

# **African Economic Research Consortium (AERC)**



## **Economic relations between China and Africa: The case of Côte d'Ivoire**



**Revised report**

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## **1. Introduction**

### **I. Context and the problem**

With a population estimated at nearly 19.67 million inhabitants in 2006 and a population growth rate of about 2.81 %, Côte d'Ivoire is essentially an agricultural country. The population of Côte d'Ivoire is mainly young and life expectancy at birth is 51.3 years. The country experienced strong growth between 1995 and 1998, with an average annual growth rate of almost 5%, following the devaluation of the CFA franc in 1994, the implementation of structural reforms and a favourable international economic climate with the increase in the prices of exported agricultural products (coffee, cocoa) which are essential resources of Côte d'Ivoire's economy. However, since the coup d'état of December 1999, the country has been going through a cycle of socio-political instability that has led to economic recession. For this reason, the growth rate of the GDP moved from 1.6% in 1999 to 0.2% in 2001. With the rebellion of September 2002, the growth rate fell down again and became negative (-1.6%). After 5 years of crisis, new prospects for the national economy seem possible with the Ouagadougou Agreement and a vast national reconstruction programme is being developed with the support of the principal donors. Economic activity has started growing slightly since 2004 with a growth rate of 1.5% in 2004, 1.8% in 2005 and 1.2% in 2006 thanks in particular to the dynamism of the emerging sectors of energy (extraction of crude oil) and the expansion of the telecommunications sector and supported by the vigour of exports of agricultural products.

It is in this unstable atmosphere that relations between Côte d'Ivoire and China have developed and been strengthened. This Asian country has for more than one decade realised spectacular economic performance in trade, industry and services. This country's dynamism and rise to power at the economic and diplomatic level can serve as a lesson to African developing countries from the viewpoint of the exceptional progress of this country which was a few years ago.

The arrival of China into the world economy appears to have consequences on the economy and politics of developing countries. Already, African economics and finance experts, gathered in Yaoundé in 2006 before the Assembly of Ministers, started a debate on the impact of the emergence of China on African economies. This debate fell within the scope of the recommendations of the African Union Summit of Banjul on the need for regional research

institutions to conduct studies on the challenges and opportunities which China and India represent for Africa.

It should be noted that the volume of the trade between the African continent and these new emerging powers is increasing remarkably. Estimated at 3 billion dollars in 1995, Sino-African trade reached 40 billion dollars in 2005 and should reach 100 billion dollars in 2010, whereas China provides 10 percent of trade in the continent.

However, these two powers are causing concerns because their dynamism and the impression that their economic surge that they provoke, could shake the extremely fragile and young African economies to face such a competition. It particularly appears that there is little information on the impact of the setting up of Asian countries in Africa. This results from the fact that the in-house debate at the level of each country has not started despite all the interest that the emergence of these Asian dragons is provoking. These various observations make us ask ourselves several questions:

- How can Africa benefit from the spectacular development of the Asian giants?
- If China offers opportunities, is it necessary to design other methods of cooperation or integration?
- What are perceptible logics in the growth of the interventions of China in Côte d'Ivoire economy?
- How can the Ivorian economy react as well as possible to the increase of the Asian presence?

The answers to these questions will make it possible to lay the foundations of the strategies which will lead it towards better exploitation of the opportunities that China is offering to improve its economic performance.

## **II. Objective of the study**

The principal objective of this study is to analyse the influence of the emergence of China on a developing country like Côte d'Ivoire. It will essentially be a matter of understanding the degree of interaction between the Ivorian economy and the Chinese economy by providing a basis of the performance of the trade relations between Côte d'Ivoire and this Asian giant over the last 10 years. If several studies have mentioned a positive impact on developing

economies, there is a need to identify the level of intervention in terms of trade and foreign direct investments, the degree of openness of the Ivorian economy to the Chinese economy and vice versa, to identify the sectors of intervention of China in Côte d'Ivoire and finally to capture the net effect of the various interventions. In the analysis of the interaction, it also seems important to capture some effects that are not likely to favour our economies because, being in a world competition, interferences are also possible. Finally, the study will seek to measure China's support to Côte d'Ivoire (aid, donations, grants, loans) and the impact as of this aid on our economies.

## **II. Review of the impact of the Asian drivers on developing economies**

Africa, China and India have a long tradition of trade that dates back to several decades. The scale and the rhythm of development of trade flows and investment between the two Asian giants and Africa have clearly improved. Thus, some recent studies such as that of Harry Broadman (2006) have analysed trade flows between these three partners indicating that exports from Africa to Asia have tripled over the last five years, making the latter the third trade partner of African countries (with a share of 27 %) behind the European Union (32 %) and the United States (29 %). The contributions of foreign direct investment from India and China have also progressed: those from China amounted to 1.18 billion dollars in the middle of 2006, the study indicates.

Another recent study by Sanjev Gupta and Yang Yongzheng (2005) showed that the share of African exports to developing countries has more than doubled since 1990. As Asia industrialises, its demand for natural resources increases and Africa has seized this opportunity. Asia today receives 25% of African exports. China and India, which are making large investments on the African continent, together absorb 10% of the imports and exports of sub-Saharan countries, that is to say 25% more than the share of these two countries in world trade.

The progression of trade between the Asian giants and Africa is accompanied by a diplomatic offensive. Ministerial visits are multiplying: the Chinese President was hosted by Nigeria in April 2006 and African Heads of State participated at a summit in Beijing in the same year (Charponnière 2006). At the beginning of 2006, the Chinese government published a paper on its African policy that emphasises equality, sovereignty and non-interference. The "Beijing Consensus " (Ramo, 2004) proposes an alternative to the " Washington Consensus ": because

if Chinese priorities (stability, development and reform) are the same, they are combined according to a different order, Beijing giving priority to stability and Washington to reforms. It is in this context that Chinese companies operate in Africa. The largest maintain – directly or indirectly – links with the State, they engage in high-risk countries where they pursue long-term strategies.

These Asian leaders, and more particularly China, by changing their behaviour with respect to the African continent, will have an increasing impact on the way of acting of the large international institutions. Whereas the World Bank matches its loans with conditions of good governance (introduction of the fight against corruption, regulations, etc.), China does not impose any constraint on the countries that it aids: one speaks about "democratic dumping". Moreover, China is the second trade partner of Africa. In 2002/2003, trade between China and Africa increased by 50%. In 2004, the increase was 60%. With regard to Côte d'Ivoire, exports to China moved from 0 % in 2000 to 2 % in 2004 and imports from 2 % in 2000 and 4% in 2004 (J R Chaponnière, 2006).

