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# Growing Chinese Trade with Africa and Democratization Process in Africa

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GROWING CHINESE TRADE WITH AFRICA AND  
DEMOCRATIZATION PROCESS IN AFRICA

by

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John C. Whitehead School of Diplomacy and International Relations

Seton Hall University

Master's Thesis

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Reader: Professor Assefaw Bariagaber

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## ABSTRACT

The increasing economic interest of China in Africa has manifested in growing trade volumes with African states in recent years. China is in need for natural resources to feed the increasing demand of energy and primary goods of its economy. In return, African states might be able to acquire manufactured goods at lower prices.

However, besides these trade complementarities as economic component this master thesis assumes that there is a political component for the new African-Chinese partnership. It investigates the impact of Africa's increasing trade with China on the continent's democratization process. The thesis tries to prove that increasing the relative trade volume of China compared to the US and the rest of the world will decrease the Western influence to push for democratization in Africa.

Thereby, the thesis follows with its quantitative analysis the theory of Albert Hirschman. He elaborated a theory on trade and political influence. Hirschman observes that trade relations put states into asymmetric dependencies. Big and powerful states might not rely on the supply of goods from other states as much as small and weak states. Therefore, big and powerful states can connect the resumption of trade to small and weak states with political demands. Western states have used their trade relations to Africa to demand democratization after the end of the cold war. The appearance of China as a trade partner to Africa might reduce the Western influence to push for democratization as the communist People's Republic does not have the promotion of democracy as a foreign policy goal. Several regression analyses reveal that China's increasing relative trade volume compared to the US and Western states lead to a decrease or stagnation of democracy in Africa.

Also, a qualitative analysis reveals how China is a welcome trade partner for Africa as its way of doing business better adapts to African business conditions. However, this Chinese way of doing business undermines any political reform effort in African states.

The thesis successfully shows how African states manage to escape the Western pressure to democratize by turning to China as a new trade partner. Undemocratic regimes and leaders can survive with the outside economic support of the People's Republic.

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The research topic started to evolve during the author's internship at the German Permanent Mission to the United Nations in August and September 2005. In that time, the topic was hotly debated among UN officials and delegates of Permanent Missions occupied with questions and matters of Africa. I am very grateful for the support I have received from my supervisor Stefan Delfs for the conduct of my research.

The main part of the quantitative research was successfully conducted during the Master's Research Project class in the Spring 2006 semester at the John C. Whitehead School of Diplomacy and International Relations, Seton Hall University. During the Summer 2006 semester, the research finally materialized into a Master Thesis.

I want to express my deepest gratefulness for the support of my parents Reinhard and Gisela Stumm during the two years of graduate studies in the United States of America. Also, I want to acknowledge the support of the Fulbright Commission in Berlin and the Institute of International Education in New York. They have made it possible that I could benefit from a great education and research environment in the United States of America. Moreover, I want to thank Professor Dr. Hanns W. Maull and Professor Dr. Sebastian Harnisch as well as Susanne Aschi, Marco Overhaus, Siegfried Schieder, Martin Wagener, and many others at the University of Trier, Germany, who constantly supported the author's academic development.

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## CHAPTER ONE

### INTRODUCTION

Africa had entered a new phase after the cold war had ended. Before, the US and the Soviet Union competed for support on the African continent. They offered foreign aid, preferential trade agreements, cheap loans, and military aid in return for political support during the cold war. In doing so, both sides fostered the existence of dictatorships that were kept in power by US or Soviet assistance. For Western states and in particular for the US which had subscribed to the promotion of human rights and democracy this policy seemed to be ambivalent. But, they did not have a choice as African states would threaten to switch to the Soviet side if the West would demand too much<sup>1</sup>.

After the end of the cold war, the African states lost this strategic leverage as the Soviet Union withdrew from the continent. This changed the strategic context for Africa significantly. Whereas the West had Africa as one of many trading partners, Africa had the West as the only trading partner. This asymmetric interdependence gave the West a power advantage. Western states and especially the Western dominated lending institutions like the World Bank and the International Monetary Fund (IMF) linked financial aid, loans and trading agreements to conditions. Mainly, African states were demanded to democratize, crack down on corruption and respect human rights. This post-cold war situation left African states without options<sup>2</sup>.

Only in recent years of the new millennium, a new actor has been taking the stage on the African continent: China. It had always been involved in African affairs as a third world advocate on the international stage, but now it brings the financial power to “alter the strategic

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<sup>1</sup> Callaghy, Thomas M., “Africa and the World Political Economy: More Caught Between a Rock and a Hard Place”, Harbeson, John/Donald Rothchild (Eds.), *Africa in World Politics. The African State System in Flux*, (Boulder: Westview Press, 2000), 47.

<sup>2</sup> Callaghy, 49.

context in Africa”<sup>3</sup> as a recent report of the Council on Foreign Relations assesses. African states have now the option to divert their trade towards China and receive direct foreign investment from China. Many African regimes strike a better deal as China does not link its investment and trade relations to any conditions. Western states should now be worried that the democratization process in Africa will stumble.

In particular, African states with a bad democratization and corruption record now turn towards China to receive loans, aid, foreign direct investment and trade deals. Socialist Angola just recently has rejected an IMF loan offer after accepting a low-interest loan from China<sup>4</sup>. Corrupt Nigeria welcomed a \$2.3 billion foreign direct investment from China to run an oil refinery<sup>5</sup>.

The research will try to find whether there is indeed a relationship between the Chinese volume of trade to Africa and the democratic condition of African states. Does the increasing Chinese trade with Africa diminish the Western influence to push for democratization in African states?

Investigating this question will help Western policy makers to understand whether China’s trade presence in Africa could indeed present an external factor for the stagnation of the democratization process besides the internal factors of underdevelopment, militarization of politics, colonial heritage, high ethno-linguistic fraction, and low literacy rate appearing in common democratization literature<sup>6</sup>.

This paper is divided into five subsequent chapters. First, there will be an overview of the literature about the issue of Chinese trade with Africa. It will outline the current arguments of the debate. Second, there will be a chapter that introduces a theoretical

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<sup>3</sup> Council on Foreign Relations, *Report on Africa*, 4 December 2005, 39.

<sup>4</sup> IRIN News, *IMF told to keep its money, but help needed with old debts*, 5-11-05, <http://www.irinnews.org/print.asp?ReportID=49986>.

<sup>5</sup> IRIN News, *China tours region to boost strategic ties*, 20-1-06, <http://www.irinnews.org/print.asp?ReportID=51240>.

<sup>6</sup> Charles Kurzman / Erin Leahey, “Intellectuals and Democratization, 1905-1912 and 1989-1996”, *The American Journal of Sociology*, Vol. 109 (2004) No. 4, 937–86.



framework that should shape the later quantitative analysis. Third, a chapter will discuss the hypothesis of the research. Fourth, a chapter will present a qualitative and a quantitative analysis part. The part conducting the qualitative analysis will support the quantitative analysis by introducing a concept to understand how China arranges business and trade relations with Africa differently from Western states. The qualitative part will then look at China's current Africa policy and its effect on the democratization process in African states. The part conducting the quantitative analysis will construct a model for investigation of Chinese trade with Africa and its effect on democratization. It will also present the findings of the quantitative analysis. Lastly, the paper will finish with a conclusion and also try to make some policy recommendation for the US and other Western states how they should deal with the new situation in Africa.

