different countries and years. This commodity classification system reflects 1) the materials used in production, (2) the processing stage (3) market practices and uses of the products, (4) the importance of the commodities in terms of world trade, and (5) technological changes.\textsuperscript{127}

The STIC nomenclature is as follows:

0 – Food and live animals
1 – Beverages and tobacco
2 – Crude materials, inedible, except fuels
3 – Mineral fuels, lubricants and related materials
4 – Animal and vegetable oils, fats and waxes
5 – Chemicals and related products (not elsewhere specified)
6 – Manufactured goods classified chiefly by material
7 – Machinery and transport equipment
8 -- Miscellaneous manufactured articles
9 – Commodities not classified elsewhere in the SITC

Assuming that China is present in certain countries to obtain certain products, this configuration ought to provide a clearer image of the way the networks and, in turn, China’s position are structured than Piana’s ‘total trade’ pattern approach. However, due to the limited size of this paper these classifications will be further grouped into bigger product groups. The

\textsuperscript{126} Trade Map User Guide, p. 2.
first group consists of classifications 0,1 and 2. The second, third, fourth, fifth, sixth and seventh group shall be 3,4,5,6 and 7, respectively. The eighth group shall consist of 8 and 9.

4.4 – Conclusion

Piana’s pattern approach connects world-systems theory to a quantitative analysis. Both Piana as Wallerstein see the world-system as a network of exchange relationships. However, while Wallerstein’s argumentation is historically underpinned, Piana adds a tangible aspect by using monetary value of exports and imports to map the hierarchical ranks of trading partners. This method makes it possible to give a concrete answer to the first sub-question: How did the trade networks between China and the SADC region look in – and change between- 1980, 1990, 2000 and 2010, respectively? The answer to this question paves the road to answering the remaining two sub-questions: To what extent does the shift in networks correlate with China’s move towards a (hybrid) market economy, and to what extent can China’s increasing presence in the SADC region be seen as exploitative? The expectation, as seen in the first hypothesis, is that there will be more trade networks in 2010 than there were in 1980. Also, keeping the third hypothesis in mind, it is expected that the patterns resulting from the trade networks shall signify an increasingly dominant position for China in the SADC.

Even though there are downsides to the pattern approach due to imperfect statistical data, information can be generated from, for example, mirror statistics. The data used comes from Trade Map, and particularly UN COMTRADE, and will be further classified using the SITC system. Hereby, certain product clusters shall be grouped together. The following chapter lists the results of this statistical endeavour.
5. The Results

“To understand is to perceive patterns.”
- Isaiah Berlin

This chapter presents the results obtained by the use of the pattern approach method as described in chapter 4. Four points in time at ten year intervals from 1980 to 2010 have been taken to track the alteration in trade patterns. Seeing as there is almost always some semblance of trade between two countries, the choice has been made to look at the top ten exporters / importers for every product group and total. If a country is one of the top ten exporters and/or importers for its partner the score of 1 is given; if not, a score of 0 is given. The countries used in this case study are the fifteen members of the SADC and China. All results are based on trade expressed in monetary terms.

With these results, the first sub-question will be answered: How did the trade networks between China and SADC region look in - and change between- 1980, 1990, 2000 and 2010, respectively? The answer to this question shall lead to the confirmation or disproval of the first hypothesis: There are more trade networks between China and the SADC region in 2010 than there were in 1980.

5.1 – Trade Patterns in 1980

Figure 3 lists all the trade patterns between China and the different countries of the SADC for each commodity group using the SITC nomenclature as well as the total. As described in the previous chapter, a pattern consisting of four numbers (either 0 or 1) has been obtained by either confirming or disproving the following premises:

1. For B, A is a major export destination.
2. For B, A is a major import source.
3. For A, B is a major export destination.
4. For A, B is a major import source.

In this case A stands for China and B for any of the SADC countries.
<table>
<thead>
<tr>
<th></th>
<th>China Trade composition according to SITC</th>
<th></th>
<th></th>
<th></th>
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<td>0100</td>
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</tr>
</tbody>
</table>

|                |                |        |        |        |        |        |        |        |        |              |

Table 2. Trade patterns between China and the SADC countries (listed alphabetically) in 1980. The commodity composition has been split according to the SITC method. The patterns given in red include trade with Hong Kong.¹³²

¹²⁸ Due to lack of (mirror) statistics for the year 1980 in the case of Mauritius, the year 1978 has been used.
¹²⁹ For the countries South Africa, Botswana, Lesotho, Namibia and Swaziland, there are no individual statistics until the year 2000. They are, however present (albeit incomplete) for the South African Customs Union (SACU), a common customs union that has been established in 1910 by these 5 countries.
¹³⁰ Due to lack of (mirror) statistics for the year 1980 in the case of Zambia, the year 1979 has been used.
¹³¹ Due to lack of (mirror) statistics for the year 1980 in the case of Zimbabwe, the year 1984 has been used.
¹³² The patterns given in red include the country’s trade with Hong Kong. Seeing as Hong Kong is a special administrative regions (SAR) of The People’s Republic of China its trade is listed separately, but as it is still a part of China it cannot be disregarded completely. However, because this paper deals with the Chinese economic and political system and Hong Kong finds itself in an idiosyncratic position under the ‘one country, two systems’ policy, the choice has been made to leave it out of the equation in the body of this paper. Nevertheless, Hong Kong’s special position and the diverging patterns are discussed in Annex II.
In table 3, it can be seen that there are four out of the possible sixteen patterns present: Absence of relationships (0000), source dominance (0100), destination dominance (1000), and dominance (1100). In 1980, the predominant pattern is that of 0000, absence of relationships. It must be noted that this does not mean that there is no trade whatsoever between the SADC countries and China. This merely means that neither of the partners is in the top ten countries of import and/or export. The lack of patterns corresponds with China’s isolation prior to 1978. At the onset of the reforms China’s opening was mostly directed inwards. As stated in chapter 2, at the beginning, the emphasis was on attracting foreign direct investments (FDIs), technology and know how, and export-promotion to make way for wider market-oriented reforms. A second explanation could be, that because of China’s own underdeveloped economy, there was a significant profit-maximisation margin in China itself, and expansion overseas was not yet necessary.

Of secondary importance is source dominance (highlighted in yellow) in manufactured goods (Congo, Madagascar, Mauritius, Seychelles, and Tanzania). To a lesser extent, source dominance can also be found in chemicals, mineral fuels, lubricants, animal and vegetable oils, fats and waxes, and food and beverages. Mauritius, with five source dominant patterns, is by far the most dependent on China as an import source, followed by Madagascar and Seychelles. These are all primary commodities in line with the argument that inherent in the capitalist system is primary accumulation in the periphery as well as its reproduction by this fact.

<table>
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</tr>
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<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Zambia</td>
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<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>7</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 3. All the patterns between China and the SADC that were found in the data from 1980.
The third most common pattern is that of destination dominance (1000). Especially Zambia is dependent on China as an export destination for (miscellaneous) manufactured goods, machinery and transport equipment, of which the exported amount is large enough to make Zambia also destination dominated by China in its total exports. Once more this is in line with the assumption that primary goods are imported from the periphery. These primary imports are then processed into manufactured goods with added value, and (partly) exported back to the periphery where they are sold for profit. The least prominent of the existent patterns is that of dominance (1100), in which China is very important to – in this case – Tanzania and can afford to ignore it when it comes to chemicals and related products. This is in line with the primary accumulation argument. However, seeing as it is, for now, the only dominance pattern, it is a bit early to state that since China’s opening the amount of trade networks increased, and the patterns in these networks gained dominance.

Furthermore, it must be noted that there is some missing data, which makes it hard to make a full analysis. Mozambique has not reported its trade data for the year 1980 and surrounding years. For the year 1980 and the closely surrounding years, SACU only listed the total exports, without listing the different countries that made up the total. This was the case with all the SITC sections except for the total. In the case of Mauritius, Zambia and Zimbabwe years close to 1980 have been taken to make up for the lack of statistics in 1980. Another problem thwarting full analysis is that some countries only list their imports, and others only their exports, making it impossible to produce a full binary trade pattern with each three source dominance patterns.

5.1.1 – Conclusion

One can conclude that, in 1980, there were relatively few trade linkages that could be called politically significant between China and the SADC. Those that were politically significant were either source or destination dominant. In neither product group nor the total does the SADC form a principal source or a destination for China. This is perhaps not surprising, as China opened its economy only two years prior and the liberalisation is not yet far-reaching. Also, as can be seen in chapter 2 and will be further explained in chapter 6, China started out with domestic reforms first, only gradually opening up to the global market. Assuming that China’s shift towards the market economy correlates with its economic expansion in the SADC region, China’s presence would have been marginal. At this point, China’s overall position in the SADC region is not one of (politically significant) economic dominance and exploitation,
and, as will be explained in chapter 6, is driven by ideological goals rather than economic ones. As such, at this point, little can be said as to the validity of the hypothesis, that China’s shift towards a market economy correlates with China’s economic expansion in the SADC, nor that China’s position in the SADC region is one of dominance and exploitation. The next sub-chapter deals with the year 1990. The expectation is that there will be more politically significant patterns than there were in 1980, as reforms had time to progress and the growth of China’s economy would make expansion necessary.

5.2 – Trade Patterns in 1990

<table>
<thead>
<tr>
<th></th>
<th>China Trade composition according to SITC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0,1</td>
</tr>
<tr>
<td>Angola</td>
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</tr>
<tr>
<td>Congo</td>
<td>0000/0000</td>
</tr>
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<td>Madagascar</td>
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</tr>
<tr>
<td>Malawi</td>
<td>0000</td>
</tr>
<tr>
<td>Mauritius</td>
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</tr>
<tr>
<td>Mozambique(^133)</td>
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</tr>
<tr>
<td>SACU</td>
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</tr>
<tr>
<td>Seychelles(^134)</td>
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</tr>
<tr>
<td>Tanzania</td>
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</tr>
<tr>
<td>Zambia</td>
<td>-000</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>0000</td>
</tr>
</tbody>
</table>

Table 4: Trade patterns between China and the SADC countries (listed alphabetically) in 1990. Commodity composition split according to the SITC nomenclature. The patterns given in red include trade with Hong Kong.\(^135\)

\(^133\) Due to lack of (mirror) statistics for the year 1990 in the case of Mozambique, the year 1994 has been used.

