

International Journal of Social Sciences

Uluslararası Sosyal Bilimler Dergisi

China Economic Reforms in Terms of Economic-Political Relations Between China and Africa; Way Forward or Not?

Kemal ÖZDEN¹

Gylych JELILOV, PhD.²

Abstract

The research conducted to summarise the economic-political relations of China and some African states with reference to the China Economic Reforms. Discussion of research on China and Africa relations was made due to the increase in import, political affairs and globalisation effect which make the content must be analysed. Method of research was conducted by descriptive statistics. Data was collected from various African institution, and particular importance was given to Nigerian statistics for understanding better relations on socio-economic improvements. Some relations of Chinese interference and African cointegration was found. Some economic aspects of development like production, labour productivity, import, export, economic zone improvement were , and recommendations were made. In conclusion, researchers made robust explanations to what extent the African States should interrelate with China and what are the way forward for future economic development of the region.

1. Introduction

It is better to discuss the main characteristics of China's reforms firstly and later focus on the certain significant points that China should take care to continue her reforms successfully in the longer term.

¹ Prof. Dr. Nile University, Department of Political Science and International Relations,
ozden@nileuniversity.edu.ng

² Department of Economics, Nile University of Nigeria, jelilov@nileuniversity.edu.ng

Bert Hofman explains the main characteristics of China's reforms as; gradualism, decentralisation, pragmatism and transitional institutions, institutionalisation (Hofman, 2018).

As implicitly hidden in the meaning of the term, reforms are generally developed gradually. Hofman claims that improvements in China developed gradually. Firstly started, in the rural areas with the household responsibility system and in the form of the township and village enterprises. Later, in the 1990s, some initial steps were taken to open up the economy to foreign trade and investment (Hofman, 2018).

Zhang and Yi also focus on the gradualism of the China reforms. "Almost all former socialist countries are marching towards a market economy. "Big bang" and "gradualism" have been identified as the two polar-case approaches of the transition. Roughly speaking, the Eastern European countries and the former Soviet Union have taken more or less a "big bang" approach, while China has taken a gradual approach" (Zhang & Yi, 2017).

This gradualism can be observed in most of the administrative reforms. For instance, the regulatory changes in public administration, transparency, accountability and other good government reforms in Turkey began in 2003s, and they lasted gradually up to 2010s until they were halted.

According to Hofman, the second characteristics of China reforms is decentralisation and incentives.

Decentralisation to local government became a potent tool for progress within the confines of inner political guidance. The provinces and local governments get increasing authority over investment approvals, fiscal resources, and policies. Provinces, municipalities and even states were allowed, also encouraged, to experiment with reforms in specific areas, and successful experiments then became official policy and were quickly adopted throughout the country. In a way, by decentralising, China turned the country into a laboratory for reforms (Hofman, 2018).

Central system in Eastern Europe and Soviet Unions during the socialist period is justified as the Democratic Centralism. Universal characteristics of democracy never consist of centralism. Perhaps, therefore, as stated by the founding father of the reforms, Deng Xiaoping, China's reforms were designed to ensure the Chinese understanding of socialism (Tisdell, 2008). With

the strong centralism, it is impossible to keep the economic and industrial development in the long run.

Chow (2004) explains that the decentralisation of state enterprises began in late 1978 with six pilot enterprises in Sichuan Province. Also, by the end of June 1980, 6,600 industrial enterprises that were allowed to make autonomous decisions produced about 45 per cent of the total output of all state industrial enterprises.