## CHAPTER TWO

### LITERATURE REVIEW

The debate on China's influence on the political developments in Africa only boiled up in the last year. More and more researchers contributed articles and reports about the possible implications of China's expansive trade and financial relations to African states. The debate reached a peak when the International Relations Committee of the US House of Representatives held a hearing on China's influence on Africa in July 2005. This indicated that the debate spilled over from science into the political arena. Committee members were concerned that China's new quality of economic relations to Africa might undercut US foreign policy efforts to promote democracy on the continent. This chapter will briefly introduce the main contributions to the debate.

In December 2005 the Council on Foreign Relations released a report that finds China represents a new trade partner option for African states. China's extraordinary economic growth now seems to permit it to purchase large volumes of natural resources abroad. Natural resource-rich Africa seems to be the ideal trading partner. China does not only pursue trade with Africa, but also offers heavy investment into infrastructure and industry to Africa<sup>7</sup>. The report identifies a number of African states that have welcomed Chinese investment and trade agreements in large volumes in the past five years<sup>8</sup>. All of these states share a low quality of democratization, human rights and transparency<sup>9</sup>. The report lists extensively numbers, projects and initiatives between China and these African states. It concludes that China is now a serious competitor for trade and investment on the African continent<sup>10</sup>.

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<sup>7</sup> Council on Foreign Relations, 39.

<sup>8</sup> Among the states are Angola, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon, Liberia, Mozambique, Nigeria, Sierra Leone, Sudan, Zambia, and Zimbabwe.

<sup>9</sup> Ibid.

<sup>10</sup> Council on Foreign Relations, 51.

The report of the Foreign Relations Committee hearing on China's influence in Africa voices the concern that in particular countries with a bad democratization record seek to divert trade towards China. This might undercut the West's effort to push these states to political reform<sup>11</sup>. However, Ernest Wilson's statement for the committee hearing plays down China's engagement on the African continent as modest as it is still lagging far behind the trade and investment volume of the US or France<sup>12</sup>. Nevertheless, Wilson acknowledges that China's engagement in Africa has increased significantly. Since 2000, China has signed 40 bilateral trade agreements with African states<sup>13</sup>. This has boosted China's trade volume from \$12 billion in 2002 to \$18.5 billion in 2003<sup>14</sup>. A recent BBC report published the actual China-Africa trade volume of \$32.17 billion for the first 10 months of 2005<sup>15</sup>. As expected by Wilson, China has surpassed former colonial power Great Britain's trade volume with Africa and is now third behind the US and France<sup>16</sup>.

In Germany, Denis Tull of the Stiftung Wissenschaft und Politik (SWP) has written an influential article on China's economic engagement on the African continent in 2005. He agrees with the report of the Council on Foreign Relations that the Chinese economic presence in Africa can pose a danger to the democratization process on the continent. He not only summarizes Chinese economic activities in Africa, but also links them to Chinese interests<sup>17</sup>. Also, he lists the consequences for Africa that a closer economic engagement with China would bring<sup>18</sup>. These are positive as well as negative in the political as well as the economic realm. He identifies clearly that democratization in Africa is on the brink of failure

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<sup>11</sup> US House of Representatives International Relations Committee, *Hearing on China's influence in Africa*, 28 July 2005, 2.

<sup>12</sup> Ernest Wilson, "Statement to the International Relations Committee hearing on China's influence in Africa", in: US House of Representatives International Relations Committee, *Hearing on China's influence in Africa*, July 28, 2005, 5.

<sup>13</sup> Wilson, 7.

<sup>14</sup> Wilson, 8.

<sup>15</sup> BBC News, *China-Africa trade jumps by 39%*, 6 January, 2006,

<http://newsvote.bbc.co.uk/mpapps/pagetools/print/news.bbc.co.uk/2/hi/business/4587374.stm>.

<sup>16</sup> Wilson, 9.

<sup>17</sup> Denis Tull, „Die Afrikapolitik der Volksrepublik China“, *Stiftung Wissenschaft und Politik*, August 2005, 14.

<sup>18</sup> Tull, 22.

if African states continue to trade with China<sup>19</sup>. Moreover, he views the regionalization process and the functioning of regional organizations in jeopardy if the Chinese economic presence can undermine the goals of these regional groupings<sup>20</sup>.

This is how far this very recent debate has developed. The next chapter will develop a theoretical framework that will outline the link between trade and the push of Western states for democratization. This will shape the argument this paper might add to the recent debate.

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<sup>19</sup> Tull, 24.

<sup>20</sup> Tull, 26.

## CHAPTER THREE

### THEORETICAL FRAMEWORK

This chapter is going to outline a theoretical framework for the main analysis. It might help to interpret the new developments of the Chinese economic presence on the African continent and the democratization process in African states.

In 1945, Albert O. Hirschman wrote an important piece on the matters of trade and how trade can be used by nation states to exercise power on other states. Hirschman wrote in the realist tradition assuming that the aim of foreign policy of each state is the accumulation of national power<sup>21</sup>. He agrees with Jacob Viner<sup>22</sup> and other mercantilists that national power increases with the increase of national wealth<sup>23</sup>. The concept of power and wealth is a zero-sum game. If one state increases wealth and power it decreases someone else's wealth and power<sup>24</sup>. In contradiction, the liberal theory sees wealth and power as two totally separate concepts. Liberals view trade as a purely good mechanism to generate wealth for all<sup>25</sup>. They make the assumption that trade creates bonds of friendship through interdependence which promotes peace<sup>26</sup>. Liberals view trade relations as mutual dependence, but do not investigate whether these trade relations could be asymmetric and used as channels of political influence as power and wealth are separated.

Hirschman also values trade as it is inevitable in particular for small states to purchase goods from other states which they cannot produce at home or only at enormous costs. However, he disagrees with liberals in the fact that trade creates mutual dependences among states. In fact, trade between unequally powerful states will create an asymmetric dependence

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<sup>21</sup> Albert O. Hirschman, *National Power and the Structure of Foreign Trade*, (Berkeley: University of California Press, 1975), 3.

<sup>22</sup> Jacob Viner, *The Customs Union Issue*, (New York: Carnegie Endowment for International Peace, 1950).

<sup>23</sup> Hirschman, 4.

<sup>24</sup> Hirschman, 5.

<sup>25</sup> Adam Smith, *An Inquiry into the Nature and Causes of The Wealth of Nations*, (Chicago: The University of Chicago Press, 1976), 115.

<sup>26</sup> Immanuel Kant, „Zum ewigen Frieden“, Karl, Vorländer, *Kleinere Schriften zur Geschichtsphilosophie, Ethik und Politik*, (Hamburg, 1913), 148.

that can be used by powerful states to exercise influence on the less powerful states they trade with<sup>27</sup>. Whereas powerful big countries might be able to produce a large variety of goods at home, small countries usually produce a very limited number of products at home. They have to purchase other products from abroad and can only offer few domestic products in exchange that might also be offered by competitors<sup>28</sup>. This leaves small and weak, often poor, states very vulnerable to any interruption of trade. Hence, big states have the power leverage to connect political demands with the resumption of trade to a small state<sup>29</sup>. Hirschman's theory grants the small state two options to respond to the threat of the big state. First, it can simply meet the political demands of the big state. The small state trades independence for safe supply of necessary goods and the sale of its domestic products to the big state. Second, the small state has the option to seek another trading partner to ensure its supply of goods or sell its domestic products. This diversion of trade partners leaves the small state in a better position and preserves its independence to a certain degree<sup>30</sup>. However, this option might not always be available to a small state if there is no second big state displaying interest in trade deals with the small state.