\(^134\) Due to lack of (mirror) statistics for the year 1990 in the case of the Seychelles, the year 1992 has been used.

\(^135\) See footnote 132 and Annex II.
Like in 1980, in 1990 most relationships are those of absence of relationships (0000). In fact this pattern has grown. This is not in line with the hypothesis that there are more trade networks between China and the SADC between 1980 and 2010. The expectation was a gradual growth through the decades. A possible explanation could be the one given in the previous sub-chapter, namely that China is still focussed on inward development. Another possible explanation is the impending economic crisis in 1990, which was briefly discussed in chapter 2. The vastly growing demand and production led to rising inflation, political upheaval, and an economy that was on the brink of overheating. Recentralisation of prices was implemented to cool down the economy, but this led to an industrial slow down, losses for state-owned enterprise, debt-escalation, etc. Seeing as in 1980 the most prominent trade was that in manufactured goods, the industrial backlash to the reforms in China could explain why the patterns are not following the path intended by the hypothesis of this paper.

The second relationship in prevalence is that of source dominance (0100). Both in 1980 and in 1990, this pattern can be found 15 times\textsuperscript{136}. However, in 1990 these are spread out over more countries than in 1980. Aside from Mauritius, who still has five source dominant patterns, the rest of the SADC has one or two of those. The Seychelles have joined Mauritius, importing food, live animal, beverages and tobacco from China. On top of that, by 1990 the Seychelles also imported crude materials (except fuel), but China was no longer a main import source of animal and vegetable oils, fats and waxes. For Madagascar, China became an important source of mineral fuels, lubricants, and related materials, but lost importance as a source of manufactured goods. However, for Tanzania, China gained importance as a source of manufactured goods. The overall loss of importance in source dominance of manufactured goods and rise in more primary goods is notable.

\textsuperscript{136} Due to the fact that some countries only report their exports and/or imports a guess had to be made as to what the most likely outcome would be for several countries. The countries with which this is the case have an apteryx behind the number of patterns.
Table 5. All the patterns between China and the SADC that were found in the data from 1990.

<table>
<thead>
<tr>
<th></th>
<th>China</th>
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<tbody>
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<td>Congo</td>
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<td>Zimbabwe</td>
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</tbody>
</table>

The third and last pattern present is that of destination dominance (1000). As opposed to 1980, this pattern all but vanished by 1990. For Madagascar, China became a major export destination for crude materials (except fuel) and with that it is the only clear destination dominance remaining. For Tanzania, Zimbabwe and Zambia, other countries gained importance and pushed China out of the top ten. One would expect that, since Angola signed trade agreements with China in the late 1980s\(^\text{137}\) and is a major oil exporter, the pattern 1000 would show up in the case of mineral fuels, lubricants, and related materials. Unfortunately, Angola has reported close to no export data and there are also no mirror statistics at hand in order to validate this assumption. Here, too, the industrial slow down in China is a feasible explanation for the drop in exports.

The pattern of dominance (1100) is no longer present in 1990. Tanzania’s trade data is unfortunately incomplete and though one can certainly state that, with regard to chemicals and related products, China is no longer a major import source, it is hard to judge whether this is also the case with China as export destination of the same products. What can be said with certainty is that, when looking at the importance China ascribes to the SADC region, nothing has changed. None of the countries is a major import source or export destination when

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looking at China’s total world imports/exports. If anything, the SADCs importance for China seems to have lost merit.

5.2.1 – Conclusion

To sum up, the make up of 0000 and 0100 patterns is similar, albeit there are more 0000 patterns and there have been some shifts in the 0100 pattern. Pattern 1000 has all but disappeared and 1100 is not present at all anymore. One could say that in this point in time, China’s importance as an import source/ export destination has gone down for the region. For China, the SADC has not won enough significant importance to show in its top ten export/import partners. This could be explained by the overheating of the Chinese economy at the time which led to an industrial slow-down.

The drop in significant patterns does not compute with the hypothesis that the number of trade networks grows between 1980 and 2010, as well as, with the one that China’s shift towards a market economy correlates with China’s economic expansion in the SADC region and its position goes towards one of dominance and exploitation. The expectation was that more network patterns would be present as China’s economy becomes more liberal. Even though a reasonable explanation for this can be found in China’s internal economic climate at the time, one cannot be sure before the patterns have been created for the years 2000 and 2010.
5.3 – Trade Patterns in 2000

<table>
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<th>Country</th>
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Table 6: Trade patterns between China and the SADC countries (listed alphabetically) in 2000. Commodity composition is split according to the SITC nomenclature. The patterns given in red include trade with Hong Kong.\(^{138}\)

In 2000, the situation looks somewhat different from 1980 and 1990. Firstly, as of 2000, the SACU countries each report their own trade data. As such, SACU as a block has been replaced by 5 ‘new’ countries. Secondly, anno 2000 five patterns can be found: absence of relationships (0000), source dominance (0100), destination dominance (1000), dominance

\(^{138}\) See footnote 132 and Annex II.
(1100) and source dependence (0001). The prevalence of these patterns is summed up in table 7 below.

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Table 7: All the patterns between China and the SADC that were found in the data from 2000.

On average, the prevalence of the 0000 pattern has gone down since 1990, though it is still the most common pattern. It is difficult to say with regard to Congo, as it has not reported its trade data, but considering that it had no significant trade relations with China in 1980 and 1990, it is assumed this trend could have continued. Notably in the cases of Madagascar, Mozambique, Zimbabwe and Zambia, China has gained importance as an import source and to a lesser extent as an export source. Splitting the SACU in its respective members shows that Botswana has the least politically significant trade relationships with China, followed by Lesotho, Namibia and Swaziland. South Africa has the most.

Second in commonness is the source dominance pattern (0100). Madagascar and South Africa each display six (highlighted in yellow). Mozambique, Swaziland, Tanzania and Zambia follow with four each. It is difficult to say with regard to Angola and Congo due to incomplete data, but it is assumed that they have none. The source dominance pattern is most prevalent in manufactured goods classified chiefly by material and miscellaneous manufactured articles. The least are present in animal and vegetable oils, fats and waxes.
When it comes to total trade balance, nine out of fifteen countries in this case study exhibit a source dominance pattern.

The surge in source dependence on China for manufactured good is notable here, particularly after the drop in 1990. It seems that the economy has recovered since the crisis in the late 80s and production as well as distribution of manufactured have picked up.

The third most common pattern is that of destination dominance (1000), which has gained importance since 1990. With three destination dominance patterns, Zimbabwe is the most dependent on China when it comes to exports alone. Madagascar, Mozambique, the Seychelles, Tanzania, and Zambia each display one. Crude materials make up the most important commodity for this pattern (highlighted in green). When looking at the total trade balance, Zimbabwe is the only country out of fifteen to present this pattern. It appears that in 2000 the picture starts to look more like the hypothesis intended it to look: more trade networks, more patterns of dominance and dependence. In addition in line with chapter three the commodity make-up corresponds with the flow of surplus value from the SADC to China. This could mean that the hypothesis that China’s position in the SADC region is one of dominance and exploitation might have merit.

The fourth pattern is that of dominance (1100) and has also seen a growth in prevalence since 1990, in which it had not been present. This pattern means that a country (in this case China) is both an important import source as an export destination, which puts it in a dominant position. Lesotho displays two of these patterns (highlighted in blue). Madagascar, the Seychelles, South Africa, Tanzania and Zimbabwe each exhibit one. Miscellaneous manufactured articles and chemicals are the most important commodities for this pattern, which is also sparsely present in crude materials and machinery and transport equipment. When it comes to total trade balance, Lesotho is the only country displaying this pattern. So, it appears that China has gained in overall dominance in the region, in line with hypotheses that more trade networks are present and that China’s position in the SADC region is (increasingly) one of dominance.

The most interesting pattern during this period, however, is perhaps that of source dependence (0001), because it is the first of its kind. It is the first time that an SADC country has shown up in the top ten import sources (highlighted in purple). Not surprisingly, this source is Angola and the commodity is crude oil. This could indicated that, although China has gained in the region as a whole, it does not go for every individual member of the SADC.
5.3.1 – Conclusion

To summarise, in 2000 China gained dominance over most countries of the SADC. The largest product group, when it comes to imports, is manufactured goods, followed by food, live animals, beverages and tobacco, and to a lesser extent mineral fuels and lubricants and others. When it comes to exports, crude materials are by far the largest source of exports to China. Several countries are both source as destination dominated when it comes to chemicals, machinery and transportation equipment and miscellaneous manufactured goods. The most surprising occurrence in this period is that, for the first time, China finds itself on the other end of the stick as Angola is a major source of oil imports, but for Angola, China does not fall in the top ten export destinations at this point in time.

Thus, the results are once more in accordance with the first hypothesis, that there are more trade networks in 2010 than in 1980. In addition, it seems to correspond with the second hypothesis that China’s shift towards a market economy correlates with China’s economic expansion in the SADC region. The hypothesis that China’s position in the SADC region is one of dominance can also be affirmed when looking at data up to this point. However, it can also be seen that China’s quest for oil puts it in a less dominant position where Angola is concerned. In this light, it seems that Wallerstein is right that the capitalist world-system does determine political and socio-economic relations between nations or – as in this case – regions, and that this does not only go for North versus South, but also for South versus South.