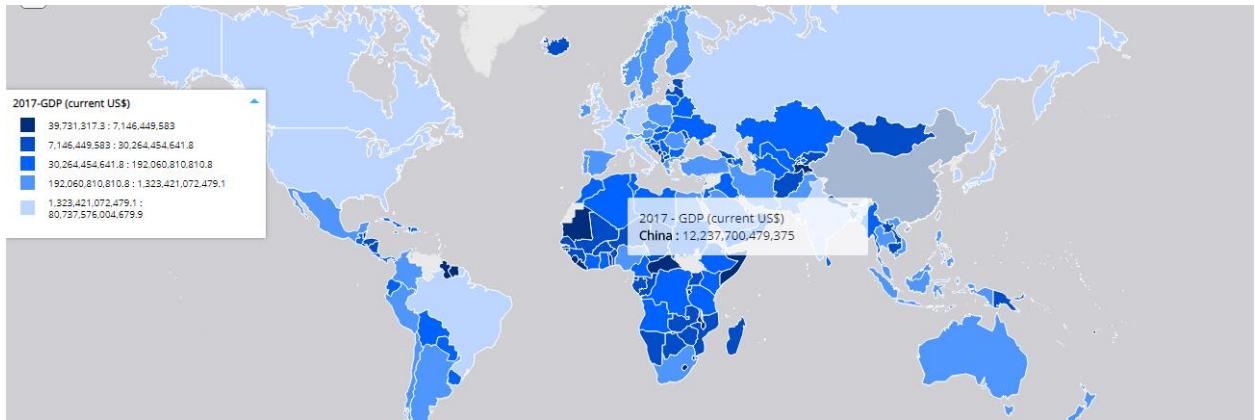
According to Hofman, the third feature of the reforms is Pragmatism and Transitional Institutions. He insisted that "China's approach to reforms provided the room for the country's particular institutions to emerge, which suited the country's purposes well at any given point on its reform path" (Hofman, 2018).

For Hofman (2018), the last feature of the reforms is Institutionalization of Reforms. He claims that China successfully succeeded the institutionalisation of the reforms and this success is mostly by the assistance of the several think tanks which were established to study and promote those reforms.

2. Literature Review

When we evaluate the literature, we see mainly researches on energy studies. Nigeria or mainly African monopole economy depending on energy or raw materials is a disease of each resource reach country (Olabanji, 2017). China case is entirely different from what we see in monopole economies. China has passed a long way for economic development and social infrastructure enhancement. China as a new world power has a hegemonic effect on the region. When we evaluate trade between African countries and Nigerian-china trade, in particular, we see that the win-win situation is not applied. Mainly China uses more of exporting mechanisms on African Countries (Adejumobi, 2011). Politically and economically there are some traditional powers in Africa. Since, last 300 years there was a colonial history on the distribution of wealth (Ajayi, 2013). While China was not a part of any colonial power and was colonised at the same time from 1970 China economy grow so fast and reach this level of 12.2 trillion USD current

Table 1: World Gross Domestic Product 2017, Nominal Values



Source: World Bank 2017,

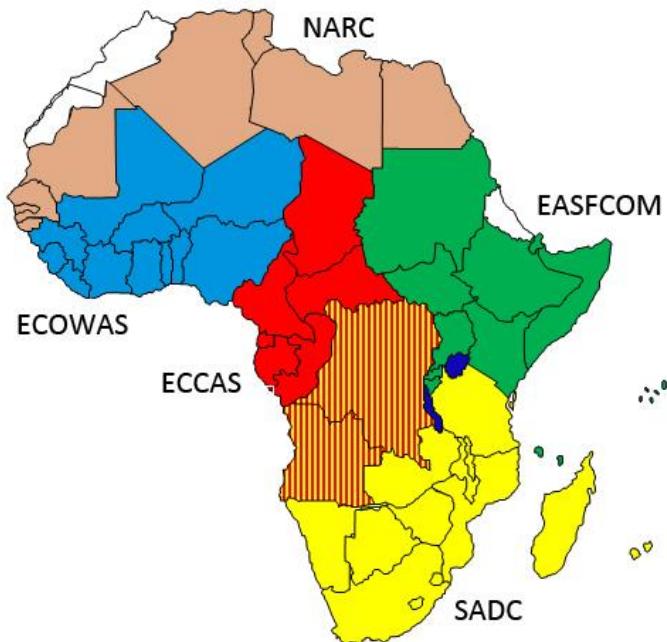
<https://databank.worldbank.org/data/reports.aspx?source=2&series=NY.GDP.MKTP.CD>

3. Challenges of the Reforms and the Policies to overcome them

There are specific challenges of these reforms and China should follow correct and robust policies to overcome these challenges.

3.1. Sustainability

The economic and industrial development must not degrade the environment and the natural resources of future generations. Both in China and in the countries where China is investing, sustainability principle must be obeyed strictly. With the basic and original definition of the Our Common Future, sustainable development is; an improvement that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability later can be categorised as economic, environmental, social, and political sustainability. The purpose of sustainability is to improve and maximise the life quality of the whole nation, and the entire world while respecting the environment. This is necessary to protect the natural resources of future generations.