Hirschman's theory matches the recent findings of researchers on China's influence in Africa in two ways. First, it describes how powerful states use their position to impose political demands on weaker states. In the immediate post-cold war period big Western states were left as the only trading partners to the many small, poor and weak African states. The West and predominantly the US remained as the only big buyers of African natural resource exports while at the same time they were the only suppliers of much needed manufactured goods to African states. This put African states into an asymmetric dependence with the West.

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<sup>27</sup> Hirschman, 13.

<sup>28</sup> Hirschman, 24.

<sup>29</sup> Hirschman, 14.

<sup>30</sup> Hirschman, 8.

And states like the UK and the US used this power disequilibrium to demand democratization from African states in return for preferential trade agreements<sup>31</sup>.

Second, it describes how weaker states try to diversify their trade relations to escape the pressure of one big trading partner. African states have been seeking for an alternative trade partner to escape the asymmetric dependence on the Western states and have found it in China.

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<sup>31</sup> The US uses Section 3 (5B) of the African Growth and Opportunity Act (AGOA) and the EU uses article 8 of the Cotonou agreement to push African states to democratize; See US House of Representatives, *AGOA Acceleration Act of 2004*, H.R. 4103, [http://www.agoa.gov/agoa\\_legislation/AGOAIII\\_text.pdf](http://www.agoa.gov/agoa_legislation/AGOAIII_text.pdf) and ACP Secretariat, *The Cotonou Agreement*, <http://www.acpsec.org/en/conventions/cotonou/accord1.htm>.

## CHAPTER FOUR

### CLAIM AND TESTABLE HYPOTHESIS

The preceding chapter has established that economics and policy are interrelated and not separate as liberal theory would conclude. This chapter will elaborate a research hypothesis that links economics with policy. Specifically, the research will look for a connection between Chinese trade with African states and the effectiveness of Western foreign policy to promote democracy and political reform in Africa. At this point, the research assumes that there is a connection between these two events. This leads to the hypothesis that *increasing trade between China and African states decrease the Western influence to promote democracy in Africa.*

Following Hirschman's theory, there is reason to believe that diverting a share of trade to China and away from the West would empower small, weak and poor African states in their struggle for more independence. Taking a normative standpoint, the promotion of democracy in Africa would be a good thing for African societies. However, a realist perspective would suggest that the Western pressure on African states to democratize invades their sovereignty. In order to preserve power, African states will try to escape Western influence by diversifying their trade partners. In particular, extremely non-democratic regimes will fight for their survival and seek support and protection. China's strict policy to not intervene into domestic affairs and its veto power in the UN Security Council appear to many African governments as a welcome opportunity to strengthen their position against the Western demand for political reform. Establishing this motivation for African states to increase their economic interaction with China builds a tentative causal relationship between increasing Chinese trade to Africa and decreasing Western influence to democratize African states.



Hence, the explanatory or independent variable is the volume of Chinese trade to Africa. It varies in the way that the volume increases or decreases. It is very important at this point to understand that not the motivation of African states to diversify trade partners in order to preserve independence is the explanatory variable. Motivation alone will not be sufficient to change the dependent variable. Rather, the existence of another big state different from the Western states and its willingness to trade with Africa will cause change of the dependent variable. Hence, the research focuses on the increase of the relative Chinese trade volume with African states as the independent variable and not on the single motivations of each African state to preserve independence. Thus, motivation of African states to diversify trade in order to preserve independence can only serve as an antecedent variable.

The dependent variable is the degree of democratization among African states. It varies in the way that the degree increases or decreases. If the degree of democratization increases then it would indicate that Western policy to push for political reform has been successful. However, democratization is a very abstract concept. Hence, it will be necessary to find appropriate proxies that could indicate increasing or decreasing democratization.

At last, this chapter wants to base the reasons for the research hypothesis on evidence. What could make us think that the increase of Chinese trade to Africa is linked with the decrease or stagnation of democratization in Africa? First of all, it is observable that the volume of Chinese trade to African states has increased significantly over the past six years<sup>32</sup>. Coinciding with China's extraordinary economic growth, the People's Republic has a huge appetite for African natural resources<sup>33</sup>. At the same time, it supplies African states with necessary manufactured goods at low prices<sup>34</sup>. Also, Chinese companies are outbidding Western companies in the race for investment contracts on the African continent<sup>35</sup>. Chinese foreign aid, debt cancellation and loans at favorable conditions are very welcome in Africa,

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<sup>32</sup> Servant, 3.

<sup>33</sup> Council on Foreign Relations, 39.

<sup>34</sup> Council of Foreign Relations, 47.

<sup>35</sup> US House of Representatives International Relations Committee, 21.

too<sup>36</sup>. All these indicators establish that indeed African states diversify economic and trade partners. But, what impact does this have? This question leads to our dependent variable. The report of the US House of Representative International Relations committee and the report of the Council on Foreign Relations both extensively list cases where China has become economically very active in recent years. These cases have all one thing in common: a bad democratization, human rights and corruption record. Western states have abandoned states like Sudan, Libya or Zimbabwe economically due to their unwillingness to reform<sup>37</sup>. Governments of these states now appreciate the economic partnership with China that will prolong their undemocratic reign. This evidence supports the reason to hold the research hypothesis for true. However, the presented evidence covers only some states with exceptionally concerning records. The research will now continue to apply the research hypothesis to all African states. It will try to draw an overall and general picture for the African continent and how China's economic presence will impact the democratization process.

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<sup>36</sup> Ibid.

<sup>37</sup> Council on Foreign Relations, 39.

## CHAPTER FIVE

### ANALYSIS AND FINDINGS

This chapter is divided into two parts. The first part will contain the qualitative analysis. It is supposed to provide the reader with some more empirical information about the mechanism between the independent variable Chinese trade volume and the dependent variable democratization in African states. This analysis will not be as comprehensive as the quantitative analysis, but rather will introduce the reader to the concept of Chinese business philosophy *guanxi* and how it can be trace in particular cases on the African continent. It will help to understand how the Chinese economic presence with its business philosophy could delay the democratization process in Africa.

The second part of the chapter will contain the quantitative analysis. First, it will provide a brief overview and summary of the numerical data that has been collected. Second, the model of analysis of analysis for the regression analyses will follow. Lastly, the part will present the findings of the regression analyses. The quantitative part will develop and use a model which is in accordance with Hirschman's theory on trade. Both parts are meant to complement each other.

#### 5.1 Qualitative Analysis

This part will look at the way how Chinese trade manifests in Africa and how it affects democratization. It will be a qualitative analysis that will make the mechanism between Chinese trade and democratization in Africa more transparent for the reader. It is meant to support the quantitative analysis with some factual information gathered from Chinese policy papers and scientific articles dealing with the matter of Chinese business in general and Chinese trade in Africa in particular. At the same time, this part will also point out how Chinese business and trade is different from Western ways of conducting business and trade.