5.4 – Trade Patterns in 2010

By 2010, the amount of patterns present between China and the SADC increased to six. The most prevalent pattern, recurring 44 times, is that of source dominance (0100). This is a shift from the previously most prevalent pattern of absence of relationships (0000). Mauritius, with seven out of nine patterns source dominated (among which the total), is by far the most source dependent on China, while in 2000 it only had two source dominant patterns. Botswana and Malawi both have five source dominant patterns, followed by Tanzania and Swaziland with each four. Madagascar, with no source dominant patterns, is the least source dominated by China. As can be seen in figure 8, the commodities with the most source dominated patterns (marked in yellow) are those of miscellaneous manufactured goods and machinery and transport equipment, followed by chemicals and related products. Crude materials show the
least source dominant patterns. Four out of 15 countries in this case study display a source dominant pattern in their total trade balance.

Thus, it appears that since 2000 – and in an overall picture since 1980 – the amount of significant trade networks has increased in line with the first hypothesis. The commodity make up, consisting mostly out of manufactured goods, seems to be in line with monopolisation of more productive technologies at the core, or in this case, China, whereby the SADC is used as a market for (cheap) manufactured goods.

The second most prevalent pattern is that of dominance (highlighted in blue), recurring 37 times. Madagascar, South Africa and Zimbabwe are, with five dominance patterns each, the most dominated by China. Zambia follows with four. The Seychelles is the only state that does not have any dominance patterns. Manufactured goods classified chiefly by material have the most dominance patterns, followed by crude materials. Nine out of fifteen countries in the case study have a dominance pattern in their total trade balance. Surprising here is that that the SADC countries are not just recipients of manufactured goods, but also exporters. On the one hand, this can be explained by the SITC classification listing commodities such as gold ores, pearls and diamonds under ‘miscellaneous manufactured goods’. All the countries mentioned above have deposits of these commodities and it is likely, that it is these commodities and not, for example, furniture, that are exported to China. So, it is possible that this method of classification skews the patterns.

The third most prevalent pattern is that of absence of relationships (0000), which can be found 36 times. The Seychelles, with seven of these patterns, is the least involved in politically sensitive trade with China at this point of time. South Africa, with zero absence of relationships patterns, is the most involved. Angola, Botswana, Mauritius, Namibia and Zambia each have two, as opposed to eight, seven, seven, six, and four, respectively, in 2000. The commodity with the most ‘absence of relationships’ patterns is live animals, beverages and tobacco, followed by mineral fuels and animal and vegetable oils, fats and waxes. When it comes to the total trade balance only the Seychelles have an ‘absence of relationships’ pattern present.

The fourth pattern is that of destination dominance (1000). Congo, having three destination dominant patterns is the most dependent on China when it comes to destination of exports. Angola, Lesotho, Namibia, South Africa, Tanzania, and Zambia each have two. Madagascar has one. The commodity with the most destination dominance patterns (highlighted in green) is crude materials, except fuel. When it comes to total trade balance, Congo is the only country with a destination dominance pattern. The commodity make up
appears to fit the primary accumulation from the periphery argument from chapter 3. Crude materials are exported to China in order to be processed into manufactured goods.

Table 8: Trade patterns between China and the SADC countries (listed alphabetically) in 2010. Commodity composition has been split according to the SITC nomenclature. The patterns given in red include trade with Hong Kong.\(^{143}\)

\(^{139}\) Due to lack of (mirror) statistics for the year 2010 in the case of Lesotho, the year 2009 has been used.

\(^{140}\) Due to lack of (mirror) statistics for the year 2010 in the case of Namibia, the year 2008 has been used.

\(^{141}\) Due to lack of (mirror) statistics for the year 2010 in the case of Seychelles, the year 2008 has been used.

\(^{142}\) Due to lack of (mirror) statistics for the year 2010 in the case of Swaziland, the year 2007 has been used.

\(^{143}\) See footnote 132 and Annex II.
The patterns of mono in-integration (1001) and dominant source interconnection (1101) both occur once. Mono in-integration occurs in the case of Angola and the commodity is mineral fuels (highlighted in grey). Dominant source interconnection occurs in the case of South Africa and the commodity is crude materials (highlighted in red). Neither of these patterns has occurred in the previous points in time that have been studied. Both of them are special, because they are one of the few that are more or equal or, at least, interconnected.

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Table 9: All the patterns between China and the SADC that were found in the data from 2010.

5.4.1 – Conclusion

To summarise, the make-up of patterns has significantly changed since 2000 and also from the beginning of measurements in 1990. Not only are the patterns more diversified, they are also more politically significant. The absence of relationships pattern has gone from being the most common to third common. Source dependence is the most common when it comes to manufactured goods, but the dominance pattern prevails in the total. China, on other hand, only marginally ‘lost’ dominance to South Africa and Angola.
The prevalence of the dominance pattern, which can predominantly be found with regard to crude materials, but also manufactured goods (which are likely to be in the form of gems or gold), classified chiefly by material as well as the totals, signifies that China has gained dominance in the region. This not only confirms the first hypothesis, that there are more trade networks in 2010 than there were in 1980, but also the second hypothesis, that China’s shift towards a market economy correlates with China’s economic expansion in the SADC and, the third hypothesis, that China’s position in the SADC is one of dominance, hinting towards the confirmation of the fourth hypothesis and Wallerstein’s assumptions.

5.5 – Conclusion

The goal of this chapter was to answer the following question. How did the trade networks between China and the SADC region look in – and change between – 1980, 1990, 2000 and 2010, respectively? Using the pattern approach, this chapter has traced the change in commodity trade between China and the SADC region in the period between 1980 and 2010 at ten year intervals. From the results, several conclusions can be drawn:

Firstly, there are more politically significant trade relationships in 2010 than there were in 1980. Between 1980 and 1990 a drop in relationships can be perceived, followed by a surge in 2000, which continued until 2010. In addition, in 2010 the ‘absence of relationships’ pattern, which had been the dominant pattern in 1980, 1990 and 2000, has become the third most common pattern, signifying a rise in significant trade relations.

Secondly, the most common pattern (next to the absence of relationships one) is the source dominance pattern, which is most common in the commodity group of miscellaneous manufactured goods (chiefly classified by material), machinery and equipment, followed by chemicals. Destination dominance can be found in crude materials, mineral fuels, animal and vegetable oils, fats and waxes. This corresponds with Amin’s notion that the more productive technologies are monopolised at the core or, in this case, China, and that, the SADC serves the purpose of primary accumulation. Naturally, this is not a black and white picture. To give this notion merit, one needs to look at China’s African policies, FDIs, development aid, etc., which shall be done in the following chapter.

Thirdly, between 2000 and 2010 a significant rise could be found in the prevalence of the pattern of dominance, which can be mostly found in manufactured goods, chiefly classified by material and crude materials. Also, when looking at the total trade balances, a
significant increase in source dominance patterns can be perceived in 2000, which for the most part have switched to the pattern of dominance by 2010.

Fourthly, China finds itself in an overall dominant position, with a couple of notable exceptions. In 2000, China was thought to be source dependent when it comes to Angolan oil. In 2010, however, a clear pattern of mono in-integration could be observed, which means that one flow is important to both A and B. Another notable exception is that of dominant source interconnection pattern found between China and South Africa when it comes to crude materials, meaning that China is very important to South Africa, but China only needs South Africa as a source.

Therefore, with regard to the research question, so far the following can be concluded. When looking at trade formations between 1980 and 2010, purely from a pattern point of view, China has gained significant dominance in the SADC region, albeit the rise has not been steady, which could be explained at the hand of domestic issues in China. Overall, however, trade relations have grown both in size and in political importance. The hypothesis, that there are more trade networks between China and the SADC region in 2010 than there were in 1980, can thus be confirmed, as well as hypothesis three, that China’s position in Africa is one of dominance. As to the exploitation part of the hypothesis, chapter 6 is expected to shed more light, but the commodity composition and focus on natural resources for exports and manufactured goods as imports does make the assumption likely. From this chapter also follows that China’s shift does quantitatively correlate with China’s economic expansion in the SADC region. A qualitative analysis with regard to this hypothesis will be made in the following chapter. This also goes for the fourth hypothesis that the capitalist world system does determine political and social relations between nations, whether these relationships are only present between the North and South or, also, in a South – South setting.
6. China’s Africa Policy

“The dream in a pragmatic way.” – Aldous Huxley

So far, in chapter 2 of this paper, a brief sketch of China’s reform process to a market economy has already been given. Its emphasis was on the internal reforms with the objective to provide a context from which China operates. Chapter 3 provided a theoretical framework in which the conceptualisation of capitalism and what it means as the dominant world-system have been explained. Chapters 4 and 5 have provided an empirical study, which aimed at showing the changing trade patterns between 1980 and 2010. Several conclusions have already been drawn, some concrete. For example, that politically significant patterns increased between 1980 and 2010; that the dominance pattern increased in prevalence among them; and that the commodity make up seems to be in line with the core/periphery division. Other remarks were more speculative in nature. After all, even though, the patterns, taken out of context, do provide some useful insights into the hierarchical composition of the relationship between China and the SADC, they are also abstract. The core of capitalism may, in the words of Marx, be found in commodity production for the market, but Polanyi and Wallerstein note, with good reason, that exchange is also institutionally underpinned. States are directly involved in the process of accumulation. Moreover, if domination in the capitalist mode of production is not solely defined by the laissez-faire principle but also determined by state policies that create economic, political, and/or military advantage, a closer look should be given to these policies, in order to provide a full understand of the patterns obtained in the previous chapter.

