



# Chinese Zero-Tariff Treatment for Least Developed Countries: China's Soft-Power in Action in Africa

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**Abstract:** In 2005, in order to help Africa in improving its trade balance and economic situation, China implemented measures to grant African countries that have diplomatic ties with it, a zero-tariff treatment. The aim is to trigger more imports from Africa. The aim of this paper is to better understand Chinese zero-tariff treatment and the considerations pushing China to grant such treatment to African countries. There are two main motivations: diplomatic consideration and geopolitical consideration. In the paper, it is discussed that the diplomatic consideration resides in the fact that China has committed itself into helping African countries in the path of development. Geopolitically, Africa has an important place in the international arena.

**Keywords:** Chinese Zero-Tariff Treatment, China, Africa, Geopolitics, Commitment

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## 1. Introduction

In the late 1970s and early 1980s, China instituted a series of measures called the reform and opening-up policy initiated by DENG Xiaoping. An emphasis was put on modernization and economic and political reforms. The country gradually adopted a socialist market economy with Chinese characteristics. Reforms were progressive from rural regions to the cities, a progressive opening to the outside etc. Deng Xiaoping laid down the theory of "building socialism with Chinese characteristics". The main ideas were to focus the work on economic construction, to carry out modernization, to set up all sorts of economic responsibility systems, the reform of economy, the reform of political system, for instance: division of labor between the Party and the administration, power decentralization etc.

The creation of special economic zones helped to combine the reforms and the opening measures. In July 1979, the State Council decided to create special economic zones in the provinces of Guangdong and Fujian in order to promote Foreign Direct Investments. In 1980, the special economic zones of Shenzhen, Zhuhai, Shantou and Xiamen had been created. After that, a dozen coastal cities were opened to foreign investors. This network of coastal cities led to the

open economic regions of the Chang Jiang Delta, Zhujiang River Delta and the Southeast region of Fujian province and regions surrounding the Bohai Gulf. Hainan Province had been established the largest special economic zone. Deng Xiaoping stated that "science and technology are the primary productive force"<sup>1</sup>. For him, one must respect knowledge and talented people, the need to develop educational works and strengthen the ideology and ethics Socialists.

Since its implementation, the reform and opening-up policy has made China experienced an explosive growth that pushes it on the one hand to obtain new sources of supply for raw materials and energy, on the other to find new markets for its products. Its search led it to Africa. The African continent has large reserves of mineral resources and is in need of funding and infrastructures, meant for boosting its own development. This situation made China and Africa quickly exploit their affinities and tied over the years, strong links. They have thus provided an opportunity for each other to ensure the satisfaction of their various interests. Thus, China had access to resources, and in return responded to African countries financial needs and urgent needs in

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<sup>1</sup> China Daily (2010, September 15), Deng Xiaoping Theory: Science and technology constitute a primary productive force, retrieved from <http://www.chinadaily.com.cn/>

infrastructure (roads, hospitals, ministries etc.). China-Africa relations provide an array of benefits compared to relations Africa and the West: few requirements to provide assistance and investments, financial assistance with low interest rates, which can be refunded over a very long period, scholarships for students, infrastructure building etc.

New impetus for China-Africa relations was the creation of the Forum on China-Africa Cooperation. Taking place every three years since 2000, the Forum on China-Africa Cooperation aims to develop and strengthen win-win relationship between China and African countries with which it has diplomatic and economic ties. Goldstein, Pinaud, Reisen and Chen (2006) reported that there were seven categories of Chinese imports from Africa have increased average 1.5 times as compared to Chinese average imports during the 1998-2003 period: animal feed products from Burkina Faso, Ethiopia, Nigeria, Sudan and Tanzania; cobalt from South Africa and the Democratic Republic of Congo; Copper from Zambia and South Africa; Aluminium from Guinea among others.

Built over mutual needs, Sino-African countries had woven an economic interdependence that oriented both regions' foreign policy towards each other and on different issues. Considering that trade is a key factor in economic growth and an important asset on the path to development and in the perspective of strengthening its bonds with Africa, the Chinese government granted the opening of its market to 23 African developing countries with a zero-tariff treatment. Those African countries can export to China without paying duty taxes. The initiative is to contribute to the development of those African countries through the increase of their exportations to China.