First, this part is going to introduce the notion of *guanxi*. This concept influences Chinese business philosophy and is deeply rooted in Chinese culture. Second, the part will identify traits of *guanxi* in China's African policy that has been issued by the Chinese foreign ministry in January 2006. Looking at China's African policy with the knowledge of *guanxi* will show the reader how China arranges its trade relations. This will provide a qualitative support for the independent variable Chinese relative trade volume in the quantitative analysis. Third, the impact of Chinese trade and economic relations on the democratization process will be investigated. The research will point out how *guanxi* and China's African policy is more advantageous to trade with African states compared to Western approaches as it adapts better to the conditions of African business environment. However, China's way of doing business might simultaneously undermine the democratization process in certain African states. This will provide a qualitative support for the dependent variable democratization in African states in the quantitative analysis.

### 5.1.1 *Guanxi* as a trait in Chinese business philosophy

In order to understand the way how China arranges its trade and economic relations with Africa this research needs to discuss the concept of *guanxi*. This will not only help to understand how China approaches African states for business, but also how China's approach is different from the Western approach and how this could be more attractive to African states.

*Guanxi* is a very important notion that influences Chinese business philosophy and is fundamental in order to understand any Chinese economic transaction<sup>38</sup>. In Western cultures economic transactions are mainly determined by market considerations. However, *guanxi* describes an additional layer besides market consideration that determines economic decisions

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<sup>38</sup> Tong Chee Kiong / Yong Pit Kee, "Guanxi bases, Xinyong and Chinese business networks", *British Journal of Sociology*, Vol. 49 (1998) No. 1, 84.

in China. In the People's Republic, all business relations are also embedded in social contexts<sup>39</sup>.

These social contexts are the so-called *guanxi* bases. These bases create a bond of trust between business partners. They can evolve from the fact that the business partners are both from the same region and speak the same dialect<sup>40</sup>. It can also mean that some form of kinship exists between the business partners<sup>41</sup>. Furthermore, the *guanxi* base could stem from sharing a work place for a very long time or a common membership in a trade association or a social club<sup>42</sup>. Last but not least, a *guanxi* base could simply be a very good friendship between business partners<sup>43</sup>.

Whereas in Western countries price is the main mechanism that decides on whether an economic transaction will happen between business partners, in China also *guanxi* could decide. This could lead to the scenario that a Chinese businessman would prefer to deal with a partner that he trusts due to a good *guanxi* although this partner might offer a higher price than other competitors on the market. Hence, the level of trust or *xinyong* can be considered as social capital that is brought to the negotiation table when doing business with Chinese<sup>44</sup>. This also implies that Chinese businessmen need to invest into this social capital in order to keep the level of trust or *xinyong* high. This is done with social visits, dinners, and by exchanging gifts in order to maintain *guanxi*<sup>45</sup>.

Another aspect of *guanxi* in business relations is the fact that it makes the existence of legal systems less important. In Western countries, the legal system provides the trust for a business relation as a third agent<sup>46</sup>. Business deals are explicitly formulated by contracts. If one side violates a contract, the other side can punish that by taking legal action. On the other

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<sup>39</sup> Kiong/Kee, 82.

<sup>40</sup> Kiong/Kee, 77.

<sup>41</sup> Ibid.

<sup>42</sup> Kiong/Kee, 78.

<sup>43</sup> Ibid.

<sup>44</sup> Kiong/Kee, 85.

<sup>45</sup> Kiong/Kee, 81.

<sup>46</sup> Kiong/Kee, 88.

hand, the history of China shows that a working legal system in the Western sense with “rule of law” has never really existed. Hence, the Chinese established different forms of trust for economic actions with the help of *guanxi*. A violation of a business agreement would not result in legal action, but in a loss of trust or *xinyong* and a damage of the reputation as a business partner<sup>47</sup>.

In consequence, the lack or the non-importance of a legal system governed by “rule of law” makes Chinese business relations very informal and flexible. Chinese businessmen are more willing to allow their business partners to delay the delivery of a good or provision of a service. *Guanxi* ensures them that finally the good will arrive or the service will be provided. Also, if a business partner would face financial difficulties, the other side would be willing to help out with credit if the *guanxi* is good enough to ensure that there will be an eventual payback<sup>48</sup>. On the contrary, Western business relations based on explicit contracts with deadlines, exact prices and clear enumeration of services that will be delivered are more rigid and impersonal. This bears the advantage, that economic exchange is more accurate as the terms of a deal, i.e. the price, are absolute and accountable. Also, business is possible with absolute strangers as the legal system would provide protection<sup>49</sup>. However, if a legal system in the Western sense would not exist *guanxi* seems to replace it and facilitate a superior way of doing business.

It seems clear that the cultural concept of *guanxi* lends to a Chinese business philosophy that is very different from Western ways of doing business. Therefore, Chinese businessmen often stress that dealing with Western business partners requires written agreements as they cannot rely on *guanxi*. It seems clear that *guanxi* definitely works only for business partners that have the same shared understanding of the concept and agree on the same value base.

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<sup>47</sup> Kiong/Kee, 82.

<sup>48</sup> Kiong/Kee, 88.

<sup>49</sup> Kiong/Kee, 82.

In sum, the concept of *guanxi* can serve in this research for a better qualitative understanding of economic relations and actions between China and African states. *Guanxi* might enable the research to investigate China's recently issued African policy and to identify a transfer of *guanxi* from the individual level of a simple Chinese businessman to the national level of the Chinese government or state-owned companies who trade with African states.

### 5.1.2 How China establishes trade relations to Africa with *guanxi*

China's recently issued African policy prepares the ground for future Chinese-African trade relations. An investigation of China's African policy with the help of the concept of *guanxi* will assist the reader to understand the role of the independent variable, Chinese relative trade volume, in a qualitative way. Thereby, this part will continue to point out how China's African policy and *guanxi* is different from Western approaches to Africa. The subsequent discussion is divided into two parts identifying two aspects of *guanxi* in China's African policy. First, the common values of China and Africa will be pointed out providing *guanxi* bases for trade relations. Second, the efforts of China to build-up and maintain *guanxi* relations will be discussed in order to understand how China prepares the ground for a positive social context that would facilitate trade relations.

The first aspect of China's Africa policy that appears to follow the principle of *guanxi* is the embedment of Chinese-African economic relations into a social context that is derived from a common value base. China acknowledges that it shares the same fate as African states with a developing third world country that had suffered from the suppression of colonial powers<sup>50</sup>. China views itself as a strong advocate for third world countries and African states in particular in world politics and international organizations like the United Nations<sup>51</sup>. This can lead even to fierce resistance against UN Security Council resolutions that would sanction

<sup>50</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, January 2006, <http://www.fmprc.gov.cn/zflt/eng/zt/zgdfzccwj/t230479.htm>, Part II.

<sup>51</sup> Council on Foreign Relations, 40.

undemocratic African regimes like Sudan or Zimbabwe<sup>52</sup>. Also, China supports Model B for a UN Security Council Reform proposed by the High-Panel Commission. This model intends to favor third world countries to sit as permanent members in the Security Council. China especially encouraged African states to put in their bid for a permanent Security Council seat<sup>53</sup>. Furthermore, China advocates the African position in WTO negotiations to liberalize Western agriculture markets. The People's Republic cooperated strongly with the G20+ group during the WTO summit in 2003<sup>54</sup>.

Overall, China tries to mobilize the common identity of being a third world country as a *guanxi* base for economic relations to African states whereas friendship, kinship or common membership in a social club would serve as *guanxi* base on an individual level. This should provide a positive social context for trade relations between China and Africa.

The second aspect of *guanxi* is the maintenance of *guanxi* by improving the level of trust or *xinyong* through social visits and gifts. This is also inherent in China's Africa policy. Here, social visits can be seen as international meetings on all political and societal levels. Gifts can be viewed as development aid and financial support.