This chapter shall focus on China’s external objectives and policies, and especially those that have been of influence for China’s relationship with the African continent and the SADC region. By studying these in correlation to the data results obtained in the previous chapter the attempt will be made to answer the second sub-question: How can the shift in networks between 1980 and 2010 be explained and to what extent does it correlate with China’s move towards a market (hybrid) economy? By answering this question the second hypothesis, that China’s shift towards a market economy correlates with China’s economic expansion in the SADC region, can be either confirmed or disproved. In addition, this chapter shall provide an answer to the third sub-question. To what extent can China’s increasing presence in the SADC region be seen as exploitative? This will go towards testing the third hypothesis, that China’s position in the SADC region is one of dominance and exploitation; and the fourth hypothesis, that the capitalist world-system (as described by dependency
theorists) does determine political and social relations between nations, but this is not only true for a dichotomy between the North and South, but also within the South itself.

6.1 – Open Door Policy

Before 1978, Chinese trade was characterised by monopolisation through state trade corporations and there was no connection between world prices and domestic prices of goods. Imports were purchased by state trade corporations at the world price and sold domestically at fixed prices that were settled on in state plans. The same situation was applicable to exports. Foreign exchange was also tightly controlled by the state and all foreign exchange that was obtained through exports was maintained by the state. Imports needed to be included in the state plan, in order to be purchased. However, imports were limited as China strived to be self-reliant. 144

As of 1978, after decades of political and economic isolation, the government has incrementally decentralised decision-making to local governments and regional foreign trade corporations where exports and imports are concerned. 145 In addition, special economic zones and coastal cities were put towards export stimulation and the attraction of FDI. Moreover, the aforementioned export and import stipulations were replaced by tariffs, quotas and licensing and the foreign exchange control were loosened. 146

At the onset of its transformation, China’s real gross domestic product per capita was lower than that of the countries of the SADC, except for Tanzania. 147 Domestic reforms as described in chapter 2 went hand in hand with external policies as described in the previous paragraph. These were initially driven by the quest for technology. 148 In terms of modernisation, China lagged behind considerably when looking at the world as a whole. Where Europe and North-America started their industrialisation around 1750, China started it in 1950. In addition, the per capita income of Europe and North-America at the time of the start of their industrialisation was much higher than that of China. 149 So China started out with an enormous development gap. In three decades, China went from a state of autarky to being

145 Wei, pp.75
146 Idem.
148 De Beule and van den Bulcke, pp.33.
the largest country in the world in terms of output of manufactured goods and added value. However, as China’s economy began to show signs of recovery, China did not stick to placing a ‘Welcome’ mat at its doors for foreign investors, it ventured out into the world – into Africa. Thus, there appears to be a correlation between economic reforms, economic growth, and China’s venture into overseas regions. It must, however, be said that China’s presence in Africa is not a new phenomenon. What matters is that prior to 1978 it was differently motivated. In the following sub-chapter this shall be discussed in more detail.

6.2 – Into Africa

The first recorded encounter between China and Africa dates back to the 15th century, but it was not until the Bandung Conference in 1955 that China permanently set foot on the continent. Since then China’s African policy has changed. The newly independent African countries made way for China’s political goal to become the leader of the Third World. China provided support for national liberation movements and state-to-state aid (especially in Tanzania). During the 1960s and 1970s, China supported its infant Sino-African relations by providing medical aid, technical expertise and political support in multilateral organisations.

Throughout the 1980s, when the Cold War nations were pulling out of Africa and Western aid was reduced by half, China kept its contacts. When China re-entered into the world-economy, a different approach to Africa was needed. Consequently the Sino-African relationships moved from an ideological and political approach to a more pragmatic and economic stance, fostering external trade and foreign investment. With the end of the Cultural Revolution and the beginning of reform, the relation between diplomacy and economy reversed. Economy no longer served diplomacy, but diplomacy served economy. There are two aspects in Africa that are of importance to China: On the one hand, Africa possesses large deposits of raw materials and oil that is of paramount importance if China wants to keep up with its economic growth. On the other hand, Africa is a large unexplored market for Chinese manufactured goods. Zimbabwe, Angola, Congo, and Zambia boast an overall trade surplus with China. It is not surprising that, in this lot, Angola’s trade surplus is the largest.

151 De Beule and Van den Bulcke, pp.44.
Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, South-Africa and Tanzania, on other hand, boast a trade deficit. South Africa has a somewhat unique position, however, because, despite the trade deficit, it is the only country with a dominant source interconnection pattern. Commodity composition is hereby an important indicator, which shall be further discussed in sub-chapter 6.3.

The year 2000 jumpstarted corporate engagement in Africa with the Forum on China-Africa Cooperation (FOCAC), which was held in Beijing and had been attended by 44 African countries. This was the first meeting of the kind and has been held every three years since. The objective of FOCAC was to conceptualise, strategise and project Chinese foreign policy interests in Africa. Two years later, in 2002, China launched the ‘go global’ (zuo chu qu) policy, which was drafted to select thirty to fifty national champions from the most important state-owned corporations in China by 2010. These large enterprises benefit from the government such as information-sharing networks, domestic tax discounts, cheap land and low-interest funding from state-owned banks. The goal of this policy was to develop technological know-how, exploit China’s comparative advantages, gain access to key factors of production, generate new markets abroad, create Chinese brands and help China avoid becoming too dependent on export-led development.

When looking at the results in Chapter 5, one can see that the amount of destination dominant patterns in 2010 has doubled since 2000. This is the case especially where crude materials are concerned but also animal and vegetable oils, fats and waxes, and -in the case of Angola – crude oil. This corresponds with the objective to secure key inputs. Also a rise in Chinese imports to the SADC can be seen, particularly in the manufactured goods niche hinting that, even though already present in 2000, China has expanded its area of distribution of manufactured goods in the SADC region.

It appears that, after the economic reforms were launched, China’s operations in the SADC moved from being motivated by the communist ideology towards being motivated by continued accumulation and profit maximisation. Hereby one could speak of a dominant state accumulation, as formulated by Gills and Frank, because the ‘go global’ policy deployed large state-owned corporations, which enjoyed benefits provided by the state and were motivated by state policies. As stated earlier, Africa possesses large deposits of raw materials and oil, as

154 De Beule and Van den Bulcke, pp.45, figure 2.8.
well as a large unexplored market for Chinese manufactured goods. The greater returns to scale made possible by the centralisation of private accumulation by the state, offer greater potential capabilities to extract surplus from the SADC. In the next sub-chapter, this surplus extraction is translated in terms of commodity composition.

6.3 – Commodity Composition

Each stage of reforms went hand in hand with a surge in exports and imports. In addition, the composition of China’s exports has changed significantly throughout the years. Primary products made up 50.2 percent of total exports in 1980, 35.0 percent in 1990 and were down to 4.7 percent by 2000. The largest source of Chinese exports, however, is final goods. And within this group, the exports of high-technology products (i.e. electronics and particularly computers and laptops) rose from 2.6 percent to 22.4 percent. This shows that the opening of the Chinese economy to foreign direct investments and development of their technology, as well as infrastructure, has done wonders for China’s economic development in the spiral-like pattern of technological development and surplus extraction explained in Chapter 3.

When looking at the trade patterns in chapter 5, one can clearly see a rise of exports of various manufactured goods to the SADC since 1980 (0100 pattern). In monetary terms, African imports of Chinese manufactured goods have risen by 712 percent from US$ 895 million in 1996 to US$ 7.3 billion in 2005 alone. And today, too, the gross majority of imported goods in Africa consists of manufactured goods. Critics maintain that this goes hand in hand with a decline in the African manufacturing by thwarting the chances of successful competitiveness on the global market, while also crowding out locally produced goods from the domestic market. On 27 September 2005 a collective of trade unions from South Africa, Zimbabwe, Mozambique, Lesotho, Swaziland and Zambia issued a joint statement, expressing their concerns:

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159 Naughton, pp. 395.
160 Hu, pp.21.
162 Idem.
Where imports are concerned, around half of China’s exports consist of commodities processed with imported materials.\(^{164}\) Capital intensive products account for around two-thirds of imports that function as land substitutes.\(^{165}\) China’s economy is dealing with land-scarcity and labour-abundance. Approximately twenty percent of the world population is crammed together on seven percent of the world’s land area and the share of minerals is about proportional to that land area, making reserves per capita less than the world average.\(^{166}\) For example, China was the world’s sixth largest producer of oil in 2006. At the same time it was the second largest consumer and third importer.\(^{167}\)

This corresponds makes the reasoning that as the constraint to expand production increases and hits the ceiling domestically, countries resort to expansion outside of their borders. It is not surprising then, that China gets these resources elsewhere. Chinese imports correspond to comparative-advantage principles.\(^{168}\) Between 2000 and 2010 the destination dominance pattern’s prevalence doubled and they can mostly be found in the crude materials, animal and vegetable oils, fats and waxes, and also commodities like diamonds and pearls.

To sum up, the commodity composition of Sino-African trade is leaning heavily towards natural resources that are being exported to China and manufactured goods that are being imported in to Africa. This has grown over the years, particularly the export of natural resources. Where there were but three destination dominant patterns in 1980, one in 1990, and seven in 2000, there were fifteen in 2010. SADC imports of manufactured goods have seen an overall surge, as well, from ten in 1980, six in 1990, twenty-nine in 2000, and twenty-six in 2010. The year 2010 also shows a growth in 1100 patterns in manufactured goods chiefly classified by material trade from three in 2000 to fourteen in 2010. However, as stated in the previous chapter, this pattern is likely skewed because of the SITC classification of precious metals and stones. Where total trade relations are concerned a rise in 1100 relations can be


\(^{164}\) Hu, pp.20

\(^{165}\) Naughton, pp. 395.

\(^{166}\) Naughton, pp. 28.


\(^{168}\) Naughton, pp. 394.
seen in 2010 as opposed to 2000, nine and one, respectively, indicating that the SADC has gone from being only dependent on imports from China, also has become dependent on exports to China. This, however, is only marginally the case where China is concerned. In 2000 the first import dependent pattern can be found with regard to Angolan oil, which returns in 2010. Also a second pattern can be found with regard to South-Africa. Both of these are crude material compositions.