## 2. An Overview of Chinese Zero-Tariff Treatment

### 2.1. Historical Background of Chinese Zero-Tariff Treatment

The Forum on China–Africa Cooperation<sup>2</sup> is a forum organized by China and African countries to discuss the main trends of their trade cooperation. The first one took place in Beijing from 10 to 12 October 2000. It is during the second one that China, through its Prime Minister Wen Jiabao announced its commitment to open progressively its market to Africa and grant African developing countries that have diplomatic ties with its a zero-tariff treatment. The first measures were then passed by China's general administration of customs on December 30, 2004 and took effect on January 1, 2005. The measures were based on the rules of origin and set to preferential tariff treatment to eligible countries. 23 African countries<sup>3</sup> were then eligible.

2 The different forums that took place are 2000: Beijing in China; 2003: Addis-Abeba in Ethiopia; 2006: Beijing in China; Charm el-Cheikh in Egypt; 2012: Beijing in China; 2015: Johannesburg in South Africa

3 Angola, Benin, Burundi, Central African Republic, Djibouti, Guinea, Guinea-

The main goal was to increase exports of goods from those countries. Apart from aids, that was one of the biggest help that China provide to Africa to achieve development. 180 items were selected to benefit from the treatment. Among other which: processed or non-processed agricultural items: cashew, coffee, sesame, clove, cocoa bean; marble, granite; copper, aluminum; leather, cotton; aquatic products: frozen fish, frozen shrimp; electromechanical products and wood furniture.

Following the announcement of China's Chairman, Hu Jintao, to grant all developing countries that have diplomatic ties with China a zero tariff treatment in the G20 summit in Cannes (France) in 2010; China's general administration of customs passed a second series of measures. Eight non-African countries<sup>4</sup> were added to the list of eligible countries. As time goes, the measures are revised in order to suppress Chinese trade barriers for eligible countries and to attract more developing countries to benefit from the trade. Current Chinese President Xi Jinping announced, during the recent Asian-African Summit held in Indonesia from 22 to 23 April 2015, that by the end of 2015, China would extend zero tariff treatment to 97 percent of tax items from all less-developed countries that have diplomatic ties with it. Up to now, 30 African countries<sup>5</sup> benefit from the treatment. Although it is officially known as Special Preferential Tariff Treatments, it is commonly referred to as China zero-tariff treatment or China zero-tariff preferential treatment. Below are the different passed measures<sup>6</sup>:

Provisions of the Customs of the People's Republic of China on the Implementation of "the Rules of Origin of Goods under the Special Preferential Tariff Treatments Given by the People's Republic of China to the Least-developed African Countries (was issued on: 30 December 2004, took effect on: 01 January 2005)

Measures of the General Administration of Customs for Administration of the Origin of Import Goods under the Special Preferential Tariff Treatments (was issued on: 31 May 2006, took effect on: 01 July 2006).

Measures of the Customs of the People's Republic of China for the Administration of the Origin of Imported Goods under the Special Preferential Tariff Treatment to the Least Developed Countries (was issued on: 28 June 2010, took effect on: 01 July 2010).

Decision of the General Administration of Customs on Abolishing the Measures of the Customs of the People's Republic of China for the Administration of the Origin of Imported Goods Enjoying Special Preferential Tariff

Bissau, the Comoros Union, the Democratic Republic of Congo, Ethiopia, Eritrea, the Kingdom of Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Sudan, Togo, Uganda and Zambia

4 Afghanistan, Bangladesh, Cambodia, Myanmar, Nepal, Timor-Leste, Vanuatu and Yemen

5 Equatorial Guinea, Mauritania, Sierra Leone, Senegal, Somalia, the United Republic of Tanzania, Chad names were added to the list of eligible countries

6 The English titles of the decrees are from the translated versions in English of the decrees found on [www.pkulaw.cn](http://www.pkulaw.cn), the online database of Peking University School of Law

Treatment (was issued on: 30 December 2011, took effect on: 01 January 2012).