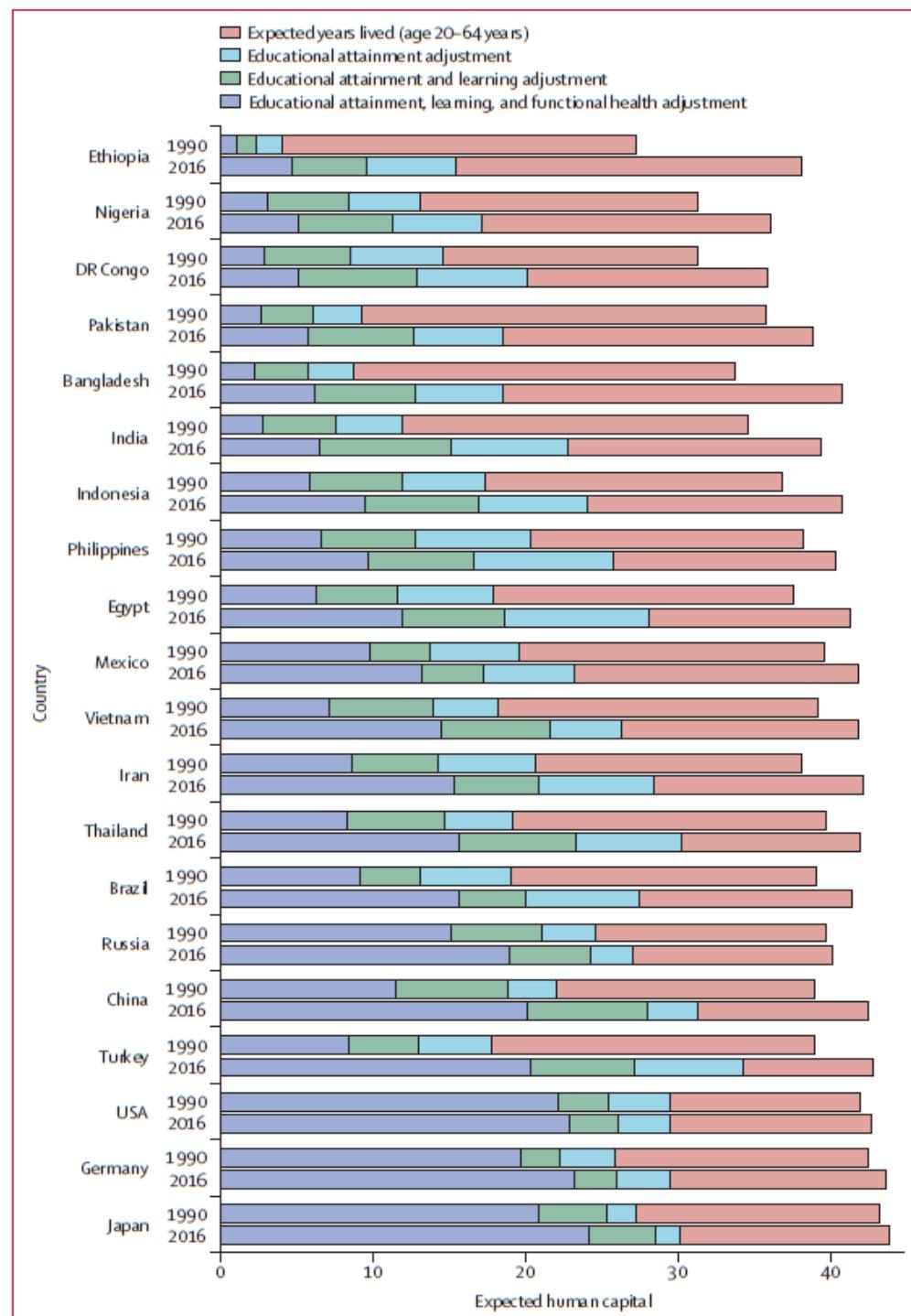
Source: Authors' drawing from the different zonal indication, (African Economic Zones).