So far, the following can be said concerning the second sub-question: How can the shift in networks between 1980 and 2010 be explained and to what extent does it correlate with China’s move towards a (hybrid) market economy? The reforms shifted China’s incentives in the SADC from ideological to economic ones. In order to realise its goals of profit maximisation and accumulation, China’s economy needs (cheap) fuel and markets. Land-scarcity and labour-abundance have led to China seeking this beyond its borders. This is why the commodity composition is largely divided crude materials that are imported to China and manufactured value added goods that are exported to the SADC. Up to now, the second hypothesis that China’s shift towards a market economy correlates China’s economic expansion in the SADC region seems to be valid. This also goes for hypothesis four, that the capitalist world-system does determine political and social relations between nations between the North and South as well as within the South itself. The question remains whether this can be seen as exploitative and facilitating underdevelopment or do China’s previous profile as ‘leader of the Third World’ and communist ideology lead to another outcome? In order to answer this question and test the third hypothesis, which assumes that China’s position in the SADC is one of dominance and exploitation, the following sub-chapters shall deal with FDI flows and official development assistance from China to the SADC.

6.4 – South-South FDI Flows

The Chinese government defines aid in two different categories: one is co-operation, which corresponds to FDI and contracts with Chinese corporations. The other is official development assistance (ODA), which refers to concessionary loans, debt relief, grants and trade concessions. This subchapter and the next will deal with the first category: FDI. This subchapter will discuss Chinese FDI in general, while subchapter 6.5 shall look deeper into infrastructural investments.

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Since 1978, China has slowly opened up its economy and in 1979 embraced foreign direct investment (FDI) as the vessel to acquire advanced technology and assistance to be able to reach its modernisation goals. After all, today investments and economic trade are unquestionably linked. Since then, China’s outward FDI has grown from US$ 100 million in the 1980s to US$ 12 billion in 2005, UNCTAD reports.

In the beginning of the reform period, China still did not have enough foreign exchange as well as the knowhow to have a competitive advantage in FDI. Thus in the beginning, investments were small and mostly directed at neighbouring countries. It was only after 1990 that China’s FDI in Africa grew remarkably. This development followed the Chinese introduction of tax incentives for Chinese firms that operated overseas in 1986. In addition, they got favourable credits and soft loans. This was developed further in 2002, when China launched the ‘go global’ policy, selecting national champions who received government benefits to stimulate their involvement abroad.

In 2006, this was followed up with the publication of the China Africa Policy Paper by the Chinese government, which brought together existing policies regarding all aspects of Sino-African relations, including politics, education, culture, health, and military cooperation. With regard to investment it stated that China would continue encouraging and supporting Chinese investments and business in Africa and would provide preferential loans and buyer credits to facilitate this. China particularly encouraged investments in industrial processing, agriculture, natural resources, and infrastructure.

Moreover, even though the FDI flows have grown substantially over the years, they are smaller than Sino-African trade flows and not surprisingly there is more Chinese FDI in Africa than African FDI in China. In addition, the largest portion of FDI to this day comes from Europe and the United States. In addition, according to Kragelund, Chinese FDI bears two important characteristics: FDI flows are instable on a year-to-year basis. South Africa, for example, was number eight on the Chinese-African FDI recipient list in 2004, first in 2005.

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172 Asian Foreign Direct Investment in Africa, pp. 55.
174 Asian Foreign Direct Investment in Africa, pp. 57
and 53rd in 2006. The reason for this is that African economies are relatively small and a few investments already leave a mark. FDI flows are, however, stable in the long-term in that resource-rich African countries get the largest part of them. Angola and South Africa are one of the top receivers from the SADC.\textsuperscript{176}

Chinese FDI is welcome in Africa because the continent has to deal with an annual resource gap of US$ 64 billion, in order to be able to meet the Millennium Development Goals (MDGs).\textsuperscript{177} It brings technological and infrastructural development and access to international markets. As stated in chapter 3, the development of technology and infrastructure are interconnected with accumulation and surplus production, which in turn is used to develop technology and infrastructure further to in turn maximise profit further, etc. Does this also lead to development when the infrastructural investments in the SADC are made with the incentive to extract crude materials to China? This will be explained in more detail in the next subchapter.

6.5 – Infrastructure for Resources

China’s FDI flow is quite often accompanied by infrastructural construction with the goal to make Africa more attractive and to attract more investments and to achieve long term growth through the mutual benefit principle.\textsuperscript{178} An example of this is the 1,870 km Tazara Railway, linking the port of Dar en Salaam in Tanzania with Kapiri Mposhi, a town in the middle of Zambia’s copper belt. It also offers access to other railroad systems in Central and Southern Africa, making it the economic channel in the region. Naturally, it is also offering access to Zambia’s copper mines, which are of great interest to the Chinese.

Another example is the 1,344 km long Benguela Railroad in Angola, connecting the harbour of Lobito in Angola to the border town of Luau in the east and to the rail networks of the copper belt in the DRC, Zambia and is also linked to South-Africa. This railroad was not constructed by China and is a great deal older than the Tazara Railway, but it has been badly damaged during the Angolan civil war and, in 2005, China pledged between US$300 and US$500 million to help replace it.\textsuperscript{179} Moreover, China pledged funds for the rehabilitation the Luanda Railway, several highways, and the construction of a new international airport in

\textsuperscript{177} Kragelund and van Dijk, pp. 83.
In Mozambique, a mineral rich country, China is building roads. In addition, China is building high-voltage power transmission lines between South Africa and Mozambique, South Africa and Zambia, and Botswana, Namibia and Zimbabwe.

However, not only transportation and energy networks are being produced. China is also famous for building presidential palaces and national stadiums across the African continent. Taylor argues that these projects – coined as being part of China’s “charm offensive” – are mainly to keep the local elite on their side, by instilling in them a sense of gratitude. Examples of such projects are the National Sports Stadium in Zimbabwe, the Supreme Court, as well as magistrate courts and the State House in Namibia, and parliament buildings in Mozambique.

Alden describes the ‘classic’ infrastructure-for-resources deals in Africa as (i) having competitive political advantage (readiness to cooperate with nations of questionable international standing, based on Chinese foreign policy of non-interference in domestic affairs); (ii) comparative economic advantage (being able to bid below market price on tenders, because of its sizeable economic reserves and cheap Chinese labour); (iii) diplomacy and development support (symbolic diplomacy through the construction of prestige construction projects and infrastructure).

According to Taylor, such investments bear downsides, because the elites do not see the bigger picture and ‘settle’ for Chinese-built infrastructure, presenting them to the population as if they built it themselves, but in truth have little idea as to how development is achieved, nor does their interest reach far past their own pocket and power. Van Dijk, however, argues that poor quality and/or the organisation of the projects at hand is of secondary importance. What is important is that infrastructure is built in the first place as it is indispensable for successful economic development. However, it is important to note that Chinese construction firms take on tenders at lower cost than local contractors, and often choose to bring their own managers and construction workers, as well.

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180 Idem.
182 Schiere and Rugamba, pp.16.
183 Taylor (2009), pp.11.
185 Alden, pp. 42.
186 Taylor (2009), pp. 11-12.
As stated earlier, accumulation entails infrastructural investment and technological development. This infrastructure can be in the shape of a railroad or a power line but also in the form of bureaucratic administration (i.e. public buildings), and even symbolic infrastructure (i.e. a stadium). It seems then that, in this case, China is creating social wealth by applying to African infrastructure tenders, to in turn extract it in the shape of resources. By laying the foundation to increase efficiency and production it increases not only the output of, for example, Zambian copper mines, but also its own surplus by shipping copper back to China to fuel its own economic growth.

As such, the projects are self-serving. Angolan oil, Zambian copper, Botswana’s diamonds - it would be hard to separate these commodities from Chinese presence in these countries, nor from the construction projects undertaken there and the African elites do not seem to be oblivious to it. When China pledged to invest ten times the size of the DRC’s budget to finance the water, electricity, education and transport infrastructure in the country in 2007, President Joseph Kabila stated:

“For the first time in history, the Congolese will really feel what all that copper, cobalt and nickel is good for.”

Despite being self-serving, this infrastructure-for-resources framework of south-south cooperation has provided essential infrastructure. In addition, whereas Western infrastructural investments have gone down due to the financial crisis, this has not been the case with China. In fact China’s infrastructural investment has seen a rise. This is partly due to the limited effect of the financial crisis on China’s financial sector and its US$ 2 trillion in foreign currency reserves. Another reason is that China’s investments in Africa are long-term, as can be seen in the development of Special Economic Zones.

To sum up, infrastructure-for-resources is a relatively straightforward term and true to its name, whether this is with regard to physical infrastructure, such as railways, or symbolic infrastructure with the intent to bind African elites to China. The effects this has on Africa are immense, seeing as the continent has a severely underdeveloped infrastructure network and Western infrastructural investments have waned because of the financial crisis. First and

191 Idem.
foremost, though, these infrastructural investments serve Chinese economic campaign in China. As can be seen in this sub-chapter, elites in the SADC are not unaware of this, but choose to participate in these trade-offs. To an extent, although useful, the infrastructural projects also facilitate unequal exchange, because Chinese firms can afford to bid on tenders under the market price.

So, it can be said that the SADC benefits from the resources-for-infrastructure investments in Ricardian terms. Even though, China is, in the end, better off relatively. In absolute terms the SADC has gained important infrastructure which it would not have otherwise. However, from Emmanuel’s point of view, this only facilitates underdevelopment further, because, this way, the SADC gets wedged in the production of competitive products with a relatively weak position as opposed to the high value production in core countries and China. Accordingly, it could be said that in line with the third hypothesis, China’s presence in the SADC can be seen as dominant and exploitative. However, the double bind remains because without the extensive infrastructural investments by China, the SADC’s development gap would be even larger.

