



African Regional Economic Communities' engagement with China

The development of effective African Regional Economic Communities (RECs) stands to benefit African countries immensely. Transnational free trade regions, single customs unions, single markets, single currencies and other forms of political and economic integration have the potential to strengthen both inter-regional and international trade as well as creating more robust solutions to issues of food, climate, health and political security. Nevertheless, implementation has proved a formidable challenge: lack of adequate economic and political structures, institutions and policies has impeded progress. The ability to strengthen many aspects of RECs are up to member states: agreeing on a set of political and socio-economic strategic priorities at the core of regional integration, implementing mechanisms for co-operation and integration as well as ensuring compliance are all challenges which need to be negotiated internally. A crucial aspect is formulating coherent policy on how to engage with external actors. Along with the European Union and the United States of America, China is now an undeniably influential actor with regards to all African RECs. With a co-ordinated China policy, RECs can effectively foster regional integration through both increased trade capacity and infrastructural development. This policy brief focuses on three RECs - SADC (Southern African Development Community); ECOWAS (Economic Community of West African States) and the EAC (East African community) – as illustration of how Chinese investment has been harnessed.

As Chinese influence on the African continent grows, there are several key areas where Chinese engagement offers the potential to enhance the capacity of African RECs. A key dimension of effective regional integration is the implementation of transport networks and trade corridors. China is Africa's number one provider of infrastructure and, by some estimates, has already pledged over US\$ 75 billion in infrastructure finance commitments to Africa. Chinese official policy toward Africa advocates greater regional interconnection, with the "Fifth Ministerial Conference of the Forum on China-Africa Co-operation" (FOCAC) pledging to encourage capable Chinese enterprises, "to participate in transnational and trans-regional infrastructure construction in Africa and provide preferential loans to support infrastructure building in Africa". RECs such as the East African Community (EAC), a region with poor infrastructure development, have capitalised upon this through using China to help develop a vast road, rail and port infrastructure which will connect the entire region.

Another key area in which a co-ordinated China policy can strengthen RECs is through forging multi-lateral trade deals. While China openly engages in multi-lateral forums in Africa, symbolised through its recent US\$ 600 million funding of the new African Union building in Addis Ababa, when it comes to trade agreements, China predominantly engages at the bi-lateral level. Through forging multi-lateral deals, all nations within a given REC are treated equally. By dealing multi-laterally with China, African countries can diversify their exports to China based on their respective comparative advantage, set common prices for exports, harmonise their trade policies and enhance regional infrastructure development.

SADC

Established in 1992, the SADC is a regional economic organisation comprising of 15 member state countries, including Angola, the Democratic Republic of Congo (DRC), Malawi, Mozambique, South Africa, Zambia and Zimbabwe. SADC has

Map 1: Transport corridors within the SADC region



between China and Southern African countries in recent years, especially in trade. For example, China became South Africa's single-largest trading partner in 2009. South Africa's bi-lateral trade with China increased by 32 per cent last year to R270 billion from the 2012 figure of R205 billion. Because of the growing presence of China, SADC has begun to set its sights on including China in its regional strategies and plans. Although there has been no official SADC strategy or policy on China yet, there have been many discussions in official forums (for example, the SADC Think Tank Conference on Regional Integration in 2012) and reports for a clear regional strategy on dealing with the increasing presence of China within southern African the region.

engaged in a number of national and regional transport infrastructure projects with various Chinese actors. Nationally, transport infrastructure projects include road rehabilitation and rail construction by Chinese enterprises: in 2012 a Chinese company, AVIC International, was awarded a tender to upgrade the urban road network of Lusaka in Zambia; major highways have been built in Angola to the amount of US\$ 14.5 billion through Chinese loans as well as the rebuilding of the two main rail lines out of the capital, from the port of Luanda. Moreover, Tanzania signed a framework agreement with China Merchants Holdings for the construction of a new port, special economic zone and railway network. Regionally, Angola's Benguela Corridor from Lobito to the Congolese border and the DRC's *voie nationale* from Kinshasa to Lubumbashi have been some of the examples of China's regional transport infrastructure projects.

China-SADC relations have included official visits as well as the Secretariat initiating dialogues with China Development Bank (CDB) in order to mobilise capital investment to finance SADC infrastructure projects. CDB is the organisation which funded the construction of TAZARA railway and is currently contemplating its rehabilitation as well as possibly funding the grand Inga Dam project in the DRC. CDB has indicated to the SADC Secretariat that the regional platform, SADC-CDB, as opposed to CDB and specific countries mode of co-operation, needs to be explored within the overall context of FOCAC. The two parties further agreed to develop a Memorandum of Understanding highlighting the modalities and main areas of co-operation.