In a rapidly growing economy, it seems to be very difficult to protect the environment. China has had an extraordinary rapid growth and the per capita Gross Domestic Product (GDP) doubled between 1978 and 1988 and in fact averaged a growth rate of 10% per year between 1988 and 2005 (Iheonu, Madueke, & Obike, 2018). Although China knows that poverty is the most significant environmental pollution, as Indian leader Indira Gandhi declared in the Stockholm Conference, 1972, China has to protect the environment to continue her ongoing economic success. Therefore, in the 17th Party Congress, in 2007, it was declared that environmental issues should be given much more importance (Tisdell, 2008).

3.2. Labour

One of the issues that China is blamed about the labour force that the country is exploiting the labour with very low salaries and lack of other social and economic benefits such as workplace security, pension rights and medical benefits. China's grade on the labour force is still lower than the average and expected level. It must be reminded that as in the general belief of the periods of the industrial revolution labour is not still a cog of the machine. They are the human beings who should be subject to full human rights as the workers of the western countries.

One of the reasons for the massive demand for Chinese products in many parts of the world, particularly in Africa and other developing regions, the lowest price of the products. China is producing these cheap products with mass production by the low-quality raw material and cheap labour forces. For a short period in the emerging sectors of the industry, this policy may be justifiable. On the other hand, in the long term, minimum living standards, pensions and other benefits should be attainable to all colour workers in the country.

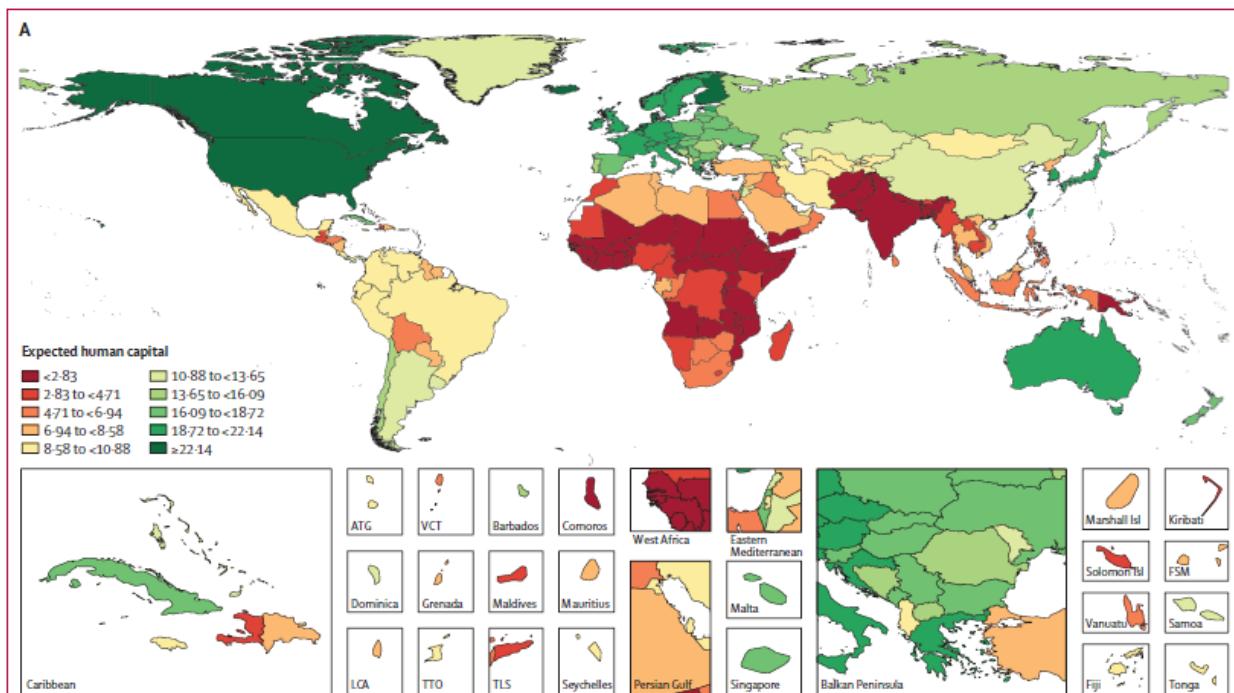


Source: Institute for Health Metrics and Evaluation, University of Washington, Seattle, WA, USA, Measuring human capital: a systematic analysis of 195 countries and territories, 1990–2016.