6.6 – Official Development Assistance

As stated in sub-chapter 6.4, the Chinese government defines aid in two different categories: one is co-operation, which corresponds to FDI and contracts with Chinese corporations (see subchapters 6.4 and 6.5). The other is official development assistance (ODA), which refers to concessionary loans, debt relief, grants and trade concessions.\textsuperscript{192} This sub-chapter shall cast a closer look on ODA.

Concessionary loans are loans that have more generous terms than market loans. They have either market rates that are lower than market loans or a long(er) grace period, or a combination of the two.\textsuperscript{193} The China Eximbank, founded in 1994, provides concessional loans to developing countries. This programme is separate from the bank’s commercial operations and is managed by the Ministry of Commerce.\textsuperscript{194} Many of the agreements between the Eximbank and developing countries are coined ‘economic cooperation agreements’ or


‘development loan agreements’. Such a formulation implies that the loans are bound to (economic) conditions. In a series of Chinese newspaper articles mentioned by Hubbard, it was indicated that the Chinese government had signed reduced interest concessional loan framework agreements with 26 African countries to support and spur Chinese firms to trade and do business in Africa by overcoming funding insufficiencies. Included in the conditions is that Chinese firms in Africa should import as much equipment, technology and services as possible and the host country should have bountiful local resources, an extensive market for manufactured commodities and favourable economic prospects. However, also explicitly mentioned are the fact that the project of the Chinese firm must promote the host’s economic development and the consent of the host government is required before the project can commence.

As mentioned before, in 2000 China jumpstarted corporate engagement in Africa with the Forum on China-Africa Cooperation (FOCAC), which was held in Beijing and attended by 44 African countries. This was the first meeting of the kind and has been held every three years since. The objective of FOCAC was to conceptualise, strategise and project Chinese foreign policy interests in Africa. The objectives can be split into two parts: (i) pragmatic cooperation in order to strengthen and expand cooperation; and (ii) equality and mutual benefit, promoting economic cooperation and trade, as well as political dialogue with the objective to obtain mutual development.

At the 2006 Forum, the year 2006 was coined ‘The Year of Africa’ in Beijing’s diplomacy towards Africa. It followed what in 2005 had been dubbed “The Year of Africa” by the international community, signifying exceptional emphasis on the socio-economic problems in Africa and promotion of development in Sub-Saharan Africa. Hu Jintao announced the eight points to support Africa’s development. These consisted of:

1) doubling the level of assistance to Africa by 2009;

195 Hubbard, pp. 221.
196 Hubbard, pp. 225.
2) provision of US$ 5 billion in preferential loans and credits by 2009 through the China-Africa Development Fund from the China Development Bank;
3) provision of US$ 5 billion to support Chinese companies to invest in Africa;
4) Construct a conference centre for the African Union;
5) Cancel debt owed by heavily indebted poor countries
6) Increase zero-tariff export items to China from 190 to 440 from the least developed countries;
7) Set up three to five Sino-African trade and economic zones;
8) Send 100 Chinese experts to train 15,000 African professionals in disciplines of agriculture, health, education, science and technology and to build hundred rural schools and thirty anti-malaria centres.

In 2009, Chinese Prime Minister Wen Jiabao pledged another US 10 billion in concessional loans and the cancelling of more debt. The catch, however, is that debt cancellation was only applicable to those countries, that have diplomatic relations with China, including the renouncement of ties with Taiwan. This includes governments that the Western nations frown upon, such as Sudan’s Omar el-Bashir and Zimbabwe’s Robert Mugabe.

Furthermore, in 2010, at the Millennium Development Goals Summit in New York, Wen Jiabao, stated that so far China had cancelled US$ 3.83 billion for the least developed countries. In addition, he pledged the construction of two hundred schools, three thousand Chinese medical experts, the training of five thousand medical staff from developing countries, and the provision of medical equipment and medicines for the hundred hospitals built prior.

There are many opinions as to whether debt relief is a positive or a negative policy and it is not in this paper’s scope to dissect this issue, but it does show that China’s involvement through the FOCAC is not empty talk. That being said, it is motivated by its own economic and political gain. In this, China does not shy away from cooperation with controversial governments, citing the ‘non-interference’ principle if cooperation with African political elites serves the purpose of economic gain for China. In turn, African elites use this to maintain their position of power. Western loans and debt relief are usually tied to structural reforms in accordance with Western models of development. In this regard, it can be said that China’s

203 Idem.
204 At the exchange rate of US$ 1 = RMB Yuan 6.96
205 Brautighan, D., “China’s New Debt Cancellation & Aid Pledges”,
policies in Africa are less ‘imposing’ in the political sense. However, human rights issues have been raised due to China’s cooperation with rogue governments. When looking at this, China’s development policy in China is primarily directed at economic self-gain, disregarding politically and ethically sensitive issues. Opinions vary on which developmental model is the lesser of ‘two evils’. Fact remains that China’s ODA to Africa is extensive if the receiving country has economic merit for China. In essence, one could speak of positive discrimination based on natural resource deposits. This may not always tackle the causes of underdevelopment, but does treat its symptoms. In this respect, to label Chinese operations in the SADC as exploitative would not be unthinkable, but it would be simplistic.

6.6.1 – Special Economic Zones

Another tool of China’s development policy consists out of Special Economic Zones (SEZs). SEZs are a relatively new concept in development. These zones provide open investment environments with a focus on strategic industries in order to attract foreign companies. Many African countries have established these zones in order to attract FDI. So this is by no means a new model. What makes it special in the case of China is that, it was China who initiated these zones in African countries. As part of the ‘Going Global’ policy, as well as China’s eleventh Five-Year Plan’s objectives to maintain expansion of policies that support trade and foreign investment, the Chinese government said it would establish fifty overseas economic and trade cooperation zones worldwide. The 2006 FOCAC summit pledged three to five of these would be in Africa.

These Chinese zones need large amounts of investment in infrastructure within the zones, but also in order to link them with regional markets and transportation hubs, such as harbours. These infrastructure corridors would link the disjointed African markets, consequently increasing regional economic integration. However, the choice for regions to apply the SEZ policies reflect not only China’s concern for African development, but perhaps more clearly China’s economic priorities. Once more, a double bind can be seen, where on the one hand Chinese investments aid regional economic integration, but do so, primarily, for personal economic gain and mostly with regard to primary products (except for the Mauritius

208 Davies, pp. 137.
Hub) which ensure a constant flow of surplus value from the SADC to China, i.e. facilitating unequal exchange. These shall be discussed below.

Two of the now four SEZs are in the SADC. The first is the Zambian Mining Hub, the second the Indian Ocean Rim Trading Hub in Mauritius, and a third - the Tanzanian Logistics Hub- is being planned for the future. The Zambian Hub came into being in 2007 after a visit of President Hu, during which he presented a list of measures that would boost bilateral relations. These included debt cancellation, expansion of Zambian tariff-free exports to China, and the establishment of the first SEZ in Zambia’s copper belt. This way, China secured an extensive copper supply to China, as well as cobalt, diamonds, tin and uranium, which are also abundant in the region.

The Mauritius hub was also announced in 2007. What makes Mauritius special is that it has a predominantly service-oriented economy, but also has a well-developed manufacturing sector dominated by textiles and apparel, which is still more diversified than the average Sub-Saharan African economy. In addition, Mauritius is an offshore financial centre with attractive investment laws, and as a member of the SADC and the Common Market for Eastern and Southern Africa it is a (favoured) gateway to Africa, allowing China to circumvent protectionist measures against Chinese goods. For this reason China pledged US$ 500 million to develop the manufacturing zone, which hosts 40 Chinese corporations and has created an estimated 5,000 jobs for locals and 8,000 for Chinese contractors. During a trade mission to China in 2007, the Mauritian Prime Minister, Navinchandra Ramgoolam, noted that due to lack of natural resources and the ending of the preferential sugar supply quotas to the European Union (EU), the Mauritian economy finds itself in a vulnerable position and that this is the reason that its attention has shifted towards China.

So, while the Zambian hub secures the access to crude materials, the Mauritius hub secures access to African markets for Chinese manufactured goods. Albeit, in different ways, both these hubs can be seen as facilitating unequal exchange. Through the SEZs, China has played a big part in increasing production in economically important areas in the SADC with the goal to either access important natural resources to fuel its own production, or access to the African market to distribute its goods. Also, the construction contractors are mainly

209 Davies, pp. 144.
210 Idem.
212 Davies, pp. 144.
213 Idem.
214 Ibidem, pp. 145.
Chinese firms, and more jobs are being created for Chinese expats than for locals (as can be seen in the case of Mauritius) which facilitates unequal exchange. These infrastructural and technological developments have led to a greater productivity and, as such, good returns for the Chinese investments. In addition to this, a link can be seen between economic producers and the political elite, which turns to China to safeguard its own position.

Following from the previous, one could say that in line with the third hypothesis, China’s position in the SADC region is not only one of dominance, but also one of exploitation. As stated in the previous sub-chapter, however, this positive discrimination does treat some symptoms of underdevelopment, such as dilapidated infrastructure, and has increased regional integration, something the region could use to its advantage. What thwarts this are to a large extent corrupt governments and inefficient bureaucracies. So to say, that it is China which prevents efficient development in the region would not be correct. It is at most one factor of a much larger equation.

6.7 –Conclusion

The focus of this chapter was on China’s Africa Policy, building on the domestic changes as described in chapter 2. In the period prior to reform, Africa was mostly a political arena for the Cold War. However, after the reforms were initiated, the political arena changed into an economic one. In the 1980s and 1990s, China focussed on its own reform and development as it started out as a poorer country than most of the SADC region. This corresponds with the prevalence of trade patterns. Few were politically significant. In the late ‘80s, Beijing started stimulating companies with tax exemptions and soft loans for sectors such as industrial processing, agriculture, natural resources and infrastructure. By the year 2000, a big surge in trade networks could be perceived. In 2000, most trade patterns were source dependent, especially with regard to manufactured goods. Then, after the initiation of FOCAC in 2000, the ‘going global’ policy in 2002 and the second FOCAC summit in 2006, a second wave of trade patterns alterations can be seen, whereby the SADC region’s dependency on China increases from mostly a source to a destination as well.