The intensification of trade between China and sub-Saharan Africa coincided with an acceleration of African growth. By contributing to the recovery of the prices of raw materials, the Chinese appetite has been more effective than stabilisation projects. Eichengreen's analysis (2005) on the consequences of Chinese growth shows that the countries specialized in the production and exportation of components, capital goods and raw materials benefit from it whereas those engaged in the production of consumer goods undergo the effects of Chinese competition. These conclusions agree with those of Lall (2004, 2005) who analysed the impact of Chinese exports on Asia and Latin America. These results suggest that African countries benefit from the emergence of China. According to IMF statistics (DOTS), about ten countries show a surplus in their trade with China (Angola and Sudan being the principal beneficiaries) whereas for the 20 other countries, this trade is in deficit. The impact is large for mining countries but much less for countries exporting agricultural products. The consequences of the emergence of China on Africa can be assessed from the demand side and from the supply side (J R Chaponnière, 2006). High demand for raw materials can push prices up, whereas increase in exports can cause a drop in<sup>1</sup> in prices.

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<sup>1</sup> As Lennon (2005) notes, it is more advisable to be a supplier of minerals that China does not produce rather than to be engaged in the processing of minerals that China produces to some extent.

The high demand for energy and ores by China and India has led to an increase in the international prices of raw materials, as well as the volume and the value of African exports (Andrea Goldstein, Nicolas Pinaud and Helmut Reisen, 2006). China in particular has become the principal partner of several African countries: it provides them with cheap manufactured goods and reduces their dependence on their traditional trade partners. By becoming big importers of primary products, China and India have made it possible to improve terms of trade that are advantageous to sub-Saharan African countries that are large exporters of raw materials. On the other hand, the abusive exploitation of Africa's natural resources can in the long run lead to the "Dutch disease". If the abusive exploitation of natural resources may make it possible to increase the national revenue of countries, on the contrary, it involves less creation of employment. Also, any development strategy based on this principle can in the long run have negative effects on the economies of developing countries. China's intervention is reducing the cost of investment (transport, agriculture, public works). The disadvantage is that investment is often carried out with Chinese labour, which cancels the impact of the investment on job creation. In many African countries, China's presence is causing tough competition, which leads to the disappearance of local companies (Chaponnière, 2006).

Other negative effects of the emergence of China can be noted. According to Gumisai Mutume (2006), the liberalisation of the textile sector after 30 years of protection for the benefit of poor African countries has caused job losses estimated at 250,000 with the advent of China's entry into WTO. According to the International Federation of Industrial and Textile, Clothing and Leather Workers, the majority of jobs have been lost in Lesotho, South Africa, Swaziland, Nigeria, Ghana, Mauritius, Zambia, Madagascar, Tanzania, Malawi, Namibia and Kenya. The old quota system, known as Multi-Fibre Arrangement (MFA), limited textile and clothing exports to the largest markets of the world –the United States, Canada and the European Union (EU) – with the aim of protecting producers from industrialised countries from their more powerful competitors of Asia. By doing this, this involuntarily regime favoured the small textiles exporters of developing countries, less hampered by restrictions or benefiting from preferential access to the markets of the EU or the United States. Their exports to the principal industrialised countries thrived. The abandonment of quotas is likely to drive these manufacturers out of large markets, incapable of competing with the unrestrained competition of countries like China or India.

Then, although favouring in the short run increase in the incomes of African governments, the strengthening of the Chinese presence in Africa could contribute to the perpetuation of the political and economic governances that have constituted a major obstacle to the sustainable growth of this continent (OECD, 2006). Similarly, if it is commonly accepted that the growth of China constitutes a challenge and a source of opportunities for developed countries, its impact on developing countries and the appropriate policies which can be put in place to face them remain much more uncertain because the consequences for African economies of the integration of the Asian giants into the world economy in particular have hardly been explored.

Finally, according to Broadman (op cit), although the progression of trade flows and investments from Asia inspires optimism, there are major asymmetries at the level of the economic relations between the two regions. The comparatively high duties that China and India charge on leading export products from Africa, those of a maximum value prevent African countries from exploiting their markets exhaustively. This why exports from Africa account for only 1.6 % of those which Asia receives from the rest of the world.

### **III Methodology**

#### **3.1. Method of analysis**

Two approaches can be used to grasp the impact of a foreign policy on a national economy. One can use an integrated approach of the type calculable general equilibrium model, but the disadvantage is that this model does not bring to the fore the mechanisms that cause the macro-economic observed behaviours and, therefore, does not take into account the micro-economic aspects. Then, feeding of this model into statistical data is not always easy. One can also use a qualitative and quantitative analysis to assess the trends and the choices in order to grasp the determinants of the various actions. In this case, it will be a matter of analysing the relative growth of exports and imports between the two types of countries as well as the relative growth of foreign direct investments (FDIs) and of development aid. This can be followed by the search for factors other than price competitiveness that determine the relative performance of developing economies in comparison to the rest of the world. Finally, there is the trade ratio, which is another basic quantitative indicator of the performance of foreign

trade in products. It will thus be a matter of identifying very fast growth products, products with expanding world demand and products with falling world demand.

In this study, we will attach greater importance to qualitative and quantitative analysis by using the one-position ISIC nomenclature.

### **3.2. Data-collection**

The methodology of analysis of this study has been based on documentary collection and the collection of sectoral data. It is a matter first determining the sectors of intervention of China and India in Côte d'Ivoire. In a second phase, investigations were conducted to collect all documentation on the intervention of the two countries. The collection took into account administrative documentation, agreements and public-private partnerships at the level of the various sectors of intervention. These various data were collected in the various Ministries and other coordination structures.

With regard to donations and low-interest rate loans, statistical data were collected in the Ministry of Finance.

With regard to development aid, several public works have been realised by China. Among them can be cited the asphaltting of roads, the construction of public buildings such as the Presidential Palace of Yamoussoukro (in progress), the Parliament Building (already completed) and the third bridge in Abidjan City whose work was stopped at the beginning of the armed rebellion. The data on this facet were collected in the Ministry of Finance and at the National Research and Technical Development Bureau.

In terms of investment, CEPICI (Investment Promotion Centre of Côte d'Ivoire) was approached.

Finally, data on the international structure of trade were collected at the Department of Forecasting.