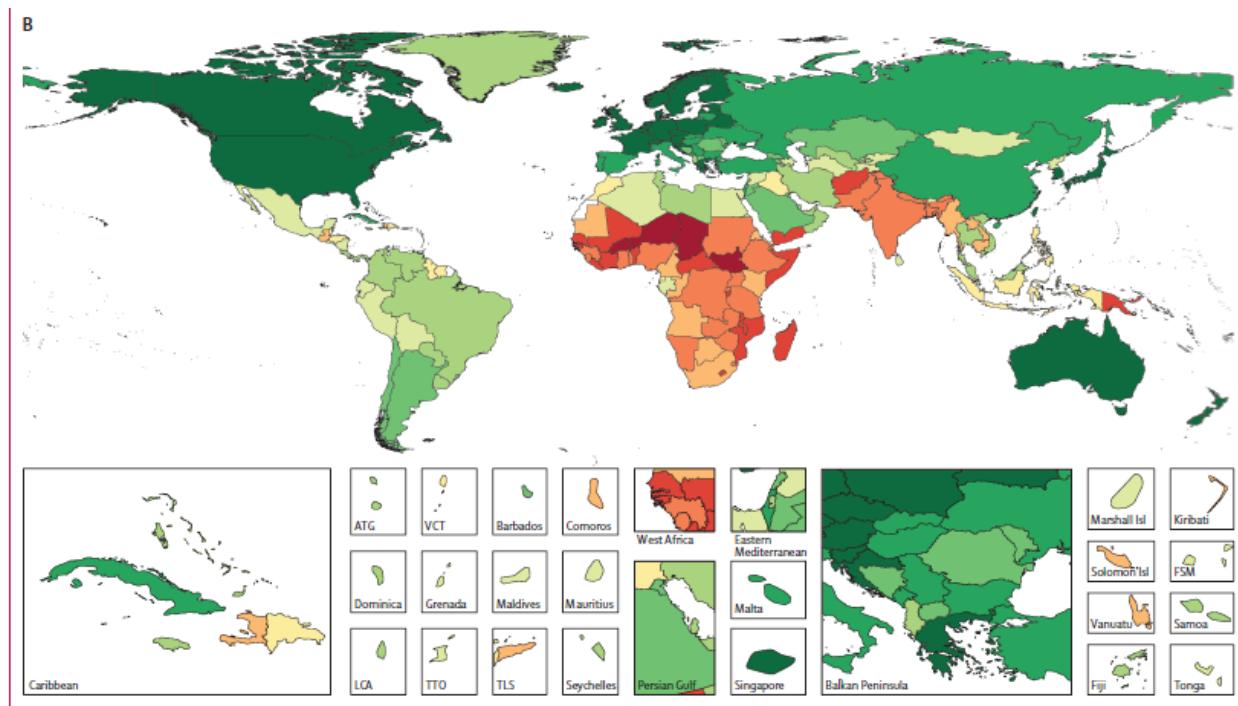
Theoretically, the increase in the workers' conditions can not be denied since these economic reforms contributed to the reduction of poverty in China at a great extent.

Some decline in poverty occurred in the early reform period following the initial policy reforms. Between 1981 to 1990, the share of the population in poverty (\$ 1.25 poverty line) fell from 84 per cent to 60.2 per cent. However, the more significant fall in China occurred in the latter reform period, with poverty declining from 60.2 per cent to 15.9 per cent between 1990 and 2005. The expansion of labour-incentive manufacturers provided employment and higher incomes, and it propelled millions out of poverty in China. (Wignaraja, 2011, p. 68-70)

The enhancement of the working conditions and benefits will also decrease the faulty production and increase the quality of the products.



Source: Institute for Health Metrics and Evaluation, University of Washington, Seattle, WA, USA, Measuring human capital: a systematic analysis of 195 countries and territories, 1990.



Source: Institute for Health Metrics and Evaluation, University of Washington, Seattle, WA, USA, Measuring human capital: a systematic analysis of 195 countries and territories, 2016.