First, this discussion will turn towards international meetings. China's African policy document intends to set-up meetings between Chinese and Africans on all levels of politics and society to form *guanxi*.

China commits to maintain regular high-level meetings and visits to African states<sup>55</sup>. Indeed, visits of Chinese high-ranking politicians have always been very frequent after the end of the cold war. This travel diplomacy started in 1989 when Chinese foreign minister Qian Qichan visited 14 African states within three years up to 1992. Thereafter, Chinese President Jiang Zemin visited Africa within six years three times in 1996, 2000, and 2002. In

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<sup>52</sup> Council on Foreign Relations, 39.

<sup>53</sup> Denis Tull, 12.

<sup>54</sup> Ibid.; see also Richard J. Payne / Cassandra R. Veney, "China's Post-Cold War African Policy", *Asian Survey*, Vol. 38 (1998) No. 9, 871.

<sup>55</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (1).



his eight years in office, US President Bill Clinton only visited Africa twice: the first time in March 1998 and the second time at the very end of his presidency in August 2000. He was the first US President ever to visit Africa<sup>56</sup>.

George W. Bush visited Africa in his five years in office only once for a very short five-day trip in July 2003. However, he was not warmly received after the US had invaded Iraq in March 2003. Former South African President Nelson Mandela was not available for Bush<sup>57</sup>. On the contrary, Bush's actual Chinese counterpart Hu Jintao has visited Africa already twice in his three years in office. Shortly after his presidency started, he traveled to Africa to deliver an influential speech about Chinese-African relations in the parliament of Gabon in 2004<sup>58</sup>. In April 2006, he visited West Africa for the second time to sign business and trade agreements with Nigeria and to speak in the Nigerian parliament about Sino-African relations. He also visited Morocco and Kenya for trade purposes<sup>59</sup>.

In particular, in the past two years approximately 100 meetings between high-ranking Chinese and African officials have taken place in Africa and China<sup>60</sup>. Also, high-level meetings have been institutionalized by the establishment of the China-Africa Cooperation Forum (CACF) in 2000. Since then, the CACF meets every three years on ministerial level to confer about a three-year cooperation plan between China and Africa<sup>61</sup>.

Furthermore, China's African policy intends to arrange meetings between the Chinese National People's Congress and the Pan-African Parliament of the African Union (AU)<sup>62</sup>. Additional to that, the Communist Party of China will hold exchanges with friendly African political parties<sup>63</sup>. On the non-state level, the establishment of a China-Africa Joint Chamber

<sup>56</sup> The Clinton Foundation, *President Clinton visits Africa*, September 2002, <http://www.clintonfoundation.org/090102-nr-cf-hs-ai-rwa-zaf-moz-nga-gha-wjc-visits-five-nations-in-africa.htm>.

<sup>57</sup> CNN, *Bush trip evokes mixed response*, 8 July 2003, <http://www.cnn.com/2003/WORLD/africa/07/07/bush.visit/index.html>.

<sup>58</sup> Servant, 3.

<sup>59</sup> BBC News, *China's Hu urges more Africa ties*, 27 April 2006, <http://news.bbc.co.uk/2/hi/africa/4949688.stm>.

<sup>60</sup> Tull, 11.

<sup>61</sup> Council on Foreign Relations, 40.

<sup>62</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (1.2).

<sup>63</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (1.3).

of Commerce and Industry should bring African and Chinese businessmen together<sup>64</sup>. On the cultural side, China wants to facilitate student, artist and athlete exchanges<sup>65</sup> and bring Chinese tourists to Africa<sup>66</sup>. In 2005, the number of Chinese tourists traveling to Africa has doubled from 2004 and stands now at 110,000<sup>67</sup>. Also, China encourages Chinese nationals to move to Africa. Tens of thousands of engineers, traders and small businessmen transfer knowledge, provide work for Africans and set up businesses in African states<sup>68</sup>. In sum, China's African policy facilitates close international social interactions that should improve *xinyong* between Chinese and Africans.

Besides social interactions, China tries to build-up *guanxi* with gifts to African states. This is done with extensive development aid and financial support.

The absolute amount of money that China pours into Africa as development aid is rather modest compared to Western development aid. However, a closer look reveals a different picture. In 2004, the US gave \$3.4 billion development aid to Africa<sup>69</sup>. This accounts for only 17% of the total \$19 billion US development aid in 2004<sup>70</sup> and only 0.029% of the total US GDP<sup>71</sup>. In comparison, China provided \$1.8 billion development aid to Africa in 2002. It accounts for 44% of the total development aid<sup>72</sup> and 0.14% of the total GDP of the People's Republic<sup>73</sup>. This is an impressive chunk that shows the importance of Africa to China. Also, there is a huge qualitative difference between Western and Chinese development

<sup>64</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (2.1).

<sup>65</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (3.1).

<sup>66</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (2.7).

<sup>67</sup> White, 9.

<sup>68</sup> Ibid.

<sup>69</sup> US Department of State, *U.S. Developmental and Humanitarian Aid for Africa Grows*, 7 June 2005, <http://usinfo.state.gov/af/Archive/2005/Jun/09-675043.html>.

<sup>70</sup> US Department of State, *U.S. Nearly Doubles Foreign Aid*, 19 March 2005, <http://www.state.gov/e/eb/rls/fs/40940.htm>.

<sup>71</sup> Calculated by author with data from United Nations Statistics Division, *Estimates of GDP at current prices in US Dollars*, <http://unstats.un.org/unsd/snaama/resultsGDP.asp?Series=2&CCode=156,840&Year=2002%2C2004&SLevel=0&Selection=basic>.

<sup>72</sup> Ibid.

<sup>73</sup> Calculated by author with data from United Nations Statistics Division.

aid. Many development programs of Western states<sup>74</sup> and Western dominated development organizations<sup>75</sup> demand tough political reform in return for development aid. On the contrary, China acknowledges that each state should find its own way of development<sup>76</sup>. Thereby, China serves as a role model how a state can successfully develop without establishing a democratic political system. Hence, Chinese development aid is very welcome in Africa as it does not have any political reform requirements<sup>77</sup>.

Chinese development aid to Africa comes in many facets. In the health sector, China has promised to continue sending medical teams and to transfer medical knowledge to African states<sup>78</sup>. At the moment, there are approximately 900 Chinese doctors working in 34 African states<sup>79</sup>. Also, China has launched health projects, i.e. a campaign to fight HIV/AIDS in Tanzania<sup>80</sup>. Also, China has promised to support the agricultural sector in Africa. It wants to assist in “land development, agricultural plantation, breeding technologies, food security, agricultural machinery and the processing of agricultural and side-line products”<sup>81</sup>. Until 2005, China had sent approximately 10,000 agriculture experts to work on nearly 200 projects in 47 African states<sup>82</sup>. Furthermore, China has invested heavily in infrastructure projects in many African states which is also part of the development aid strategy of the People’s Republic<sup>83</sup>. It is notable that China mostly launches projects that would catch the attention of the public. It finances the construction of government buildings in Gabon and Cote d’Ivoire. It rebuilds the foreign ministry and Convention Centre Kigali in Rwanda. Algeria receives support to build a

<sup>74</sup> i.e. the US distributes conditional development aid through the Millennium Challenge Account; see Millennium Challenge Corporation, *Millennium Challenge Act of 2003*, Section 607 (b), [http://www.mca.gov/about\\_us/key\\_documents/MCA\\_Legislation.pdf](http://www.mca.gov/about_us/key_documents/MCA_Legislation.pdf).