The commodity composition can be roughly divided into two: where exports from Africa are concerned, they are mostly natural resources and other primary products, as well as precious products such as diamonds and pearls. Where imports from China are concerned, they consist for the largest part of manufactured goods, which has led to trade unions complaints that the African market is being flooded with cheap Chinese goods, which snubs
Africa’s competitiveness. Over the years, China has become more dependent on Africa as well, but these patterns are still marginal at best.

This leads to the answer to the second sub-question: How can the shift in the networks between 1980 and 2010 be explained and to what extent does it correlate with China’s move towards a market (hybrid) economy? It is clear that the China’s venture in to Africa is one that is motivated by its economic development, which in turn is driven by China’s domestic reforms. So the shift towards a market economy does correlate with China’s changing relationship with the SADC region. It is no longer driven by ideological and political considerations but one of competitive advantage and economic growth. Thus the second hypothesis that China’s shift towards a market economy correlates with China’s economic expansion in the SADC region, can be confirmed.

Sino-African trade is also unquestionably linked to FDI, which is one of the two pillars of China’s development aid to Africa. In the beginning, FDI was mostly directed inward, but after China collected enough expertise and foreign exchange it ventured abroad, stimulated by tax exemptions and soft loans and have substantially grown over time, bringing infrastructural and technological development to the region, for which the SADC ‘pays’ with its natural resources.

One of the most significant sources of FDI is infrastructure in its every shape and form. From railways to stadiums and presidential palaces, China has been on a building spree in Africa and the SADC. This is a process that has gotten the name ‘infrastructure-for-resources’, deals that offer political leverage, economic advantage and development.

Accumulation implies and is inherent to infrastructural and technological development and vice versa. They have aided the strongly underdeveloped African infrastructure networks, but are in the first place there to serve China’s (resource) objectives in China, which leads to the conclusion that they are mutually beneficial in the absolute sense, but in the comparative sense contribute to China’s dominant position in the region.

Next to FDI, China also offers official development assistance in the form of concessionary loans, debt cancellation, trade concessions, and SEZs. The loans are not tied to structural conditions like those from the North (nor do they shy away from controversial African administrations), however they do imply conditions in the form of economically favourable prospects, such as the presence of natural resources, and an extensive market for Chinese manufactured goods.

During the 2006 FOCAC summit it was announced that the eight points of Africa's development implied debt-cancelation (the amount of which eventually turned out to be
smaller than expected), increase of zero-tariff export goods to China, more preferential loans, infrastructural and educational projects, and special economic zones.

SEZs are not a new concept in Africa. However, the fact that they are initiated by the Chinese makes them different. These zones are enormous investment and infrastructure hubs and lead to an increased regional integration. China’s choice to initiate these does not only reflect concern for African development, however, but also that of Chinese economic priorities that led them to Zambia’s copper belt as well as copious other resources, and to Mauritius attractive investment laws. Though, it must be noted that Mauritius is a rather unique case, because it has a more diversified economy than the average Sub-Saharan state. Still, the bottom-line is that it serves Chinese goal of market expansion.

All in all, this combination of aid, debt-relief, and expansion of market access to African states sounds a lot like the Northern model, but the emphasis on business collaboration and the encouragement of Chinese investment make it special. It is driven by pragmatism and economic prospects. In this respect, China’s increasing presence in the SADC region can be seen as not only dominant, but exploitative. However, albeit China’s investments, loans, debt-relief, SEZs and even the FOCAC stand in the light of China’s economic development first, and the benefits obtained by come second, they nevertheless leave an impact with benefit in absolute terms, even though China gains more from a comparative point of view. Chinese aid may not cure underdevelopment, but it does treat some of its symptoms. Thus, even though it does not offer a miracle cure, and is mainly economically motivated, Chinese investments and aid do leave a positive impact, as well. Therefore, the third hypothesis, that China’s position in the SADC region is one of dominance and exploitation is slightly harder to either confirm or disprove and remains a shrouded in shades of grey.

Overall, however, the impact of the economic reforms since 1978 on China’s presence is the SADC is significant enough to confirm the fourth hypothesis that the capitalist world-system does determine political and social relations between nations, whether these relationships take place between the North and South, or between South and South.
7. Conclusion

This master thesis started with the objective to answer the following research question: To what extent has China’s role in the SADC region changed towards one of domination when looking at trade network formations between 1980 and 2010, resulting in a South/South exploitative dynamic and facilitating underdevelopment in the region? The empirical study, as well as the qualitative analysis that followed, were conducted with the objective to answer this question. Even though an indefinite qualitative analysis can be conducted to explain China’s presence and objectives in Africa, and many a book has been written about various aspects of this issue and many more will follow, keeping the size of this study in mind, the time has come to answer the main question of this thesis. In order to do so, this conclusion will follow the structure of the paper and will summarise the answers found on the sub-questions.

The first sub-question was: How did the trade networks between China and the SADC region look in - and change between – 1980, 1990, 2000 and 2010, respectively? Using the pattern approach as developed by Valentino Piana to study the asymmetric structure of relationships among countries in line with Wallerstein’s world-systems analysis, a binary system of trade patterns in 1980, 1990, 2000 and 2010 was created, which was split in commodities using the SITC nomenclature system, to be able to draw conclusions not only with regard to general trade patterns between China and the SADC, but also with regard to the commodity composition in Sino-African trade.

Despite incomplete data, some interesting results have been found. In 1980 and 1990 few politically significant trade patterns were present (the absence of relationships pattern being the most common), which corresponds with the fact that in the starting period of reforms China focussed inward. Even a drop in dependency patterns can be perceived in the 1990 data set. In 2000, however, there seems to have been a turnaround with a surge in especially (import) dependency patterns in manufactured goods. This is also the first time that China showed a source dependency pattern with regard to Angolan oil. Pure dominance patterns were already present as well, though not predominant. This has significantly changed by 2010. The patterns are more diversified and as such more significant. Source dependence on China for manufactured goods, is still the most prevalent pattern, however, the overall dominance pattern prevails in the total, indicating that, with a few exceptions (Angola and South Africa) China has gained dominance in the region. It can thus be concluded that the first hypothesis, that there are more politically significant trade patterns in 2010 than there were 1980 can be confirmed.
The second sub-question was: *How can the shift in networks between 1980 and 2010 be explained and to what extent does it correlate with China’s move towards a hybrid market economy?* Before economic reforms China was poorer than most of the SADC countries with a nearly autarkic and underdeveloped economy. China’s first priority was to develop its own infrastructure and technology and fill the modernisation gap that existed between China and other industrialised nations. During that time China’s involvement in Africa was one with an ideological nature – an arena for the Cold War. After the Cold War and when the reforms in China were well underway, China’s policy became much more pragmatic and focused on economic diplomacy rather than ideological diplomacy. The reason for this is that to fuel its fast-growing economy China was in need of natural resources that were relatively scarce in its own country. In addition, China needed a market for its manufactured goods. This aspect can also be seen in the data sets of chapter 5. Over the years the import dependence on manufactured goods on the side of Africa has grown, as well as export dependence on China where crude materials are concerned.

In 2000, FOCAC was established to conceptualise, strategise and project Chinese foreign policy objectives in Africa. Hereby 44 representatives from Africa were present. In 2002 followed the ‘going global’ policy which selected a number of national champions which benefited from the government in order to be able to go overseas and exploit China’s comparative advantage. The surge of trade that followed these two events can be seen in the data sets of chapter 5. The amounts of import source dependent and export destination dependent patterns in 2010 are more prevalent than in 2000, two processes that have been criticised as they would thwart the development of African value added goods and facilitate underdevelopment. The second hypothesis, however, that China’s shift towards a market economy correlates with China’s economic expansion in the SADC region, can be confirmed.

However, China also is a big aid donor in the SADC, which is defined by the Chinese government as, on the one side, FDI and, on the other, official development assistance. Initially, China focussed on inward FDI, in order to build up its own technology and infrastructure and only afterwards turned outward. Over the years, China’s FDIs to SADC have risen. Especially infrastructure-for-resources is a common way of investing in Africa and the SADC. China’s infrastructural investments, whether in the form of (rail) roads or palaces, are strategic in kind. They either bind African leaders to them or develop extraction and/or distribution of natural resources to China. Though, China gives Africa’s dilapidated infrastructure networks a boost, it does mostly serve its own objectives and in a way also keeps the SADC from developing value added production. After all, natural resources are
shipped to China, where they are processed. In turn, these processed goods find their way on African markets again. In addition, because Chinese firms can afford to bid on tenders under market price, they snatch building contracts away from local contractors. Though African leaders are aware of the fact that they pay for this FDI with their resources, they seem to take it over the alternative of no or lesser investments.

The same seems to go for ODA. Concessionary loans and debt cancellations are directed at those countries that are useful when it comes to access to natural resources and/or in return for supporting the ‘One China Policy’. In this respect China also deals with controversial governments. As such, citing the principle of non-interference, China’s loans and debt relief are less ‘politically’ imposing than for example the IMF loans that demand structural reforms. On the other hand, they are ‘economically’ imposing and disregard socio-political issues such as human rights. Here, too, China is driven by the capitalist principles of accumulation and profit maximisation, and to be able to fuel this ever growing cycle it puts its needs over that of the SADC despite their mutual background of Western domination in the past.

A similar scenario can be observed with regard to SEZs, which are part of China’s ‘going global policy’. It is noteworthy, that it is China who initiates the SEZs in the SADC as it is more commonly done by the host countries to attract investments. Through developing infrastructure within these industrially strategic hubs, China links the fragmented markets of Africa, increasing regional economic integration. First and foremost, however, the SEZs serve China’s economic priorities as can be seen in the Mauritius and Zambia hubs. Zambia is a natural resource nirvana, whereas Mauritius forms a gateway to the rest of Africa due to its geographical and geo-political position. Increased productivity has led to greater returns for Chinese investors, higher profits and a larger surplus that can be reinvested.