Many strategic bi-lateral relationships have been established

Although SADC has no official policy on China, SADC seems to have all the mechanisms in place to develop a China policy. SADC has a Policy Analysis and Dialogue Programme which is intended to strengthen the Policy, Planning and Resources Mobilisation (PPRM) Directorate in leading, hosting or facilitating regional dialogue and debate on regional integration issues. SADC's Industrial Development Policy Framework, which already mentions developing regional strategies to exploit opportunities in co-operation with other regions of the world, has the potential to be harnessed in the interests of co-ordinating Chinese investments.

EAC

The East African Community (EAC) currently comprises of five countries: Kenya, Tanzania, Burundi, Rwanda and Uganda and was established in 1999. Since the founding of the EAC, the role of China has increased dramatically. China is currently one of Tanzania's largest trading partners. This is similar in Kenya, while Uganda, Burundi and Rwanda have seen massive increases in both trade and investment from China in the last decade. The recent East African oil and gas boom has seen a significant Chinese presence, particularly in Uganda, Tanzania and Kenya. Both Chinese president Xi Jinping and Premier Li Keqiang have made visits to the region during their incumbencies.

The EAC is increasingly capitalising upon commercial opportunities to engage with China. In November, 2011, the EAC signed a framework on economic, investment, trade and

technical co-operation opportunities with China and set up a series of Joint Committees to cover these themes. Collaborative short and mid-term projects are mainly infrastructure projects but also include assistance in industrial upgrades of EAC enterprises and targeting the Chinese tourist market to the region.

A crucial aspect of maximising RECs functioning is the implementation of effective transport networks between the various members to ensure effective inter-country trade – a dimension which has been sorely lacking within the EAC countries. China has played a key role in this regard, with the construction of two multi-billion US dollar ports at Lamu (Kenya), Bagomoyo (Tanzania) and significant involvement in rail and road construction—including the US\$ 1.47 billion dollar project to construct the Mombasa-Nairobi rail link (including an extension to Uganda), a US\$ 3.8 billion railway connecting Kenya, Uganda, Burundi, Rwanda and South Sudan and the rehabilitation of the TAZARA (Tanzania and Zambia Railways

Table 1: A number of Chinese infrastructure projects under construction or planned in East Africa

Geographical locations of projects	Types of projects	Costs (US\$ billions)
Mombasa-Kampala-Kigali	Railway project	13.5
Ethiopia-Djibouti	Railway	1.2
Bagomoyo, Tanzania	Port	11
Kenya, Ethiopia and South Sudan	Lamu Port-Southern Sudan and Ethiopia Transport corridor (LAPSETT project)	23

Source: Abebe Workneh in Eurasia Review, 24 February 2014

Authority) railroad. Kenya has been a central player in fostering

Box 1: EU

The European Union's (EU) engagement with China offers African REC's an example of how a relatively well integrated regional community can benefit from engagement with China. As a region consisting primarily of developed countries, the nature of the engagement is naturally different from that of African RECs. For instance, transport infrastructure is already well developed in the EU, with the bulk of engagement focusing more on financial and political co-operation. With trade levels well over € 1 billion per day, China is the EU's second largest trading partner, while the EU is China's largest trade partner.

There are various official agreements that formalise the relationship between the European Union and China. After the commencement of relations in 1975, the European Economic Community concluded a (limited) trade agreement with China in 1978. The 1978 agreement was replaced by Council Regulation (EEC) No 2616/85 of September 1985, the EEC-China Trade and Economic Cooperation Agreement. Under the 1985 agreement the EU and China granted each other most-favoured nation status. Other than aiming to increase trade volumes, economic co-operation and the promotion of investment, it also made provision to regulate the trade balance and prevent imbalance. The 1985 agreement has since been supplemented by the exchanges of letters in 1994 and 2002, "establishing broader political dialogue between the EU and China".

In addition to the trade agreements, the EU makes use of strategic policy papers to direct its engagement with China. There have been various papers since 1998, including COM(2003) 533 final, "A maturing partnership – shared interests and challenges in EU-China relation"; and, COM(2006) 631 final, "EU-China: Closer partners, growing responsibilities". These papers are used to evaluate the changes in the EU-China relationship in general and make recommendations as to how the EU can achieve its goals. Even though the relationship has progressed much in recent years, most certainly largely also due to the continuing mutual importance of the EU-Chinese economies, problems do still exist.