Decision of the General Administration of Customs was Amending the Measures of the Customs of the People's Republic of China for the Administration of the Origin of Imported Goods under the Special Preferential Tariff Treatment to the Least Developed Countries (2013) (was issued on: 01 July 2013, took effect on: 01 July 2013).

Measures of the Customs of the People's Republic of China for the Administration of the Origin of Imported Goods under the Special Preferential Tariff Treatment to the Least Developed Countries (2013 Amendment) (was issued on: 01 July 2013).

All those decrees above are no more effective. China's Customs Administration has passed new decrees. There are as follow:

A communique granting Eritrea and Cambodia a preferential treatment over 97% of importing goods originating from those two countries, was issued on 7th December 2016 and took effect on 10<sup>th</sup> December 2016).

A new decree replacing the Measures of the Customs of the People's Republic of China for the Administration of the Origin of Imported Goods under the Special Preferential Tariff Treatment to the Least Developed Countries (2013 Amendment) was issued on 1<sup>st</sup> March 2017 and took effect the following month.

A communique specifying the African countries concerned by the article 7 of the degree mentioned above was issued on 6<sup>th</sup> March 2017 and took effect the same day.

There is lack of detailed information that could help us to know if the treatment has had an impact on exports from beneficiary countries. In China-Africa Economic and Trade Cooperation (2010) white paper, it was reported that: "From 2005 to the end of June 2010, China imported African goods with an accumulated value of US\$1.32 billion under zero-tariff terms, including agricultural commodities, leather, stone materials, textiles and garments, machine spare parts, base metals and wood products." According to China-Africa Economic and Trade Cooperation (2013) white paper, twenty-two of the beneficiary countries had seen 910 million Yuan-worth of tariff exempted and US\$1.49 billion-worth of goods by the end of 2012. Moreover, it seems that beneficiary countries have not been using the treatment at their own profit. During research of documents, especially from the side of French-speaking African beneficiary countries, no serious efforts have apparently been made. Apart from brief information displayed on Chinese embassies in African countries' websites, few countries such as Senegal and Madagascar have tried to give information to the public. For instance, Senegal has provided information through its office for trade and investment promotion and in Madagascar, the Customs Administration has put online a translated version of the legal framework of the treatment. However it is not updated. But in general, the public is unaware of such treatment. Only officials are aware of it, but many do not have detailed information on them.

## 2.2. Content of Chinese Zero-Tariff Treatment

The analysis of the recent and effective legal framework of China's zero tariff treatment, showed that it is based on set of rules enacted by World Trade Organization and World Customs Organization for rules of Origin and preferential treatment. What are the Chinese rules of origin for African developing countries?

### 2.2.1. Beneficiary Countries and the Origin of the Goods

Chinese zero-tariff treatment for African countries is based on the rules of origin. According to the revised Kyoto Convention<sup>7</sup> (Specific Annex K, Chapter 1, Rules of Origin), rules of origin are: "... the specific provisions, developed from principles established by national or international agreements ("origin criteria"), applied by a country to determine the origin of goods." There are two distinct types of rules of origin depending on application, which are the Non-Preferential Rules of Origin and the Preferential Rules of Origin 0.

In the context of China's zero tariff treatment, preferential rules of origin have prevailed. In World Trade Organization Agreement on Rules of Origin, "preferential rules of origin" are defined as "Those laws, regulations and administrative determinations of general application applied by any member to determine whether goods qualify for preferential treatment under contractual or autonomous trade regimes leading to the granting of tariff preferences going beyond the application of paragraph 1 of Article 1 of GATT 1994<sup>8</sup>". It can be said that they are rules that are used to establish the origin of imported goods that are qualified to benefit a preferential treatment. Preferential treatment refers to tariff-free access or lower tariff access. They are set out under the preferential trade arrangements in order to facilitate trade from developing countries (within the frames of the General System of Preferences or other kind of arrangement) by offering a reduced or zero rate of duty to goods exported from beneficiary countries or contracting parties. To benefit from the preferential trade arrangements the goods exported must be originating from the beneficiary country.