## **IV. Review of cooperation between China and Côte d'Ivoire**

### **4.1. Genesis of the relations**

Côte d'Ivoire has since its accession to international sovereignty in 1960 woven solid foreign relations. From the beginning, Côte d'Ivoire's diplomacy fell under a privileged relation with



France and the personal dimension, for a long time incarnated by, in the Franco-Ivorian partnership. Over the period 1960-1990, a phase of political stability, external security and economic growth, Côte d'Ivoire was able to assert itself as a true regional power with quite a successful diplomacy incarnated by the president Houphouët-Boigny and characterised fruitful and close cooperation with France.

This diplomacy, which for decades had focused its efforts on the development and strengthening of relations with the West, has since a few years been opened to Asia, in particular the countries of Southeast Asia. The countries of this geographical region, in geographical, geological and climatic conditions sometimes similar to those of Côte d'Ivoire, succeeded in paving the way for their development South-South cooperation through the sharing of experiences and knowledge, technology transfer and the opening up of their markets. Côte d'Ivoire, which is trying to find its way towards development, seems to want to be inspired by these models. Also, it is increasingly endeavouring to lay particular emphasis on cooperation with Asia at the bilateral and multilateral level. This attitude is the result of cooperation with the West with many conditionalities deemed to be unsuited to the realities of Côte d'Ivoire.

At the bilateral level, Côte d'Ivoire has diplomatic relations with 11 Asian countries with the appointment of resident or non-resident ambassadors in these countries which are Japan, the People's Republic of China, the Republic of Korea, the Democratic Republic of Korea, India, Singapore Thailand, The Philippines, Brunei-Darussalam Indonesia and Malaysia.

At the multilateral level, Côte d'Ivoire regularly participates in meetings between Africa and Asia, which include:

- The Tokyo Conference on African Development (TICAD);
- Asia-Africa Conference of Bandung (Indonesia);
- The ministerial conference of the countries of the Techno-Economic Approach for Africa India Movement (TEAM 9),
- The China-Africa Forum.

With regard to China, diplomatic relations between Côte d'Ivoire and this Asian giant began timidly on 1 March 1983. It was under the reign of the second president of Côte d'Ivoire, Henry Konan Bédié, that the cooperation became full-scale. This cooperation was further strengthened under the reign of Gbagbo Laurent after the calamitous elections followed by the

rebellion. The presidential camp in Côte d'Ivoire's crisis did not appreciate the position of France supported by its Western partners in the management of the crisis. The Abidjan authorities considered France's bias and its support for the rebellion and seemed to turn to the Asian countries.

#### **4.2 Diplomatic relations**

Cooperation between Côte d'Ivoire and China was gradually strengthened since the establishment of their diplomatic relations that dates back to 1 March 1983. The chronology of this cooperation is as follows:

- 30 August 1983: opening of the embassy of the People's Republic of China in Abidjan;
- January 1984: opening of the embassy of the Republic of Côte d'Ivoire in Beijing;
- 23 February 1984: S.E.M. Zhu Chencaï, first ambassador of China in Côte d'Ivoire presents his accreditation letters;
- 5 June 1984: S.E.M. Amoikon Tiémélé, first ambassador of Côte d'Ivoire in China, presents his accreditation letters.

#### **§.3 Agreements and conventions**

Various agreements and conventions were signed between the two States as from December 1984. These various agreements are as follows:

- 12 December 1984: first trade agreement in Abidjan, ratified on 12 September 1985, agreement rescinded and replaced by a new trade agreement signed on 8 July 1996;
- 14 December 1984 in Abidjan: cooperation agreement on agricultural development;
- 15 September 1988 in Abidjan, scientific and technical cooperation agreement;
- 8 December 1988 in Tianjin: framework agreement economic, trade, industrial and technical cooperation, signed between the Businessmen Club of the International Trade Centre of Abidjan and the China Tianjin International Economic and Technical Cooperation Corporation of Tianjin;
- December 1991 in Abidjan: higher education cooperation agreement;
- April 1992 in Abidjan: Cultural cooperation agreement signed;
- 1992 in Abidjan: twinning agreement concluded between Abidjan and Tianjin, and Abengourou and Ezhu (Hebei Province);

- 1 December 1992, inter-university agreement between the University of Nanjing (Nankin) and the National University of Côte d'Ivoire;
- 7 June 1993 in Abidjan: exchange of Notes between the National Federation of Chinese Women and the Ministry for the Promotion of Women of Côte d'Ivoire, concerning a programme of sending Chinese experts to Côte d'Ivoire, for the training of women of Côte d'Ivoire in the techniques of embroidery;
- 8 July 1996: trade agreement between Côte d'Ivoire and China, abrogating that of 1984, signed during the visit of the Prime Minister of Côte D'Ivoire to China;
- 8 July 1996: agreement on the creation of a Chinese Investment, Exploitation and Trade Centre in Côte d'Ivoire, signed during the visit of the Prime Minister of Côte d'Ivoire to China;
- 20 July 2001: Memorandum of understanding relating to the partial cancellation of the debts of the government of Côte d'Ivoire by the government of the People's Republic of China;
- 30 September 2002: agreement on the promotion and protection of investments
- Trade agreement signed in March 2002;
- 18 January 2003 in Beijing: cooperation agreement relating to the exploitation of the manganese deposits of Lauzoua, sub-prefecture of Guitry;
- September 2003 in Abidjan: Agreement on the loan authorized by the government of the People's Republic of China to the government of the Republic of Côte d'Ivoire;
- 23 December 2003 in Abidjan: Economic and technical cooperation agreement;
- 16 May 2002 in Beijing: cooperation agreement between the Export Promotion Association of Côte d'Ivoire (APEXI) and the Chinese International Trade promotion Centre;
- August 2, 2006: Cooperation agreement between APEXI and the International Association of Economic Cooperation of China.

The improvement of the relations between Côte d'Ivoire and China, even during wartime, is the result of these multiple agreements. There followed various Chinese activities in Côte d'Ivoire that included investment activities, trade activities, Chinese aid in Côte d'Ivoire in terms of development aid. These various activities will be analysed one by one in the continuation of this study.

## V. China's foreign direct investment in Côte d'Ivoire

China's investment projects in Côte d'Ivoire have not given the anticipated results. It should be noted that China's economic system is a system of market socialist economics combining very small private sector<sup>2</sup> with a very extensive State interventionism to such a point that most Chinese projects in Côte d'Ivoire integrate the two states.