The previous forms the answer to the third and last sub-question: To what extent can China’s increasing presence in the SADC region be seen as exploitative? The short answer would be: in as far it serves China’s economy. The longer version of course needs to contain, that whatever motivation, the fact remains that Africa has a US$ 64 billion gap to fill if it wants to meet the Millennium Development Goals, and Chinese investments have done significantly contributed to the bridging of said gap. There is thus some extent of mutual benefit, but in absolute terms China comes out on top. Thus the third hypothesis, that China’s position in the SADC region is one of dominance and exploitation can largely be confirmed. Largely, but not entirely, because although China’s investments and FDI do not cure underdevelopment in the SADC, they do treat some obvious symptoms such as severely
dilapidated infrastructure systems, lack of regional integration, as well as debt and finance hardships. The fact that China chooses its aid and investment recipients based on what they can offer China in economic potential, can be seen as a form of positive discrimination.

With regard to the fourth, last, and perhaps most important hypothesis of this research paper, that, as described by dependency theorists, the capitalist world economy does determine political and socio-economic relations between nations, whether these relationships are between the North and the South or within the South, can be answered affirmatively. The capitalist economy, within a capitalist world-system, does determine the political and socio-economic climate. In the interstate study conducted in this paper it is clear that China does ‘commandeer’ resources and as such surplus from the SADC. Looking at China’s situation prior to reforms, they form a stark contrast to the China now. Thus, Wallerstein was right to say, that exchange is not just exchange. It is institutionally underpinned. In the case of China on the one hand by the socialist government apparatus which is still in charge of the most important corporations in China, on the other by the laws of *laissez-faire*.

China’s capitalism is, in the eyes of Marx, not (yet) fully developed, as the Chinese state interferes with markets, by steering the corporations in directions it sees fit. This situation befits Wallerstein’s view, that states are actively involved in the process of accumulation, better.

Gills and Frank focus on modes of accumulation which serve consumption and in turn again accumulation returns, as well, when looking at the commodity composition of Sino-African trade during the years. Africa is the export market for natural resources to produce goods which in turn are sold on the import market as manufactured value added goods, generating a surplus. The redistribution of this surplus appears to be in the hands of a coalition of the Chinese government (which creates beneficial conditions for going global) and Chinese corporations (which go global and are the wheels of accumulation).

China’s hybrid economy is one of a kind, but it still operates in a capitalist world-system and as such follows the rules of that game. Though, one cannot speak of a zero-sum game in absolute terms, it is clear that ideology has made way for pragmatism. After all, as the following Chinese proverb teaches: “To open a shop is easy, to keep it open is an art.”
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Annex I

The Mirror Statistics Puzzle

Statistically, international trade is measured when manufactured goods cross international borders. As such, when studying trade flows between two partners, data reported by country A as exports to country B should correspond with data reported by country B as imports from country A. However, in reality that is not often the case.²¹⁵ Reasons for this have already been touched upon in Chapter 4. However, mirror statistics deserve some extra attention.

E.H. Van Leeuwen and J.A. Schout studied the discrepancies in trade statistics that have been coined “the mirror statistics puzzle” (MSP).²¹⁶ If each trade flow is registered twice—on the one side as an export flow of Country A, and on the other side as import flow from Country B—it should form a mirror image. When these two flows don’t match there is a problem in consistency of data.²¹⁷ In a perfect international trade model only visible trade (goods) is registered at the gross value at the moment of crossing borders. In a real world situation, however, this is more complex. For one, the production of a good need not be confined to one country. Secondly, during the transaction of goods distributive and transportation services are required. These are supplied by the exporting country or the importing one, or even countries that never actually deal with the tangible goods directly.²¹⁸

Commonly costs of insurance and freight (CIF) are included in the value of imports until the border of the importing country. Whereas exports are listed free on board (FOB), leading to a difference in value listed by the exporting country and the importing one. A study in 1978 showed that the CIF-FOB discrepancy margin can range from 0.3 percent to 22.9 percent.²¹⁹

There is ambiguity as to how precisely list trade in statistical terms, because it’s hard to distinguish between visible and invisible goods. In addition, the question arises whether only the value added in the exporting country should be registered or the aggregated value of the good in question. Also, one has to keep coverage and valuation discrepancies in mind, which happen when both countries register individual goods separately and with fluctuation

²¹⁷ Van Leeuwen and Schout, pp. 2.
²¹⁸ Ibidem, pp. 2-3.
²¹⁹ Ibidem, pp. 5.
of exchange rates. Moreover one cannot count out cheating behaviour by, for example the undervaluation of goods, to forego import tariffs. Other issues include classification disparities, re-exports, sub-contracting, time-lags, diversion en route and compilation errors.

The United Nations defines re-exports as “foreign goods exported from any part of the economic territory of a country in the same state as previously imported.” This process is also known as trans-shipment. The problem is that they are rarely listed separately in (inter)national databases. For example, in the case of the Netherlands re-exports accounted for 40 percent of recorded exports. Re-exports are more common in countries and regions that are hubs of intercontinental transportation, such as the Netherlands and Hong Kong. So, for example, if China exports 5 million worth of domestically produced to the United States via Hong Kong, it actually exports the goods to Hong Kong, and Hong Kong in turn exports it to the United States. When coupled with differences across countries, in definitions on country of origin and country, skewing the statistical data.

For those countries that do not report their trade data to the United Nations, data of the partner countries are used. The above mentioned reasons, however testify to the fact that one cannot simply take a mirror image of one trade flow and turn in to another. Of course they are better than having no data whatsoever, especially when keeping in mind that over fifty countries do not report their trade statistics to COMTRADE. It is important, however, to be aware of the shortcomings that go hand in hand with using mirror data for empirical research. And even mirror statistics do not fill the gap completely, because they do not cover trade with other non-reporting countries. This is especially a big issue when looking at South-South trade, and particularly inter-Africa trade.

220 Ibidem, pp. 3-4.
221 Ibidem, pp. 7-9.
223 UNIDO, pp. 5.
Annex II

Hong Kong and China: One Country, Two Systems

Hong Kong and Macau are the two special administrative regions (SAR) of The People’s Republic of China. Hong Kong’s unique position as a colony of the British Empire and the consequent “one country, two systems” policy, have left Hong Kong as a highly autonomous city-state since China resumed control in 1997. Because this thesis has focused on how the political system of the PRC has influenced trade patterns with the SADC, the unique position of Hong Kong has been left out of the discussion. However, as can be seen in the tables of Chapter 5 (patterns give in red), the trade patterns would in some cases be different if Hong Kong would have taken into consideration. For this reason it warrants a closer look at the position of Hong Kong under the PRC and in China.

For 156 years Hong Kong fell under British rule and for this reason followed a very different developmental path than mainland China. Steve Yui-Sang Tsang writes that:224

“British rule led to the rise of a people that remains quintessentially Chinese and yet share a way of life, core values and an outlook that resemble at least as much, if not more, that of the average New Yorker or Londoner, rather than that of their compatriots in China.”

In the 1980s, when reunification was in the talks and China’s reforms had started, Deng Xiaoping proposed what later would become known as the ‘one country, two systems’ principle. This concept consisted out of the idea that there was one China, but within this system independent regions (Hong Kong, Macau, and initially also Taiwan) would have their own (capitalist) political and economic systems, while socialism would be practiced on the mainland. As such, Hong Kong has maintained its economic and legal systems and its status as a free port and an international trade and financial centre. This agreement would last for fifty years.225

During initial reforms in the 1980s, mainland China opened certain strategic cities to let in foreign capital, that was needed to spur mainland China’s development.226 Since China’s

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226 Idem.
reforms, Hong Kong’s role as a regional trade and finance centre has grown.\textsuperscript{227} For investors, Hong Kong formed and forms the perfect gateway to China. Next to a developed capitalist economy, it also has a well-developed legal framework, commercial links to the mainland, offers an attractive business environment (i.e. low taxes) and uses English as the main language for business.\textsuperscript{228}

In addition, its geographical position makes it a crucial entry point in to southern China and one of the busiest ports in the world when it comes to shipment of goods and cargo handling.\textsuperscript{229} It is thus a major (re)-distribution hub. Between 1988 and 1998, 53 percent of Chinese exports were shipped through Hong Kong.\textsuperscript{230} In addition to these high re-exports, China’s re-imports are high, as well, making up 8 percent of the total imports in 2008.\textsuperscript{231} The UN International Statistics Database’s explanation for this is that China treats Hong Kong as a trading partner with a separate customs district and thus adds the goods it re-imports from Hong Kong to its total imports.\textsuperscript{232} The same goes for exports that are first shipped to Hong Kong and subsequently distributed globally.

As a result, this adds to the mirror statistics puzzle as described in Annex I. It is hard to trace which goods from the deviating trade patterns in chapter 5 ended up in Mainland China, which in other Asian countries, and which elsewhere, but re-imports would be one feasible explanation for the differences encountered. The same can be seen with regard to exports. Where commodity composition is concerned in these deviating patterns, they largely correspond with the composition in mainland China – SADC trade. The main exports to Hong Kong are raw materials, and most imports from Hong Kong are manufactured goods. Remarkable is the surge in differences in the 1990s data set, and the subsequent drop in 2000 and 2010. The explanation for this requires a more in-depth analysis than this annex gives room for.

\textsuperscript{227} “Hong Kong’s Role as a Regional Distribution Centre (RDC) for High-value Products”, \url{http://www.ghkint.com/Services/PortsandLogistics/Supplychainmanagement/HongKongsRoleasaRegionalDistributionCentre.aspx} accessed on 2-7-2012.


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\textsuperscript{232} Idem.