In the legal framework for Chinese zero-tariff treatment, African least developing countries that have diplomatic ties with the People's Republic of China are deemed as beneficiaries. However, on 27<sup>th</sup> April 2017, during the closing ceremony of the 121<sup>st</sup> session of the Canton Fair, Dai Bing, the Deputy Director-General of the Department of Africa affairs in the Ministry of Finance, said that Nigeria, Congo-Brazzaville and other countries would enjoy zero-tariff treatment<sup>9</sup>.

Three main criteria are suggested by the Kyoto Convention

7 The Kyoto convention also called "The International Convention on the Simplification and Harmonization of Customs procedures" entered into force in 1974 and was revised and adopted in June 1999. The revised Kyoto Convention entered into force on February 3, 2006.

8 The paragraph 1 of Article 1 of GATT 1994 is about the most favored-nation clause.

9 Business Highlights (2017, April 25). China lists 10 Action-Plan to fight poverty, grow Nigerian business, others, retrieved from <http://businesshighlights.com.ng>

in determining the origin of goods: “wholly obtained goods criterion”, “Minimal Operation Criterion” and “substantial transformation criterion”. The first criterion simply refers to the goods grown; harvested or extracted in the beneficiary country (Country of origin/beneficiary country). Minimal operation criterion refers to manufacturing or production operations that do not influence the origin determination in preferential rules of origin or do influence the origin determination in non-preferential rules of origin. In Chinese zero-tariff treatment, under this criterion, the use of non-originating materials in the production of goods do not affect the status of origin, if there is a change in the four-digit tariff classification. If not, the value of non-originating materials should not exceed 10% of the price of the final goods.

Substantial transformation criterion means that a second-country’s materials have been used in the production process of the goods. There are three main ways to determine if goods have undergone transformation. Quoted below, they are the following:

- i) “change in tariff classification”: it requires an alteration of the goods’ chapter (2-digit level), heading (4-digit level), subheading (6-digit level) or item (8-10 digit level). As an example:
- ii) “Ad Valorem (Value content)”: it applies to the specific percentage of value added to the goods in order to get their status of origin. It take three forms: a) Import content: imported materials input cannot exceed a certain percentage of the final good value. It allows a percentage up to 40%; b) Domestic content: a minimum percentage of local value should be added in the last country where the goods were produced; c) Value of parts: materials originating from the country of origin must account for a certain percentage of the final good value.

- iii) “Manufacturing or Processing Operations” determines the manufacturing process that should be or should not be applied.

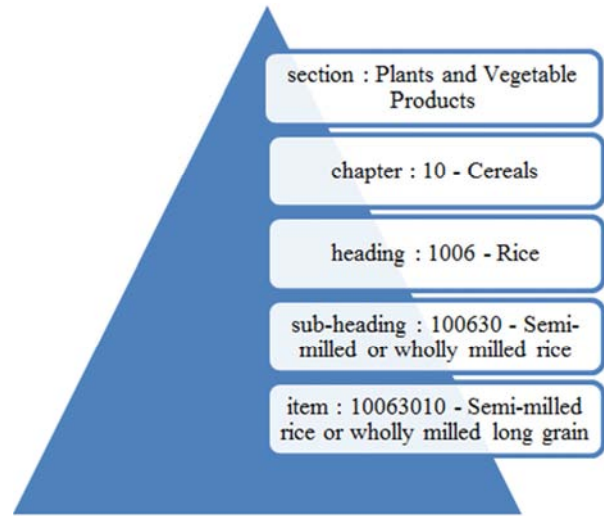


Figure 1. Tariff Classification.

In Chinese zero-tariff treatment, wholly obtained goods include minerals, animals, plants, seafood, waste materials from the production process of goods in eligible countries and processed goods. For the goods that fall under the criteria of substantial transformation, it is required that the change in tariff classification and ad valorem criteria should be used. In the case of the use of ad valorem criteria, the value of second-country materials and components must not exceed 40% of the final goods’ Free On Board price and shall be calculated as follows:

$$\text{Imported materials value} = \frac{\text{Price of the final goods} - \text{Price of the imported materials}}{\text{Price of the final goods}} \times 100\%$$

In this formula, the price of the final goods stands for the Free On board price of the goods to be shipped to China under the zero-tariff treatment and the price of the imported materials stands for the Cost Insurance Freight price of the imported materials.