<sup>75</sup> i.e. the World Bank’s International Development Association gives out loans to the poorest countries with political reform conditions; World Bank, *International Development Association*, <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20189587~menuPK:83991~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>; see also Servant, 5.

<sup>76</sup> Ministry of Foreign Affairs of the People’s Republic of China, *China’s African Policy*, Part III.

<sup>77</sup> Tull, 12.

<sup>78</sup> Ministry of Foreign Affairs of the People’s Republic of China, *China’s African Policy*, Part IV (3.4).

<sup>79</sup> Council on Foreign Relations, 41.

<sup>80</sup> Auswärtiges Amt, *Chinas Beziehungen zu den afrikanischen Staaten*, non-paper, May 2005, 7.

<sup>81</sup> Ministry of Foreign Affairs of the People’s Republic of China, *China’s African Policy*, Part IV (2.4).

<sup>82</sup> Auswärtiges Amt, 7; see also Servant, 2.

<sup>83</sup> Ministry of Foreign Affairs of the People’s Republic of China, *China’s African Policy*, Part IV (2.5).

new Airport-Terminal in Algier. Uganda and Cameroon both will build new sport stadiums and China will pick up the tab<sup>84</sup>. China financed and built Africa's first telecommunication satellite for Nigeria that will be launched in 2007. For this project China was even willing to transfer space technology knowledge to Nigeria which Western states were never willing to provide<sup>85</sup>. It is apparent that these initiatives were not launched out of altruistic reasons. Whereas Western development projects exclusively focus on poverty reduction projects, China finances also image-building projects that support African governments to stay in power<sup>86</sup>. China tries to build up *guanxi* relations for future business deals.

Moreover, China tries to build up and maintain *guanxi* with African states by giving out financial support. Chinese prime minister Wen Jiabao announced at the 2002 CACF meeting that his government will cancel the debt of 31 African states totaling \$1.3 billion<sup>87</sup> by 2006. China fulfilled this promise already in 2005<sup>88</sup>. Also, China gives out generous loans to African states<sup>89</sup>. The most prominent case is surely Angola. Here, the Eximbank of China has given out a \$2 billion loan with 1.5% interest over 17 years for infrastructure measures. The conditions of the loan are not transparent and this was criticized by Western non-governmental organizations. However, it is assumed that they are only economic and not political. This made Angola favor the Chinese loan over a new loan from the International Monetary Fund<sup>90</sup>.

In sum, the Chinese charm offensive with social visit and gifts seems to be aimed at increasing *xinyong* and building up or maintaining *guanxi* with African states. The Chinese government tries to facilitate very frequent meetings on all political and societal levels. Also, China tries to provide generous gifts in the form of development aid and financial support to

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<sup>84</sup> Auswärtiges Amt, 8.

<sup>85</sup> White, 9.

<sup>86</sup> Tull, 14.

<sup>87</sup> Council on Foreign Relations, 40.

<sup>88</sup> Auswärtiges Amt, 8.

<sup>89</sup> Ministry of Foreign Affairs of the People's Republic of China, *China's African Policy*, Part IV (2.2).

<sup>90</sup> Servant, 2; see also IRIN News, *IMF told to keep its money, but help needed with old debts*; White, 9.

polish its image in African states. No direct political or extraordinary economic returns are expected. On the contrary, Western states and Western dominated organizations approach African states with complex and stern conditions for development aid or financial support that need to be fulfilled on a rigid time scale.

Clearly, China uses a different business philosophy than the West. *Guanxi* prescribes China to invest into social capital for Chinese-African trade relations. It can expect to reap the benefits for this business approach, sooner or later.

### 5.1.3 How *guanxi* undermines the democratization process in Africa

Subsequently, the discussion turns to the dependent variable of the quantitative analysis: democratization in African states. The debate will use the two already introduced aspects of *guanxi* to elucidate the impact of the Chinese way of doing business on the democratization process in African states: common value base and maintaining *guanxi*. It will also introduce a third aspect of *guanxi*: *guanxi* facilitates informal and flexible business agreements that do not require a legal system to provide trust for both business partners. Again, the difference of the Western approach to African states should be pointed out.

In 2002, the US and the EU put up economic sanctions against Sudan and Zimbabwe for their violations of human rights<sup>91</sup>. However, China replaced gratefully Western oil companies in Sudan and mining companies in Zimbabwe. China's African policy outlines that it shares a common identity of a developing country with every African state. This does not incorporate the appreciation of democracy or human rights. Hence, the common *guanxi* base allows trade relations even with egregious human rights violators and dictatorships. China also tries to maintain *guanxi* by giving out gifts to non-democratic African states.

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<sup>91</sup> Servant, 2.

In Sudan, the People's Republic has helped to build a huge oil pipeline, a refinery and a tanker terminal<sup>92</sup>. Today, China imports 6.9% of its oil from Sudan. Since 1999, the drilling capacities have been constantly enlarged to 310,000 barrel per day. This provides the Sudanese government with oil revenues of \$2 billion. After the implementation of EU and US embargoes, Zimbabwe can only turn to China to sell its precious minerals and metals. China reportedly has planned to invest about \$1 billion in joint coal ventures, a glass factory and a ferrochrome smelting plant<sup>93</sup>.

These new trade and investment deals with China will keep pariah regimes in Sudan, Zimbabwe and other authoritarian African states in power and will stagnate the political reform process demanded by Western states.

The aspect of maintaining *guanxi* and distributing gifts to African states involves Chinese weapon sales to favorable prices. Sudan spends approximately 60% of its oil revenues to purchase weapons from China<sup>94</sup>. This includes ammunition, small arms, towed howitzers, anti-aircraft guns, anti-personnel and anti-tank mines, tanks, helicopters and fighter aircrafts<sup>95</sup>. In Zimbabwe, Robert Mugabe's government purchases modern weapons like FC-1 multi-role fighters, each for \$20 million, from China<sup>96</sup>. Extensive weapons purchases in both countries indicate an empowerment of the military in the political system which is hindering the democratization process<sup>97</sup>.

The third aspect of *guanxi* is the flexibility and informality in business relations that do not require a legal system to provide trust for business partners. This cannot directly be traced in China's African policy, but rather the research will look on how Chinese businessmen and traders adapt to the special business environment in Africa and what effects this has for the democratization process in African states.

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<sup>92</sup> White, 9; see also Council on Foreign Relations, 42.

<sup>93</sup> White, 9.

<sup>94</sup> Tull, 19.

<sup>95</sup> Council on Foreign Relations, 42.

<sup>96</sup> White, 9.

<sup>97</sup> See footnote 37.

*Guanxi* facilitates a more flexible and informal way of doing business that seems to suit the business conditions in Africa well. Many African states do not have functioning legal systems in place. This creates a rather unfavorable business climate for trade and investment in the eyes of Western businessmen and traders. These are hesitant to sign trade and investment deals with African states and companies as they do not know who to turn to if the African side would violate the agreement. On the contrary, Chinese companies would rely on *guanxi* relations established with African companies. *Guanxi* would create a social context for business and trade relations that provides trust. This would release African states from the Western obligation to implement a functioning legal system as they simply turn to China which is not afraid to replace hesitant Western traders in politically risky countries like Sierra Leone and Angola<sup>98</sup>. Hence, the lack of a legal system can be overcome by Chinese traders with the flexibility and informality of *guanxi*. Nevertheless, this does not enforce the establishment of democratic accountability which undermines the democratization process in African states<sup>99</sup>.