The table below gives a description of ongoing, implemented or abandoned investment projects. The table shows that nearly 2/3 of Chinese investment projects in Côte d'Ivoire have not been completed. Obstacles of several types can be observed that occurred in the implementation of the investment projects. The first obstacle is of a political nature. The interests of Côte d'Ivoire do not always converge with those of China. An example is that of the vehicle assembly project with spare parts of Chinese origin. This project had to be abandoned because the customs duties related to the importation of the spare parts proved to be higher than the price of the vehicle already assembled in China. The second obstacle is of a cultural and mental nature. Chinese and Ivorian businessmen do not always have the same vision of work and the organisation of work. This is the case of the project of construction of a chocolate factory in China which could not be implemented because of disagreement between the various Chinese and Ivorian shareholders.

Table 5: Chinese investment projects in Côte d'Ivoire since 1996

Project heading	Project's cost in CFA francs	% Chinese capital	Current status
Motor vehicles assembly factory at Yopougon – Abidjan	Land problem with SOTRA		
YITWO farm equipment assembly factory		94 %	Inaugurated on 27 March 1998
"Onshore" oil search	4 Billion	50 %	Ongoing project
Pharmaceutical products manufacturing plant/LIC PHARMA pharmaceutical laboratory in the Riviera – Abidjan	1.2 billion	100 %	Testing in progress since 2004
Agro-industrial enterprise project in Yamoussoukro	Project cancelled due to lack of an Ivorian partner		
Micro-computer assembly factory project	Project cancelled because it was economically unviable		
Chinese Trade, Development and Investment Centre (CCDI-CI) (sensitisation to Chinese investment), Plateau – CCIA			Inaugurated on 17 December 1997
Gold mining project in partnership with SODEMI	Problem of security		
Manganese mining project at Grand Lahou in partnership with SODEMI			
Chocolate factory construction project in China	Uncompleted		

<sup>2</sup> The private sector in China is increasingly developing, contributing nearly 50 % of the GDP (OECD Synthesis (2005), "Economic survey of China, 2005").

Jeans sand tee-shirts making project	Uncompleted
Paper mill construction project	Uncompleted

Source: BNEDT

Nevertheless, many investment projects were realised over the period 1996-2006. The total amount of investment is estimated at 16.01 billion CFA francs. The bulk of these investments were implemented over the period 2000-2002 up to 89.59 % of the total investment of Chinese origin as the table below shows.

Table 6: China's share in total foreign investment in Côte d'Ivoire

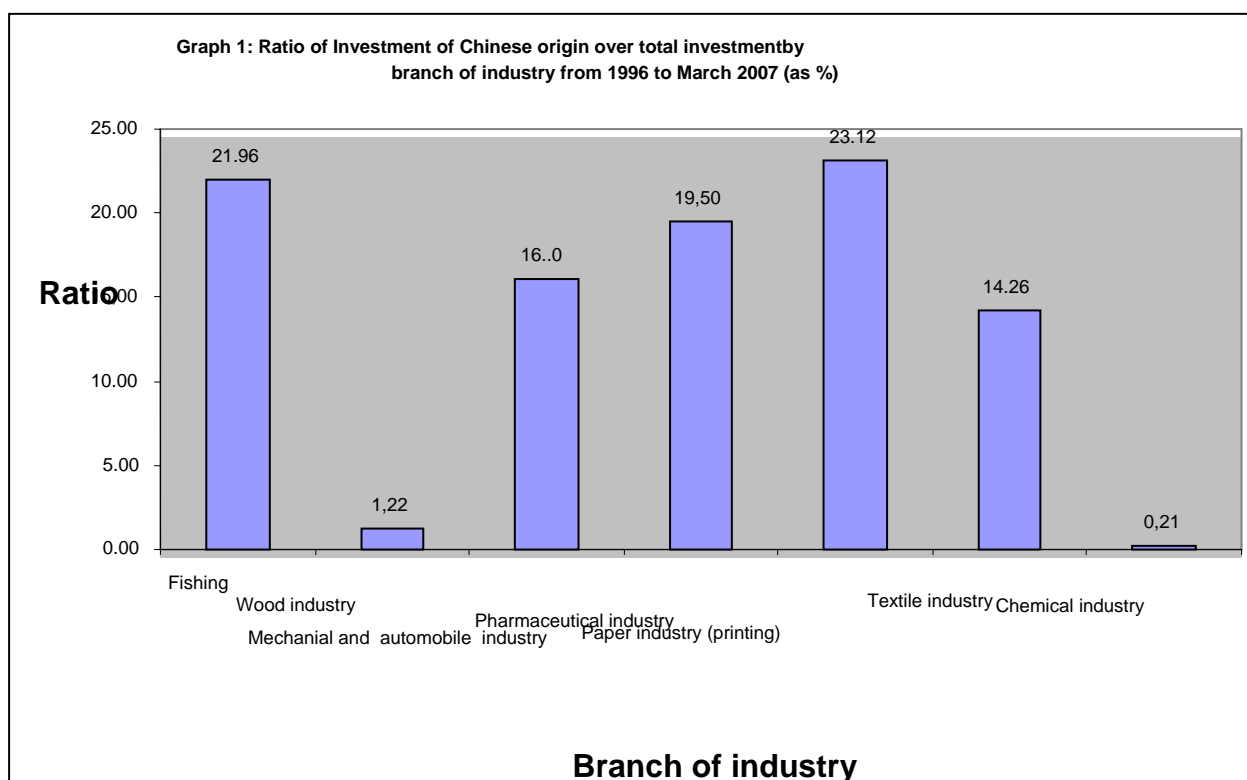
	1996-1999	2000-2002	2003	2005	2006	TOTAL
Chinese investment	1,461	14,344	105	2	98	16,010
Total FDI	405,430	257,786	18,067	40,321	64,458	826,537
China's share in FDI (%)	0.360	5.564	0.581	0.005	0.152	1.937

Source: Our investigation based on data of CEPICI and BNEDT

Analysis of the table shows that China's weight in foreign direct investment in Côte d'Ivoire is marginal. Only 1,937 % of the FDIs are carried out by China over the decade 1996-2006. The nature<sup>3</sup> of the data available at CEPICI did not make it possible to make a classification according to the SITC nomenclature and in proportion of the total volume of foreign direct investment. This is why we are limited to making an analysis according to branches<sup>4</sup> of industry. The graph below gives the weights of China in the various branches of economic activity in Côte d'Ivoire.