3.3. Win-Win Policies should be Realised

In the countries where China is investing, China shouldn't be the only winner of the trade. Receiving country should also enjoy the benefits of this trade. China shouldn't forget to give a share of those countries. And this share must be adequate that both of the countries must enjoy from economic, political, and military benefits of those agreements. By the statistics released by the National Bureau of Statistics, China is the number one partner in import while it is not even among the top 10 exporting countries for Nigerian trade (NBS 2018).

2018-Q1 TOP TEN IMPORT TRADING PARTNERS		
S/N	Country	Value
1	China	₦ 530,979,021,883.06
2	Netherlands	₦ 305,797,833,716.16
3	Belgium	₦ 266,690,011,170.20
4	United States	₦ 163,938,632,972.14
5	India	₦ 157,924,308,493.94
6	France	₦ 85,540,229,854.18
7	Germany	₦ 76,140,757,798.83
8	Russia	₦ 73,987,828,311.60
9	Brazil	₦ 61,979,991,589.87
10	Saudi Arabia	₦ 60,385,173,997.61

Source: National Bureau of Statistics, Nigeria 2018 <https://nigerianstat.gov.ng/tradestat>

2018-Q1 TOP TEN EXPORT TRADING PARTNERS		
S/N	Country	Value
1	Netherlands	₦ 963,474,628,891.57
2	India	₦ 853,697,785,594.44
3	Spain	₦ 391,685,721,694.78
4	United States	₦ 386,927,330,423.94
5	France	₦ 297,938,268,852.12
6	South Africa	₦ 196,779,159,481.96
7	Sweden	₦ 195,337,080,877.00
8	United Kingdom	₦ 145,631,745,355.38
9	Indonesia	₦ 137,872,924,944.48
10	Italy	₦ 111,495,194,425.20

Source: National Bureau of Statistics, Nigeria 2018 <https://nigerianstat.gov.ng/tradestat>

3.4. Quality of the Products

Today, China is the number one country whose consumer products, fabric, electronics, and other home equipment being imported and used throughout the world. Even food products are exported to many different countries. There are two different types of quality of China's

products. One is high-quality products, exported to the western countries. The other is lower than the average quality, exported to the developing countries, or low-quality products which are demanded by developing countries. Of course, this is a free market economy, and if the people ask cheaper and lower quality products, this is their own choice. If China wants to keep long term economic activities with those countries, she should provide the minimum quality and warranty standards. Moreover, for the exported food products, China should clarify the negative rumours that those products are entirely unnatural, dangerous for health, or most of them are made up of genetically modified crops.

3.5. Social Responsibility Projects

Corporate social responsibility is the social welfare activities of the corporations. Social responsibility projects include both economic and cultural dimensions. Commercial companies are responsible for their immediate environment where they are making production. Because they are using, and consuming the natural resources (water, soil, air, and raw resources) and more or less degrading the environment. Alongside the positive externalities, they may have severe negative externalities. Social responsibility projects are great opportunities to make up these adverse effects and to set up a good relationship with society.

China is having some investments in charity and other social responsibility projects within the partner countries. Such as scholarship for higher education and free construction of some public buildings. Some of the recent examples of China's social responsibility projects as of 2018 are;

- Hundreds of scholarship to the African university students to study in China,
- Confucius Institutes in many African countries to teach Chinese language and culture,
- Humanitarian and cultural donations. For example, China donated \$ 2 million to a refugee camp in Zimbabwe, and she aided the university library complex handed over to Tanzania (ChinAfrica, 2018),
- Peacekeeping efforts in the disadvantaged regions such as the Horn of Africa.

Since China is one of the most significant international investors in Africa, she should improve the amount of this kind of corporate social responsibility activities in the partner countries.

3.6. Know-How and Productivity

If China wants to have healthy competition in the long term against the western countries, she should invest more on the know-how and research development for cheaper and more durable goods and services. This will, in turn, increase productivity. However, it is not an easy job to provide know-how systems.

In fact, globalization can immediately bring in capital and technology, but can hardly develop in the short term competitive economic structures, strong institutions, market management capabilities (experience, know-how, etc.), and even basic education. All four elements are necessary for cheap labour to become a real factor of comparative advantage, and therefore to be crucial for further economic prosperity and catching up (Fernández-Stembridge,& Fisac, as cited in Gang, 2004).