If in the production of goods to exported, materials originating from China or materials originating from other African beneficiary countries that belong to the same regional organization<sup>10</sup> as the exporter country are involved, the goods can be granted zero-tariff treatment.

Furthermore, Minor processing such as packaging, treatment for loading and offloading, keeping goods in good condition during transportation, simple dilution and mixing or drying treatment do not affect the original status of the goods. Materials that were used in the processing of the

goods such as fuels, energies, catalysts and solvents; equipment used for testing or checking goods; equipment and materials used for maintaining equipment and plant buildings etc. do not affect the origin status. However, if goods to be exported are in bulk.

**2.2.2. Transportation**

On the issue of transport, the direct consignment of goods rule is required. That means that eligible goods must be transported directly from the place of production to their final destination. If the goods have to be transported through a territory other than that of their origin for geographical reasons and if they remained under customs surveillance and have not been put into the commerce of the transit country, they are still considered to be under the direct consignment rule. In fact, the rule for transport and the origin of the goods is strict in order to prevent “trade deflection” - the transshipment of goods via a preference-holding country in order for the goods upon import to obtain the preferential treatment available under a preferential trade agreement.

10 This concerns the Economic Community of West African States, more specifically the Republic of Benin, the Republic of Senegal, the Republic of Guinea Bissau, the Republic of Mali, the Republic of Sierra Leone, the Republic of Togo and the Republic of Liberia

In terms of transportation, it is required that the goods be directly shipped from the eligible countries to China. If the eligible country is landlocked or have no port, its goods must transit through another country with international transport conditions. In case of trans-shipment, the goods must not exceed a period of six months in the transit country and should remain under customs surveillance and should not enter into the commerce of the transit country. The exported goods should fall under the criteria of direct transportation. Goods can be shipped to all Chinese ports, except the ports of Taiwan, Macao and Hong Kong.

### 2.2.3. The Documents to Be Submitted

In order to fully and effectively benefit from the zero-tariff preferential treatment, importers and exporters must provide certificates of origin or the declarations of origin. The certificate of origin is a specific form in which the competent authority<sup>11</sup> certifies expressly that the goods covered originate from a specific country. The documentation should certify the goods' details and country of origin.

The certificate of Origin should be issued by the institution that is competent in issuing certificates of origin and should be sealed by the Customs of beneficiary country. For import declaration, the consignee of the imported goods or the agent should fill out the Imported Goods Declaration Form of the Customs of the People's Republic of China in accordance with the declaration provisions of the Customs, declaring the applicable preferential tariff rate, and submit the following documents: the original of the commercial invoice of the goods and the transport documents of the goods: He or she should submit the original and second duplicate of the valid certificate of origin. If he or she fails to do so, should in accordance with the Provisions of the Customs of the People's Republic of China on the Administration of Preferential Origins of Imported and Exported Goods, make a supplementary declaration to the Customs as to whether the imported goods have the origin qualification. The certificate should meet the following requirements:

- 1) It should be issued by the certificate-issuing institution at the time of export of goods or within five days after the export of goods.
- 2) It should be conformed to the format listed in the Annex of these Measures and being filled out in English.
- 3) It should be conformed to the safety requirements on being consistent with the sample of seals given by the beneficiary country to China Customs,
- 4) A seal should be affixed by the Customs of the export beneficiary country.
- 5) Goods should be stated as being imported goods of the same batch.
- 6) One should have a non-repetitive serial number of certificates of origin.
- 7) One should state the basis for determining the origin qualification and

<sup>11</sup> the customs administration, a ministry (of trade, agriculture, commerce etc.) etc.

8) The certificate should be within its valid term.

If a certificate of origin is stolen, lost, destroyed or unused, the consignee of the imported goods or his/her agent may request the exporter to apply in writing to the original certificate-issuing institution of the beneficiary country for issuance of an approved duplicate of the certificate of origin. The duplicate should be marked as "the approved authentic duplicate of the original of the certificate of origin".

Other documents to be submitted are commercial invoices for the goods, the bill of lading and the declaration form of the goods.