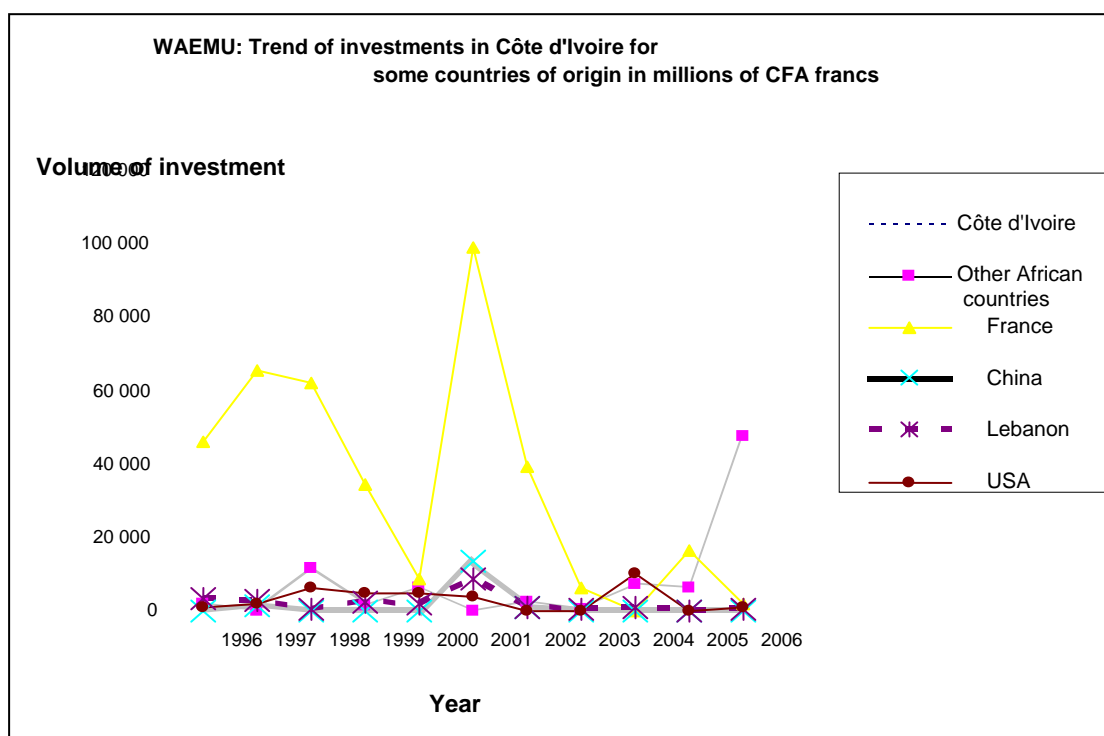
<sup>3</sup> It has not been possible to disaggregate total investment into national investment and foreign direct investment.

<sup>4</sup> It has not been possible to disaggregate investment by branch and by country of origin in order to see the weight of China in the various branches in comparison to all foreign direct investment.



Source: Our investigation

The graph shows that investment of Chinese origin is dominant in the paper industry (printing works), fishing and the pharmaceutical industry. But the amounts invested are not very large in these branches of industry. For example, at the level of printing works, the invested amount is 882 million CFA francs. It is 622.29 billion in fishing and 993.45 million in the pharmaceutical industry. The largest investment was made in the textile sector in 2002. The wood industry and the Chemical industry represent branches where the China's participation is very marginal with respective weights of 1.22 % and 0.21 %. Compared to other development partners, it is shown that in spite of the estrangement of relations between Côte d'Ivoire and France following the war situation, France remains the most important partner as regards investment followed by the other African countries, the USA and Lebanon. Essentially, productive investment is made by the local partners. However, for all the partners, productive investment has drastically decreased over the period 1996- 2006, especially since 2002, date of the beginning of the war in Côte d'Ivoire. The graph below perfectly illustrates the impact of the war on productive investment in Côte d'Ivoire.



Source: our investigation

## VI. Trade between China and Côte d'Ivoire

China is the third world exporter and importer behind the United States and Germany. The first importer from the African continent with 10 % of imports, the rank occupied by Germany before, China has improved its trade relations with Côte d'Ivoire, especially from 2003. We will successively analyse Côte d'Ivoire's exports to China, imports from Côte d'Ivoire to China and the balance of trade between the two countries.

### 6.1. Côte d'Ivoire's exports to China

After an increasing evolution in value from 1995 to 1998, Côte d'Ivoire's exports to the People's Republic of China recorded a sensitive fall from 1999 to 2002 before experiencing a large increase between 2003 and 2006. The level of exports moved from 3.548 billion in 1995 to 11.762 billion in 1998 and to 4.735 billion in 1999. In 2000, exports reached the lowest level with 2.413 billion. This deterioration can be explained by the first political crisis in Côte d'Ivoire. In 2002, Côte d'Ivoire underwent the second political crisis, but this situation paradoxically coincided with the drastic rise of Côte d'Ivoire's exports to China. It is noted that the level of exports in 2003 was at 36.134 billion CFA francs. Table 2 gives the export trends of the Ivory Coast towards China by product from 2000 to 2006.

Table 3: Trends of Côte d'Ivoire's exports to China as % of total imports in millions of CFA francs

Description of the exported products	2001			2003			2006		
	China	Total	% Total	China	Total	% Total	China	Total	% Total
Foodstuffs	645	559 160	0,12	487	686 737	0,07	3 180	615 007	0,52
Drinks, tobaccos	0	8 515	0,00	0	1 701	0,00	0	16 992	0,00
Oil	79	396 124	0,02	121	408 383	0,03	30 189	1 569 495	1,92
Raw materials *	3 319	1 228 082	0,27	35 408	1 449 981	2,44	22 311	1 278 227	1,75
Fats and oils	0	61 451	0,00	0	74 807	0,00	0	91 959	0,00
Capital goods	80	160 340	0,05		394 019	0,00		513 854	0,00
Manufactured goods	16	200 045	0,01	42	151 999	0,03	18	144 232	0,01
Total exports	4 139	2 669 399	0,16	36 058	3 189 594	1,13	55 698	4 256 426	1,31

Source: Investigation based on DGD/DPCE data

\* Coffee, Cocoa, cotton, wood, ores and rubber

From 2000 to 2001, exports were essentially made up of cocoa beans. From 2002, mass cotton occupied the second place of exports after cocoa beans. In 2003, cotton became the most exported product from Côte d'Ivoire to China with 87.4 % of exports. In 2006, crude oil became the most exported product with a value of 30.189 billion, i.e. 54.2 % of the total value of exports.

On the whole, over the period 2000 to 2006, exports increased in exponentially, moving from 2.413 billion in 2000 to 7.832 billion in 2002, then to 55.697 billion in 2003, i.e. a progression of 2, 308 % between 2000 and 2006. This spectacular progression is the sign of the good trade relations between the two countries.