In this book, it is perceived that know-how is, together with the other three elements, only a means of cheaper labour and hence economic prosperity and catching up. Actually, know-how includes more general consequences, such as quality and productivity. Cheaper labour mustn't be a strong aim for the national economy.

4. Conclusion

As a conclusion, we need to count some effects of China investment in West Africa and Africa as a whole. In fact, we could not count all installation of resources because of statistical inability. Inclusion in terms of statistics is the vital key to us understanding the government and market dimensions.

China has achieved a lot in terms of production. Probably we will need to see what is improvements done in Human Development Capacity and labours. As our research has shown, China has achieved a lot in productivity and human capital. When we see tables where there is

clear development of human capacity development we clearly see improvement in China while India and so many African Countries are having real difficulties on the matter.

African states have created so many economic zones but if we evaluate the effectiveness of them, it would be a serious discussion, and we really need to find roots of inefficiency. 5 main economic zones were created and some over 40 years old. While free trade, mobilization of staff, transportation unification, transport efficiency are the main challenges of integration.

Africa and West Africa, in particular, has suffered from insecurity, lack of infrastructure and mainly capital accumulation as well as lack human capital accumulation. To improve these aspects a lot has been done and China was playing a crucial role in the development of African states.

Production of good and services is one of the problematic areas of African economies. That is why mainly people are against the import, and they became against countries they import from. Probably China became number one in hate speeches because of being number one in import. Actually, there are many types of research showing the relationship between import and unemployment, so it was an expected effect. In total African states should set some efficient policies to improve production. Reduce state control and improve market-driven tools in the market.

References

- Adejumobi, S. (2011). Introduction: State, economy, and society in a neo-liberal regime. In S. Adejumobi (ed.) *State, economy and society in post-military Nigeria*. New York: Palgrave Macmillan, pp.1–19.
- Ajayi, O.O. (2013). Nigeria's energy policy: Inferences, analysis and legal ethics toward re-development. *Energy Policy*. 60, 61–67.
- CBN (2010). Central Bank of Nigeria, at www.cenbank.org.

ChinAfrica. (December 2018). Newsletter, 4 (1).

Chow, G. (2004). Economic reform and growth in China. *Annals of Economics and Finance*. 5 (1), 127-152.

Fernández-Stemberge, L., & Fisac, T. (2004). China Today: Economic reforms, social cohesion and collective identities. In Fan Gang (ed.). *China's 'Compatible Opening' lessons from the Asian crisis*. Routledge

Hofman, B. (2018). Reflections on Forty Years of China's Reforms. Speech at the Fudan University's Fanhai School of International Finance.

Iheonu, A. U., Madueke, O., & Obike, H. (2018). Globalisation and socio-political reforms in the People's Republic of China. *Socialscientia Journal of the Social Sciences and Humanities*. 3 (3), 60-69.

National Bureau of Statistics, Nigeria. (2018). <https://nigerianstat.gov.ng/tradestat>

National Energy Policy. (2013). The Federal Republic of Nigeria, www.energy.gov.ng/.

NNPC. (2010). Nigerian National Petroleum Corporation, www.nnpcgroup.com.

Olabanji, A. (2017). The political economy of Chinese and Indian trade, aid and investments in Nigeria: A comparative analysis. *Journal of Asian and African Studies*. 52 (6), 824– 837.

Olugasa, T.T., Odesola, I.F., & Oyewola, M.O. (2014). Energy production from biogas: A conceptual review for use in Nigeria. *Renewable Sustainable Energy Review*. 32, 770– 776.

Oyedepo, S.O. (2014). Towards achieving energy for sustainable development in Nigeria. *Renewable Sustainable Energy Review*. 34, 255–272.

Tisdell, C. (October 2008). Thirty years of economic reform and openness in China: Retrospect and prospect. Working Paper No. 51, *Economic Theory, Applications and Issues*. The University of Queensland.

Wignaraja, G. (2011). Economic reforms, regionalism, and exports: Comparing China and India.

Zhang, W. and Yi, G. (2017). China's gradual reform: A historical perspective. Retrieved January 28, 2018, from https://www.researchgate.net/publication/2427900_China%27s_Gradual_Reform_Historical_Perspective.