As with China-Africa trade, a predominant issue for the EU is trade imbalance. In 2013, only 2.6 per cent of foreign direct investment (FDI) into the EU was from China. In comparison, the EU accounted for 20 per cent of inward flowing FDI to China. The EU has also struggled to reduce the flow of counterfeit goods from China. In 2013, 64 per cent of all fake products confiscated by EU border control came from China. Additionally the EU has identified a lack of transparency, possible official discrimination against foreign companies (through non-tariff measures for example), Chinese government intervention in the economy and inadequate protection of intellectual property rights in China are issues that need to be addressed. The EU and China launched The Joint Customs Cooperation Committee in response to the Customs Cooperation and Mutual Administrative Assistance Agreement of 2004 to address problems in trade relations, for example counterfeit goods. The EU-China Action Plan on intellectual property rights enforcement was launched as a specific action plan to counter counterfeit goods. The EU has also historically been known to take collective political action against China. For instance an EU weapons embargo was put on China after the suppression of the Tiananmen Square protests of 1989. The embargo is still enforced, with the EU maintaining that the human rights situation in China is not conducive to the lifting of the ban.



these trans-national links through the development of the LAPPSET (Lamu Port and Southern Sudan Ethiopian Transport) corridor, which, while centred on Kenyan development, extends beyond its borders to neighbouring EAC countries. The EAC is a good example of how regional co-operation has fostered a strategic relationship with China. There remains much scope for the EAC to use this mechanism to improve exports to China and encourage further Chinese FDI.

ECOWAS

ECOWAS is a regional group of 15 countries founded in 1975. To deepen economic ties between ECOWAS and China, ECOWAS-China business forum was established. The forum is a platform for Chinese and ECOWAS entrepreneurs to develop business ties in various sectors, particularly in the private sector with the creation of joint-ventures. The creation of joint-ventures could stimulate industrial and technical co-operation and promote technology transfers. The forum is also a way to introduce the Chinese market and business environment to ECOWAS and *vice-versa* as it takes place both in China and Africa. Even though the ECOWAS member countries seek to strengthen economic ties with China, they are cautious about the impact of Chinese businesses in Africa. With growing Chinese private investments in Africa, ECOWAS has echoed the difficulty some of its member countries faced with Chinese competition. ECOWAS aims at investments beyond the resources sector; hence the promotion of investments in ICT, agriculture, infrastructure development; etc. At the political level, official meetings between ECOWAS and Chinese officials take place. In June 2014, the Director General of the African Affairs Department at the Chinese Ministry of Foreign Affairs visited ECOWAS for political and economic co-operation based on a strategic consultative mechanism.

While ECOWAS is deepening economic ties with China, intra-trade between ECOWAS member countries is low. ECOWAS member countries should foster regional trade integration. Greater trade between ECOWAS member states passes by the improvement of regional infrastructure for the mobility of people and goods and market integration. In this regard, ECOWAS planned to establish the Lagos-Dakar corridor to improve regional infrastructure development and trade. The corridor would facilitate intra-trade in West Africa. Besides, ECOWAS collaborates with China for infrastructure development in West Africa (for instance Dakar-Mali rail line modernisation and Abidjan-Lagos corridor) by developing cross-border infrastructure with the implications of its financial institutions.

Conclusion and recommendations

Recently, co-operation between African RECs and China has strengthened in various sectors, including public and private sectors. This trend should enable African countries to better negotiate trade and investment projects with China. In order to bring the different sub-regional organisations together, the African Union should coordinate the consolidated African position *vis-à-vis* China. The RECs should however provide the details relating to trade and investment interest of their members. In this regard, the RECs should develop transparent and stable regional frameworks to attract greater investments and trade from China by harmonising customs and trade policies and enhancing national policies to integrate regional policies.

Besides, the integration of the RECs, the African Union and regional banks, for example the African Development Bank and the Central Bank of West African States remains crucial in fostering and directing multi-lateral negotiations with China. Such an approach should aim at more transparency in funding mechanisms in order to avoid financial burdens linked to different projects.

While China's investment in infrastructure contributes to regional infrastructure development in Africa, regional infrastructure networks should be carefully managed to avoid issues around security between African countries, sustainable development and environmental sustainability.

Dr Daouda Cissé

*Research Fellow
Centre for Chinese Studies
Stellenbosch University*

Dr Ross Anthony

*Interim Head
Centre for Chinese Studies
Stellenbosch University*

Meryl Burgess

*Research Analyst
Centre for Chinese Studies
Stellenbosch University*

Harrie Esterhuysen
Research Analyst

Contact Us

Centre for Chinese Studies
Stellenbosch University
PO Box 3538
Stellenbosch
South Africa

Tel: +27 21 808 2840
Fax: +27 21 808 2841
Email: ccsinfo@sun.ac.za
Web: www.sun.ac.za/ccs
Twitter: [CCS_STELL](https://twitter.com/CCS_STELL)

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