In spite of an improvement of trade relations between the two countries, Côte d'Ivoire remains a minor partner of China as the table below shows with a weight of 1.31 % compared to the Côte d'Ivoire's exports to the rest of the world. In addition, Côte d'Ivoire's exports to China are primarily made up of agricultural products. The proportion of agricultural products in Côte d'Ivoire's exports to China is estimated at 92 %.

In comparison to the other partners, table 1 of the annex shows that the principal partners are still France, the Netherlands, Nigeria and the United States of America. China occupies only the 15th place in Côte d'Ivoire's exports. On the other hand, Côte d'Ivoire is the largest exporter of the WAEMU countries to China in 2005 (WAEMU, 2005)<sup>5</sup>. This sub-regional organisation of West Africa is since 2003 very coveted by this Asian giant that occupies the third place of its total extra-community exports.

<sup>5</sup> External trade statistics of WAEMU



## 4.2. Côte d'Ivoire's imports from China

The principal imported products coming from China are electric equipment, machinery, ceramics, glasses, stones, semi-whitened rice, iron, cast iron steel and works, cotton, rubber, textile fibres except cotton. The table below gives the trend of Côte d'Ivoire's imports from China by branch of industry. It is shown that the total amount of Côte d'Ivoire's imports coming from the rest of the world was approximately 3,041.4 billion CFA francs in 2006 distributed as follows: 52% from Europe (including 47% from the UE), 25.7% from the other countries of Africa (of which only 0.7% of those from WAEMU), 8.2% from countries from the American continent (of which 5.3% from the United States) and 13.5% from Asian countries (of which 3.2 % from the People's Republic of China). At the bilateral level, France and Nigeria are still Côte d'Ivoire's principal partners since 2003. China imposed itself in 2005 by occupying the fourth place after Singapore. The principal imported products are still manufactured goods whose imports improved between 2003 and 2004 and agricultural products whose share in imports decreased relatively over the same period. It is mentioned that imports of foodstuffs and rice in particular decreased, moving from 26.7 billion in 2000 to 9.4 billion in 2006 and that for the benefit of capital goods, especially intermediate electrical goods and other non-food consumer goods.

Table 4: Trend of Côte d'Ivoire's imports from China as % of total imports in millions of CFA francs

Description of the imported products	2001			2003			2006		
	China	Total	% Total	China	Total	% Total	China	Total	% Total
Foodstuffs	24,769	343,380	7.21	21,58	383 363	5.70	13,949	460,037	3.03
Drinks, tobaccos	28	41,165	0.07	779	42 322	1.84	35	59,410	0.06
Oil	111	490,903	0.02	485	350 609	0.14	936	966,459	0.10
Raw materials	7,694	293,013	2.63	10,873	237 963	4.57	18,405	330,093	5.58
Fats and oils	479	13,252	3.61	270	24 523	1.10	1,047	12,026	8.71
Capital goods	12,397	277,744	4.46	20,012	624 227	3.21	47,386	677,317	7.00
Chemical and pharmaceutical products	2 ,73	161,002	1.60	2,886	151 570	1.90	6,920	167,237	4.14
Manufactured goods	7,75	265,739	2.81	14,254	245 739	5.80	41,891	386,522	10.84
Total imports	55,526	1,866,252	2.98	71,417	2 048 828	3.49	130,569	3,041,352	4.29

Source: Investigation based on DGD/DPCE data

\* Coffee, Cocoa, cotton, wood, ores and rubber

In spite of everything, like for exports, Côte d'Ivoire occupies a marginal place in Chinese exports. In 2001, only 2.98 % of Chinese exports went to Côte d'Ivoire. This weight moved to 3.49 in 2003 and to 4.29 % in 2006. In relation to the whole of Africa, this weight is lower than the continent's average (3%) which also remains marginal in the trade relations between China and the rest of the world in 2004 as the graph below shows.

In relation to WAEMU space, Côte d'Ivoire is the top importer of Chinese products. The WAEMU space imports very little from China. Nevertheless, the ratios appear to be improving since China's rank in imports from the countries of the economic zone moved from 39<sup>th</sup> in 2002 to 10<sup>th</sup> in 2005.

### 4.3. The trade balance between China and Côte d'Ivoire

Although the amount of Côte d'Ivoire's exports to China reached the record figure of more than 55 billion CFA francs in 2006 (almost 25 times that of 2000), the balance of trade in disfavour of Côte d'Ivoire still remains very large as the below table shows.

Table 5: Trend of the balance of trade between Côte d'Ivoire and China in millions of CFA francs

Description of the product	2001		2003		2006	
	China	Total	China	Total	China	Total
Foodstuffs	- 24, 124	<b>215,780</b>	- 21,371	<b>303,374</b>	- 10,769	<b>154,970</b>
Drinks, tobaccos	- 28	- 32,650	- 779	- 40,621	- 35	- 42,418
Oil	-32	- 94,779	- 364	57,774	<b>29,253</b>	<b>603,036</b>
Raw materials *	- 4,375	<b>935,069</b>	<b>24,535</b>	<b>1,212,018</b>	<b>3,906</b>	<b>948,134</b>
Fats and oils	- 479	<b>48,199</b>	- 270	50,284	- 1,047	79,933
Capital goods	- 12,317	- 117,404	- 20,012	- 230,208	- 47,386	- 163,463
Chemical and pharmaceutical products	- 2,573	- 161,002	- 2,886	- 151,570	- 6,920	- 167,237
Manufactured goods	- 7,459	- 65,694	- 14,212	- 93,740	- 41,873	- 242,290
Total balance	- 51,387	<b>803,147</b>	- 35,359	<b>1,140,766</b>	- 74,871	<b>1,215,074</b>

Source: Investigation based on DGD/DPCE data

\* Coffee, Cocoa, cotton, wood, ores and rubber

This table shows that it is only in the agricultural sector that Côte d'Ivoire has a surplus balance of trade in trade with China. Côte d'Ivoire remains and still shows that it remains a big agricultural country, even if this sector seems under-utilised compared to the natural potential and the anarchy which reigns in the agricultural sector and particularly in the coffee –cocoa sub-sector. Côte d'Ivoire's agricultural surplus exceeds all its deficits in the other areas, which enables it to have a surplus balance of trade, even in wartime. In spite of everything, China remains the principal beneficiary of trade with Côte d'Ivoire given the balance of trade deficit for Côte d'Ivoire.

## VII. Development aid granted by China to Côte d'Ivoire

China has supported Côte d'Ivoire's development since 1985 through loans and donations for the implementation of various development projects.