Furthermore, the Chinese are not afraid to bribe authorities or pay bonuses under the table<sup>100</sup>. These practices are not acceptable for Western companies and are often forbidden by laws in their home country<sup>101</sup>. Corruption undermines a political system especially when it is in a democratization process<sup>102</sup>.

Summing up, high militarization, lack of democratic accountability and high level of corruption could be linked to *guanxi*, a concept that lends to the Chinese business practices in African states. Clearly, Western states are withdrawing from some African states as they either have imposed embargoes to prevent trade, investment and military sales or Western

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<sup>98</sup> Tull, 15.

<sup>99</sup> See footnote 38.

<sup>100</sup> Servant, 4.

<sup>101</sup> In the US the Foreign Corrupt Practices Act of 1977 prohibits corrupt practices of US companies in foreign countries; see US Department of Justice, *Foreign Corrupt Practices Act (FCPA)*, <http://www.usdoj.gov/criminal/fraud/fcpa.html>.

<sup>102</sup> See footnote 36.

traders are hesitant to get involved in some African states that suffer from political instability. This business vacuum is gratefully filled by Chinese traders who can adapt to the business conditions in African states or simply do not care about the democratization process or human rights violations as would not lead to embargoes imposed by the Chinese government.

This part intended to provide a qualitative analysis of the mechanism between the independent variable Chinese relative trade volume and the dependent variable democratization in African states in order to support the quantitative analysis. It seems apparent that understanding *guanxi* as a cultural concept that lends to the Chinese business philosophy may help to better realize the mechanism between Chinese relative trade volume and democratization in African states in a qualitative analysis. The part tried to elucidate how China approaches trade relations to African states in comparison to Western states. China seems to have an advantage over Western approaches due to the use of *guanxi*. It can mobilize the common identity of being a developing country to facilitate trade with African states. Also, it invests heavily in social capital for future trade relations by building up and maintaining *guanxi* through social visits and gifts. This overcomes the lack of African legal systems in the Western sense. Moreover, the part showed how the Chinese business and trade practices have an impact on the democratization process in African states. The discussion took a closer look how *guanxi* can influence the dependent variable of the quantitative analysis. Low democratic accountability, high militarization, and corruption are facilitated by Chinese business practices evolving from *guanxi* which void the Western efforts to press for democratization in African states.

Clearly, China presents an alternative trade partner for African states to preserve independence and resist Western pressure for political reform. Beyond that, China seems to be a welcome trade partner as its business philosophy appears to fit the African business environment even better than Western trade partners.



## 5.2 Quantitative Analysis

### 5.2.1 Overview of the collected data

Before the research introduces the model and findings for the regression analyses, it will take a step back and allow for a broad overview on aggregated data that present a picture of the overall development of values of the independent and dependent variables in the time from 1998 to 2003.

At first, the research wants to take a look at China's recent trade expansion<sup>103</sup>. This coincides with China's rapid economic growth. Until 1999, China had fairly consistent levels of trade volumes. Entering the new millennium, China's volume of trade has more than doubled in the four years up to 2003. The share of trade with Africa out of the total Chinese trade volume remained modest. However, the absolute trade with African states more than doubled, too<sup>104</sup>. The US and world trade volume increased also, but in relation to the Chinese trade volume, the US and the world is losing ground to the People's Republic in the trade with Africa<sup>105</sup>. In fact, taking the year 1998 as reference (1998=100), the Chinese relative trade volume with Africa compared to the US trade volume with Africa has more than doubled (2003=212). The same accounts for the Chinese relative trade volume to the world total trade with Africa (2003=234). Hence, an overall look at our independent variable relative Chinese trade volume to the US and the world total trade volume with Africa suggests that there was a significant increase in the six years from 1998 to 2003.

Secondly, the research wants to take a closer look at the overall standing of democratization on the African continent which is the dependent variable. Therefore, it averaged the scores of the Freedom House Index for 52 African states<sup>106</sup> and the total of the ICRG index for 36 African states<sup>107</sup>. The average scores of the Freedom House Index show

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<sup>103</sup> See Chart 1.

<sup>104</sup> See Chart 2.

<sup>105</sup> See Chart 3.

<sup>106</sup> See Chart 4.

<sup>107</sup> See Chart 5.

that from 1998 to 2003 the degree of democracy has increased slightly by 0.3 index points. However, on a scale from 2 to 16 this development seems rather modest. And the absolute average value of 9.1 in 1998 and 8.8 in 2003 respectively expresses that Africa's degree of democracy is still rather concerning.

The average scores of the total of the ICRG index tell a similar story. From 1998 to 2003 it only increased slightly by 0.05 index points on a scale from 0 to 12. The absolute average value of 7.5 in 1998 and 7.55 in 2003 reflects a degree of democracy in Africa that leaves room for improvement.

A further overview of the data reveals the difference of African states with good democratization records and their trade engagement with China in comparison to African states with bad democratization records and their trade engagement with China. African states are ordered by their democratization record according to the ICRG index and the Freedom House Index. The better the democratization record they have according to these indices the higher up they rank in the ordering. After the ordering African states with the ICRG index the research wants to draw attention to the difference between the top 10 states in Africa with the best democratization records and the bottom 10 states in Africa with the worst democratization records<sup>108</sup>. For both groups, the average relative trade volume ratio between China and the rest of the world with African states will be calculated. In 1998, the average relative trade volume ratio for the top 10 African states is 0.016<sup>109</sup> whereas the bottom 10 African states account for an average relative trade volume ration of 0.037<sup>110</sup>. Until 2003, the average relative trade volume ratios of both groups grow in favor of an increasing trade engagement with China. However, by looking at the gaps between the averages of both groups, it seems clear that the average of the bottom 10 group, African states that have the

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<sup>108</sup> See Chart 6.

<sup>109</sup> That means that China's trade volume was 1.6% of the trade volume of the rest of the world or 0.016 times the trade volume of the rest of the world.

<sup>110</sup> See Chart 7.

worst democratization record, grows larger. Whereas in 1998 the gap between the top 10 and bottom 10 group accounts for 0.0211, it has grown in 2003 to 0.071.

A similar picture can be observed after order 52 African states according to the Freedom House Index<sup>111</sup>. Again, the research wants to compare two groups of states. The top 17 African states enumerate the states with the best democratization records in Africa whereas the bottom 17 African states contain the states with the worst democratization records in Africa. The average ratio of the relative trade volume between China and the rest of the world is calculated for both groups. In 1998, the top 17 group shows an average ratio of 0.02 whereas the bottom 17 group accounts for an average ratio of 0.045<sup>112</sup>. There is a gap of 0.0243 between the averages of the two groups in 1998. Both groups engage increasingly into trade relations with China in comparison to the rest of the world over the next six years until 2003. However, again the reader can observe how the average ratio of the bottom 17 group increases unproportionally quicker than the average ratio of the top 17 group. In 2003, the gap between the average ratios of the two groups accounts for 0.0546.

Both observations of the differences between the average ratios of the best and worst democratizers in Africa show that in particular states with bad democratization records sought to diversify trade towards China during the time period from 1998 to 2003.