## 3. China's Motivations for Granting a Zero-Tariff Treatment to African Countries

### 3.1. A Gesture of Solidarity Among Nations: The Spirit of Bandung and the Principles of Chinese Foreign Policy

The dynamism of Sino-African cooperation is that it is based on principles. In 1953, during the first Asian-African summit in Bandung (Indonesia), the Chinese Premier Zhou En-lai quoted the "five principles of peaceful coexistence"<sup>12</sup> of Chinese diplomacy for other countries (Looy, 2006:2). These principles came to existence when India and China signed an agreement on trade and communications on 29<sup>th</sup> April 1954. These five principles are:

- 1) respect for sovereignty and territorial integrity.
- 2) mutual non-aggression.
- 3) non-interference in each other's internal affairs.
- 4) equality and mutual benefit.
- 5) peaceful coexistence.

Out of the above mentioned principles, two are fundamental in China's foreign policy. They are: the principles of non-interference and mutual respect of sovereignty and win-win cooperation.

#### I. Non-Interference in Each Other's Internal Affairs

In accordance with this principle, China does not interfere in the internal affairs of other countries and does not attempt to impose its ideology. This is the opposite of Western countries who seek to mold the world according to their own ideologies and socio-economic systems such as democracy, liberalism etc. In its relations with Africa, China respects the particularity and realities of each country and adapts its diplomacy, leaving African countries the task of defining their own priorities.

#### II. Equality and Mutual Benefit

The complementarities of the needs of both regions are the main drivers of cooperation. The manifestations of this partnership are in many different forms on many levels (trade, investment etc.): first of all, China needs raw materials and Africa provides them; secondly Africa needs funding for the construction of infrastructures and China is investing in basic infrastructures in Africa and promotes the

<sup>12</sup> Xinhua (2005, April 8). Backgrounder: Five principles of peaceful coexistence, retrieved from <http://news.xinhuanet.com/>

influx of Chinese Foreign Direct Investment in Africa.

During the second Asian-African summit, Zhou En-lai highlighted eight more principles that can be deemed as the characteristic of China's aid towards African countries. According to Gountin, among others, there are:

- 1) providing assistance to foreign countries according to the principles of equality and mutual benefit.
- 2) While providing foreign aid, a strict respect of the sovereignty of recipient countries is observed.
- 3) the assistance is provided as interest free or low interest loans and time of repayment could be delayed when needed.
- 4) The purpose of the aid is not to make recipient countries being dependent on China, but to help them gradually to be self-reliant and economically independent.

The last principle mentioned above, gives a clue on the logic that China has followed by granting such treatment to African developing countries. The Chinese motivation mainly resides in Beijing's commitment not only to help Africa in its fight against poverty and underdevelopment, but also in its will to help Africa get out of its economic marginalization.

Africa's participation in commercial exchanges is very marginal. From 1960 to 1969, Africa's parts in the international exchanges which were respectively 5.3 % and 5.0 %, decreased in the period of 1990–1998, respectively from 2.3 % to 2.2 % (Ajayi, 2001). Until now, Africa export ratio is low<sup>13</sup>. The main reasons are among other things the nature of African exports, mostly raw materials - farm crops and mineral resources, the lack of production infrastructures, the lack or the inadequacy of domestic trade policies, but also the unfair trade practices by the North (the industrialized countries).

African economic condition is one of the main issues discussed in Sino-African relations. By granting a zero-tariff treatment, China's aim is to alleviate some of African developing countries problems such as Africa's trade and political dependency, social problems (poverty reduction) etc. Chinese zero-tariff treatment follows the concept of "trade, not aid". "Trade, not aid" is an economic concept according to which developing countries can reach their development goals and have better access to trade exchanges with the condition that wealthier countries suppress their trade barriers so that developing countries could easily export.

The concept was used as a slogan in 1968 by the United Nations Conference on Trade and Development in order to promote fair trade with the developing world. The different measures taken to promote a fairer trade are done by suppressing customs duties for imports from developing countries, especially the least developed ones and meant to facilitate trade for developing countries and trigger economic and political reforms in those countries so that they could benefit effectively from the preferences. The concept

emphasizes the development of export sectors in order to increase development and reduce poverty. More exports will generate revenues that can be used to fund social welfare and infrastructure construction programmes, thus reducing the need for development aid.