Three types of aid can be distinguished:

- Aid in the form of loans from the Chinese government called long-term interest-free loans, repayable;
- Aid in the form of loans with a very low interest rate granted by Chinese EXIMBANK called preferential loans for governmental improvement, also repayable;
- Donations of the Chinese government, which are non-repayable contributions.

***Preferential loans for government improvement (PPBG)***

Over the period 1996-2000, China granted five loans for a total amount of 7,069,677,535 CFA francs. These loans, called preferential loans, were distributed as the table below shows.

Table 6: EXIMBANK CHINA loans to Côte d'Ivoire

Purpose of the loan	Date of signature	Duration	Differed repayment	Interest rate	Amount disbursed in CFA francs as at 31/12/2006
Zeregbo gold mining	14/03/2000	15 years	5 years	3 %	259,921,547
HUAKE Automobile Project	16 / 09 / 1996	20 years	9 years	2 %	3,247,751,465
LIC PHARMA Project	04 / 11 / 1996	20 years	9 years	2 %	1,104,983,565
YTO-CI Project	09 / 04 / 1997	20 years	9 years	2 %	615,381,682
SEISMIQUE P Project	05 / 05 / 1997	15 years	5 years	5 %	1,841,639,275
<b>TOTAL</b>					<b>7,069,677,535</b>

Source: Department of National Debt

Among these loans, three were intended entirely for the construction of the Cultural Centre in Abidjan, three entirely for the installation of the Guiguidou rice zones; one was intended on the one hand to finalise the construction of the Cultural Centre at a total value of 90% and, on the other, to carry out the last installations of Guiguidou at a total value of 10% and three were intended for the Parliament Building construction project.

For the Cultural Centre, the volume of the loan was 198 million yuan, i.e. approximately 10.23 billion CFA francs. For the installation of the Guiguidou rice zones, the amount of the loan was 102 million RMB yuan, i.e. approximately 5.17 billion CFA francs. Finally, for the construction of the Parliament Building, the three loans signed between 20 July 2001 and on 28 April 2002 concerned an amount of 200 million yuan, i.e. approximately 16.01 billion CFA francs.

At the military level, a loan of one million US dollars was granted in 1994 for the supply of light weapons to Côte d'Ivoire Armed Forces. In 1998, 3 million dollars were granted for the purchase of a barge and forty machines for the establishment of a repair workshop of the National Navy of the Côte d'Ivoire Armed Forces.

The last interest-free loan (10 million RMB yuan, i.e. 650 million CFA francs) was granted during the China-Africa summit at the beginning of November 2006.

The table below gives the distribution of the interest-free branch of industry.

Table 7: Presentation of China's share in the project loans granted to Côte d'Ivoire by branch of industry from 1984 to 2007

<b>Branch of industry</b>	<b>China</b>	<b>TOTAL</b>	<b>China %</b>
Agriculture	7,434.80	234,143.77	3.18
Manufacturing	4,438.80	4,438.80	100.00
Mining	3,590.80	3,590.80	100.00
Transport	-	264,092.60	-
Electricity and water	-	153,825.40	-
Telecommunication	-	-	-
Other aid	32,596.10	606,731.50	5.37
<b>Total</b>	<b>48,060.50</b>	<b>1,266,822.87</b>	<b>3.79</b>

Source: Our investigation based on the data of the Committee for Mobilisation of External Financing and Follow-up of Public Investments (COMFESIP)

On the whole, China's aid in the form of loans accounts for 3.79 % of the total aid that Côte d'Ivoire received from the rest of the world. China is the only country that has granted a loan to Côte d'Ivoire in commercial branches of industry such as manufacturing and mining.

### 7.3 Donations

These donations are 16 in number. The first was granted in 1985 and concerned an amount 68.43 million yuan, i.e. 3.9 billion CFA francs. This donation allowed the construction of a conference room in the Ministry of Foreign Affairs. The last donation was granted during the China-Africa summit at the beginning of November 2006. It concerned an amount of 30 million RMB yuan, i.e. 1.950 million CFA francs. Over the period 1997–2006, China on the whole granted donations of a value of 8,801,750,000 F CFA distributed as follows in the table below.

Table 8: Presentation of China's share in the project donations granted to Côte d'Ivoire by branch of industry

Branch of industry	China	Total	China %
Agriculture	2.229.50	33,376.87	6.68
Manufacturing			
Mining			
Transport		264.89	-
Electricity and water		9,479.31	-
Telecommunication			
Other aid	6,572.25	481,616.03	1.36
Total	8,801.75	524,737.10	1.68

Source: Our investigation based on the data of the Committee for Mobilisation of external financing and Follow-up of Public Investments (COMFESIP)

With regard to donations, China's contribution to Côte d'Ivoire is 1.6%. This contribution essentially concerns technical aid.

### **VIII. Losers and winners in the relations between China and Côte d'Ivoire**

Relations between China and Côte d'Ivoire have clearly improved over the last few years. At the level of trade, flows of exports and imports have increased considerably, but the balance of trade remains negative, which creates a disadvantage for Côte d'Ivoire whose consequence in the long term can be the domination which could result from this cooperation. Interferences in terms of economic competitiveness can arise negatively affect Côte d'Ivoire's economy as, for example, loss of value added and the lack of job creation link to the exportation of unprocessed raw materials. Finally, the quality of products imported from China does not always inspire confidence given that traceability standards are not respected when Asian countries such as India and China export their products to developing countries.

From the various discussions with the structures in direct contact with Chinese economic agents, it emerges that in many cases very competitive Chinese products (cheap manufactured goods) are only rejects of productions intended for export to the West whose respect of traceability standards is a paramount condition of access to the market. Thus, taking into account the absence of standards, products of lower quality are exported to African countries. This creates an enormous prejudice to the consumers of these products who in most cases do not fully enjoy the products bought over a long period in spite of the competitiveness of these products. Also to be emphasised is China's refusal to sign the International Agreement on the Fight Against Counterfeit.

At the level of investment, it should be noted that in many cases, Chinese investment in Côte d'Ivoire is not accompanied by significant job because qualified labour is imported directly

from China. Similarly, Côte d'Ivoire's interests differ from those of China. This reality at the practical level has hindered the completion of some investment projects in Côte d'Ivoire. To this is added the difference of working methods. Nevertheless, Chinese intervention has led to the reduction of the cost of public investment, particularly with regard to large works.