Moreover, in African developing countries, every year, many young people arrive on the job market. Due to the low rate of job creation, most of them remain unemployed. Some of them in order to survive, choose the black markets or informal sectors such as street vending. According to International Labor Organization's *World Employment and Social Outlook 2016: Trends for Youth*, the global number of unemployed youth would reach 71 million that year. North Africa and Sub-Saharan Africa, respectively represent 29.3% and 10.9%. Unemployment has become a priority concern for all African states because it is a potential threat to their stability.

Every young person aspires to have a good, decent job, a family; every young person wants to be emancipated. But unemployment prevents them from being so and instead it leads them towards organized crime and social breakdown. This situation often frustrates them and they become easy target for terrorist and radical groups. Another spillover effect of poverty and unemployment is migration. We distinguish two types of migrations: rural migration and immigration. Due to the difficulties of finding jobs in their countries, many young people decide to migrate, especially to Europe. Unfortunately, most of them migrate illegally. Many die trying to reach Europe by crossing the Saharan desert and the Mediterranean Sea. The negative effect on African countries is that they lose not only their labor force but also their human capital.

Development policies integrating the use of preferential treatment for trade such as Chinese preferential treatment could help in slowing down human capital flight and create employment opportunities in eligible African countries, thus improving livelihoods. China has the biggest domestic market in the world. A perspective of an easier access may encourage African youth to stay in their countries and make plans to create companies. This will naturally lead to self-employment and help eligible African countries to reduce their unemployment rates. By creating companies, self-employed youth can then create more employment for others.

### 3.2. A Geostrategic Play

Sino-African relations are not only based on the principles of the Bandung conference but, are also driven by geopolitical factors. In effect, alliances are formed and disrupted in the international system according to nations' interests. Sino-African relations are not an exception. The African continent occupies a very strategic place in the international system and there are interests at stake. This is mainly due to the resources of the African continent.

The abundance of natural resources in Africa is one of the main reasons the continent has practically become a battleground for developed and emerging countries in quest of influence and resources to sustain their development. The

13 In its 2015 *Economic development in Africa report: Unlocking the potential of Africa's services trade for growth and development*, United Nations Conference on Trade and Development said that Africa represent just 2% of international service exportations.

development of the Chinese economy has generated an increasing need for raw materials and energy resources.<sup>14</sup> Energy security is a critical issue for it. To secure a sustainable access to raw materials necessary for its growth, the diversification of suppliers is now a compelling need and the search for them leads to Africa's abundant raw materials. The reciprocity of their mutual needs – Each other has what the other one needs.

However, the competition for African natural resources, especially energy resources, is fierce. The presence of former colonial powers who have considered Africa as a “property” is a challenge China has to deal with. Moreover, the arrival and the presence of other peer competitors such as India and Japan, pushes for a constant renewal of diplomatic actions in order to keep and sustain the African “loyalty”. The competition does not stop at the race for African resources, but also for African support in the international arena.

As an emerging power, China needs allies in its race for power with the West, especially the United States as well as other emerging peer competitors. Alliances are needed to sustain and get a more prominent place on the international stage. With 54 nations, Africa represents 20% of the general assembly of the United Nations thus proving to be a valuable ally.

The title of an article written by Richard N. Cooper (1973) summed up the role of trade in international relations: “Trade policy is foreign policy”. This means that trading with other nations is also a way to interact with them. In other terms, Trade is a means of diplomacy, therefore deemed as strategic. Cooper made a distinction between high foreign policy and low foreign policy. He believes, high foreign policy has to do with national security and nation's survival, whereas low foreign policy deals with “secondary issues” that occur in relations between nations. Among these “secondary issues” are trade and investments. He set an hypothesis that historically, trade matters often intrude and occasionally dominate high foreign policy, but the creation of a “world economic order” thanks to the GATT, have constrained out of high foreign policy agenda, unless governments deliberately put them in high foreign policy.

There is an abundant literature on how trade influence nations' interaction. Min Ye (2002), in his article, distinguished three categories of scholars: the first category argues that trade has a pacifying effect on nations; the second category focuses on the gains that nations get through trade and the third category of scholars, however, find the “trade reduces the probability of conflict” argument less convincing and think that the pacifying ability of trade depends on the nature and context of economic ties.

However, Trade does not only impact on tensed / peaceful relations of Nations. It goes beyond that. It serves also as a means of soft power. Countries do not always trade because trade promotes peace. They also trade and set up rules of trade based on their own interests. In the case of Sino-African

context, the reinforcement of trade bonds will push African countries to be supportive of China, because they will gain more by standing on China's side. For a country that is practicing export-oriented trading policy and is protectionist, a move like granting a zero-tariff treatment is a geostrategic one. China's aim is to be perceived as a reliable partner for Africa, a partner committed to Africa's development and emancipation. Furthermore, Beijing wants to prevail on its peer competitors. Simply put, Chinese zero-tariff treatment serves as a way to gain and sustain the support of African countries by creating a stronger economic interdependency.

## 4. Conclusion

Clearly, the growing presence of China in Africa offers the latter the opportunity to loosen the bonds of dependence that still tightly bind African countries to the former colonial powers and the international financial institutions. New links that have been forged between China and Africa reduce the financial pressure on African states caused by the West. After suffering more than twenty years of imposed economic and political adjustment programs, African states have now new margins of sovereignty. Thanks to China's financial support, they can now engage in a process of a progressive self-reliance and less dependent on external recommendations (especially from the West).

Chinese zero-tariff treatment is beneficial for Africa, because the continent has the opportunity to put off its role of exclusive raw material supplier for Western industries. For Africa, to truly benefit from this treatment, a change in the political structures of African eligible countries is required. A change that should lead to the awareness of African trade actors and institutions (Companies, exporters etc) on the treatment, a change that will drive them to establish mutual contacts with their Chinese counterparts, creating an economic interdependence that will help both parties to benefit from the treatment, and also help build stronger Sino-African relations.

## Recommendations

Eligible African countries' ability to benefit from preferential treatments (duty-free tax-free treatments) depends on certain parameters such as the performance of their production capacity, their ability to communicate in a globalised world and their ability to meet international quality standards. Eligible African countries do not really meet all these criteria. They do not produce in great quantities and the goods do not often meet the quality standards. They have little industrial infrastructure. They also have a very high rate of administrative complexity.

Nowadays, the trend is the creation and consolidation of regional groupings in the perspective of getting a great influence and visibility on international scale or for better benefits from common opportunities. And that should be the approach that eligible African countries should adopt. They should create a forum that will help them identify the challenges they will have to face to benefit from the

14 Piu M. (23rd July 2012), l'ambition de la Chine c'est de faire du business en Afrique, interview with François Lafarge and Philippe Hugon in an interview for the French magazine: Liberation, retrieved from <http://www.liberation.fr/>



treatment and how to overcome them. Through this forum, they will adopt common policies and strategies that can be adjusted in order to meet the demands in quantity and in quality of Chinese consumers and companies. Among other things, it is up to the eligible African countries to find ways to help local trade actors to benefit from the treatment. As recommendations, they should

- 1) inform trade actors and entrepreneurs who wish to export to China
- 2) Create an Exim bank or collaborate with China Exim Bank in the perspective of providing financial assistance for trade actors and entrepreneurs who wish to export to China
- 3) Set up development strategies in different fields such as agriculture, textiles etc. linked to the Chinese zero-tariff treatment's approved list of goods and encourage local entrepreneurship in those sectors, especially the agricultural sector
- 4) Invest in trade-related and production-related infrastructures
- 5) Establish a partnership between the chambers of commerce and industry of importers and exporters of China and the chambers of commerce and industry of beneficiary countries that will help to identify the demands, needs and trends in the Chinese market but also to ensure market niches for African goods
- 6) Create a platform that gathers information on African exporters, producers and Chinese importers
- 7) Ensure that goods meant for export meet quality standards and that the production capacity is able to meet the demand
- 8) Encourage transformation of raw materials so that goods to be exported could have an added value
- 9) Facilitate administrative procedures in terms of exportations
- 10) Encourage dialogue and cooperation between local companies and Chinese companies

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