On the whole, from any point of view, China emerges as a winner this bilateral cooperation. She can count on Côte d'Ivoire to get fresh supplies of oil and other raw materials such as raw cotton, cocoa and many other products. It can count on Côte d'Ivoire to have access to the exploitation of various mineral deposits in which the country abounds and to land large markets in building and public works to the detriment of France which is Côte d'Ivoire's natural partner. On the other hand, we mention at the political level the role played by China in the ending of Côte d'Ivoire's crisis and the attempt at weakening of the government of Côte d'Ivoire in favour of the country's rebellion by the resolutions proposed by France at the United Nations' Security Council. All in all, China's intervention in Côte d'Ivoire's economy has greatly favoured the reduction of dependence on France. However, if China's positions have been in favour of the government of Côte d'Ivoire, various interpretations have been made according to political sides of the citizens. In such a situation, it is difficult to come to a conclusion about the quality of this Chinese attitude in Côte d'Ivoire. The important question is consequently to know if the partnership benefits the authorities currently in power or the whole of the population of Côte d'Ivoire.

## **VI. Conclusion and recommendation**

Begun in 1983, the economic relations between Côte d'Ivoire and China improved gradually with the signature of several conventions and economic, cultural and scientific partnership agreements. China's support for Côte d'Ivoire's development has appeared through several donations and interest-free loans. On the whole, Côte d'Ivoire has received 56.86 billion CFA francs from China as development aid, that is to say roughly 3.17% of the development aid that Côte d'Ivoire has received from its various partners. In the private sector, China's intervention is recent and dates back to 1997. At the end of December 2006, foreign direct investment of Chinese origin amounted to 16.01 billion CFA francs, which represents 1.94 % of Côte d'Ivoire's foreign direct investment (FDI). It is in trade that the relations are more important. Thus, Côte d'Ivoire's exports to China moved from 3.548 billion in 1995 to 55.698 billion in 2006, the most exported products being oil and mass cotton. With regard to imports, the total amount of Chinese products consumed in Côte d'Ivoire amounts to 130.569 billion

CFA francs in 2006. The balance of trade between these two countries is thus in favour of China

In spite of everything, China is for the moment a marginal partner of Côte d'Ivoire given its weight in the various interventions and compared to traditional partners like France. It remains all the same that this is a process which has started and the desire of developing countries such as Côte d'Ivoire to get out of the influence of the old colonial powers will certainly contribute to speeding up and upsetting the trends in the years to come.

However, several concerns remain in this cooperation between developing countries such as Côte d'Ivoire and China. The first relates to the domination that will result from this cooperation, the loss of value and finally the possible loss of competitiveness. The second relates to the quality of goods imported from China and the small impact of Chinese investments in terms of job creation. Finally, at the political level, the personalisation of the relations to the authorities in place which, which are trying to find partners to the detriment of France, Côte d'Ivoire's natural partner.

These few concerns should guide African partners and Côte d'Ivoire's authorities to be prudent and cautious without deluding themselves in the management of relations with China in particular and the Asian dragons in general. One recommendation would be to take measures in relation to the conditions of investment and completion of the large works executed by China in terms of use of local qualified labour and the introduction of minimal traceability standards with regard to access of Chinese products to the markets of developing countries. In terms of competitiveness, our economies should review the nature of the products exported in order to balance the balance of trade. This can be possible only if efforts and strategies of diversification of exported products are put in place.

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## ANNEX

Table 1 Trend of the principal macro-economic indicators

Indicators (in billions of CFA francs except otherwise indicated)	Years			
	2003 *	2004 *	2005 *	2006 *
Current GDP	8,268	8,524	8,621	9,028
Real GDP growth rate (%)	-1.80%	1.50%	1.8	1.2
Per capita GDP growth (%)	-2.70%	-0.20%	-1.4%	-2.0%
Exports/GDP (%)	45.70%	48.30%	47.81%	49.69%
Imports/GDP (%)	31.70%	37.50%	41.84%	42.37%
Balance of trade	1153	920	515	662
Gross investment rate	9.30%	9.00%	9.30%	8.5%
Budget balance/GDP (%)	-2.50%	-1.80%	-1.71%	-1.39
National debt arrears (% GDP)	76.8	69.6	63.3%	57.1%
Primary balance /GDP	0.1%	0.4%	0.3%	0.2%
Current balance /GDP (%)	2.10%	1.50%	0.2%	
Debt servicing	931	1326	1671	
Debt servicing /exports	24.70%	32.20%	40.5%	
Exchange rate (dollar in CFA francs)	581	528.2	527.47	
Inflation rate	3.5%	1.3%	3.9	2.5

Source: INS (National Accounts), (\*)provisional data

Table 2: Weight of the various trade partners

Trade partners	Exports		Imports	
	Value	% of the total	Value	% of the total
WAEMU	417,000.00	11.09 (4th)	23,800.00	0.79
France	700,39.03	18.62 (1st)	858,156.98	28.65 (1st)
United States of America	540,315.22	14.37 (2nd)	63,008.27	2.10
The Netherlands	421,011.58	11.19 (3rd)	59,589.63	1.99
Nigeria	305,122.43	8.11 (5th)	759,645.54	25.36 (2nd)
<b>China</b>	<b>43,140.26</b>	<b>1.15 (15th)</b>	<b>94,583.64</b>	<b>3.16 (4th)</b>
India	70,10.47	1.86	42,026.45	1.40
Panama	166,480.23	4.43		
Italy	105,731.59	2.81	69,820.77	2.33
Spain	101,633.01	2.70	37,007.76	1.24
Belgium-Luxembourg	86,058.68	2.29	47,642.28	1.59
Germany	44,577.20	1.19	55,215.33	1.84
Singapore	4,725.27	0.13	205,181.85	6.85 (3rd)

Source: Our investigation based on WAEMU statistics

Table 3: Investment of Chinese origin as a proportion of total investment (FDIs + national investment) from 1996 to 2007 by branch of industry

BRANCHES Of INDUSTRY	Chinese Investment.	Total Investment	China /investment ratio
Fisheries	622,287,941	2,833,329,938	21.96
Wood industry	501,400,000	40,944,695,198	1.22
Mechanical and automobile industry	3,530,686,000	21,934,897,745	16.10
Pharmaceutical industry	993,450,000	5,094,352,000	19.50
Paper industry (printing works)	881,736,112	3,813,700,000	23.12
Textile industry	8,355,800,000	58,606,227,179	14.26
Chemical industry	98,195,863	46,795,806,782	0.21
<b>Total FDIs from 1996 to March 2007</b>	<b>14 983 555 916</b>	<b>1 724 823 017 753</b>	<b>0.87</b>

Sources: Our investigation based on BNEDT and CEPICI data