### 5.2.2 The model of analysis

This section will develop a model that will serve to analyze the impact of Chinese trade with African states on the democratization process in Africa. First, it will be necessary to state how the independent and dependent variable will be operationalized. Second, the research will introduce control variables that are believed to have an effect on the dependent variable, democratization.

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<sup>111</sup> See Chart 8.

<sup>112</sup> See Chart 9.

The independent variable is the Chinese trade volume with each African state. The research does not want to take into account the absolute volumes, but rather follows Hirschman's theory that emphasizes on the relative influence of trading partners upon a state represented by relative trade volumes. An African state will not gain more independence from an increase of the absolute trade volume with China if simultaneously the trade volume with the West increases by the same or even larger size. Hence, the research will take the relative Chinese trade volume to African states as independent variable.

First, the Chinese trade will be set in relation to the world total trade with each African state. The research takes into account that a large chunk of trade to and from Africa comes from Western states, i.e. Europe, Japan, and Canada. These Western states share the US foreign policy goal to promote democracy. Hence, for African states trading with the world can be roughly equalized to trading with Western states that all demand democracy in return for trade and erode independence and sovereignty of African states. Putting Chinese trade in relation to world trade with African states could roughly show how dependent or independent African states are from Western demands to democratize.

Second, the Chinese trade will be set in relation to the US trade with each African state as the US are the biggest trader on the African continent and the dominant promoter of democracy. This will serve as a robustness check. Criticism of this research might attack the validity of the world total value as it only roughly covers all Western states. Hence, the research wants to test the hypothesis with trade numbers of the biggest Western trader with Africa.

The Chinese, the US, and the world trade volumes are taken as imports and exports in US dollars combined. The data for Chinese trade volumes to African states is taken from Yearbook of China's Foreign Economic Relations<sup>113</sup> and the Almanac of China's Foreign

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<sup>113</sup> MOFCOM, *Yearbook of China's Foreign Economic Relations and Trade*, (Beijing: China Foreign Economic Relations and Trade Publishing House, 2002-2004).

Relations and Trade<sup>114</sup>. The data for the US trade volumes with African states stem from the US Trade Online<sup>115</sup> database. Finally, the data for world total trade with African states are taken from the WTO Trade Statistics database<sup>116</sup>.

The dependent variable democratization is a very abstract one as it is a process. The study will only be able to measure at certain points of time a state's degree of democracy and then assess whether the degree of democracy has increased or decreased. If it increased, researchers can conclude that democratization has taken place. However, even the measurement of the degree of democracy in a state is critical as to what indicators for democracy should be considered. A discussion on this issue would go beyond the scope of this research. Also, the research will not be able to take its own measurements of the degree of democracy in African states. Rather, it will rely on the measurements compiled in two indices. The research takes two indices into account to guarantee objectivity: The Freedom House Index (FHI)<sup>117</sup> and the International Country Risk Guide (ICRG)<sup>118</sup>. Criticism of this research might attack the validity of the values of the dependent variable. The FHI as a proxy for democratization might be biased or have failures in its calculation. Hence, it is necessary to introduce a second proxy as a robustness check to provide values for the dependent variable. This will be the ICRG.

First, the FHI of democracy will be considered. Freedom House measures two categories, political freedom and economic freedom, each on a scale from 1 to 8. A high degree of freedom is present in a country if the index notes a one. This research takes both categories combined on a scale from 2 to 16 as indicators for the degree of democracy in African states.

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<sup>114</sup> MOFTEC, *Almanac of China's Foreign Economic Relations and Trade*, (Beijing: China Foreign Economic Relations and Trade Publishing House, 1999-2001).

<sup>115</sup> US Trade Online, [www.ustradeonline.com](http://www.ustradeonline.com).

<sup>116</sup> World Trade Organization, *Trade Statistics*, [http://www.wto.org/english/res\\_e/statistics\\_e.htm](http://www.wto.org/english/res_e/statistics_e.htm).

<sup>117</sup> Freedom House, [www.freedomhouse.org](http://www.freedomhouse.org).

<sup>118</sup> Political Risk Services, *International Country Risk Guide*, (Syracuse: The PRS Group, 1998-2003).

Second, three of the twelve categories for the political risk ratings of the ICRG are taken as indicators for the degree of democracy in African states. The first category the research will consider as an indicator for the degree of democracy is corruption. Corruption is a threat to democracy as it distorts the efficiency and undermines the credibility of a democratic system by enabling persons to assume positions or executing actions through patronage or transfer of money in a way that it is not in accordance with the law<sup>119</sup>. Corruption is measured by ICRG on a scale from 0 to 6. Zero indicates that corruption is very high in an investigated state. The second category is military in politics. This poses a threat to democracy in the way that military can impose its will on a democratic government or even overrule democratic institutions<sup>120</sup>. ICRG measures military in politics on a scale from 0 to 6 whereas 0 indicates that military is very present in politics. The third category that this research uses to measure the degree of democracy in an African state is democratic accountability. This is a measure of how responsive a democratic government is to its people and their demands<sup>121</sup>. Democratic accountability is measured on a scale from 0 to 6 whereas 0 indicates that the government is not responsive to the demand of its people at all. The research combines these three categories to one number for the dependent variable by adding the three scores for each country under investigation.

The research will use this data for the independent and dependent variable to run a regression analysis. The time frame for analysis will be the years (t) from 1998 to 2003. Data for the analysis with the Freedom House index is available for 52 African countries (i). This will serve for potentially 312 cases under investigation. Data for the analysis with the ICRG index is available for 36 African countries (i). This will serve for potentially 216 cases under investigation.

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<sup>119</sup> Political Risk Services, A-5.

<sup>120</sup> Political Risk Services, A-6.

<sup>121</sup> Political Risk Services, A-7.

The research will analyze four different equations to test the hypothesis. The first equation represents the relation of the Freedom House Index (FHI) to the relative Chinese trade volume compared to the world total trade volume representing roughly all Western states. This is the absolute Chinese trade volume (CHN) divided by the world total trade volume (ALL):

$$(1) \quad FHI_{it} = \beta_0 + \beta_1 \left( \frac{CHN}{ALL} \right)_{it} + \epsilon_{it}$$

In all formulas  $\beta_0$  is the intercept whereas  $\beta_1$  is the regression coefficient and  $\epsilon_{it}$  is the error term.

The second equation represents the relation of the Freedom House Index (FHI) to the relative Chinese trade volume compared to the world total trade and serves as a robustness check. Subsequently, the independent variable will take the absolute Chinese trade volume (CHN) divided by the US trade volume with African states (US):

$$(2) \quad FHI_{it} = \beta_0 + \beta_1 \left( \frac{CHN}{US} \right)_{it} + \epsilon_{it}$$

The third and fourth equation will again serve as robustness checks for the FHI values taken as a proxy to measure democratization. They use the second index: ICRG. The third equation represents the relation of the combined ICRG indicators (ICRG) to the relative Chinese trade volume compared to the world total trade volume. Whereas the fourth formula represents the relation of the combined ICRG indicators (ICRG) to the relative Chinese trade volume compared to the US trade:

$$(3) \quad ICRG_{it} = \beta_0 + \beta_1 \left( \frac{CHN}{ALL} \right)_{it} + \epsilon_{it}$$

$$(4) \quad ICRG_{it} = \beta_0 + \beta_1 \left( \frac{CHN}{US} \right)_{it} + \epsilon_{it}$$

In order to control the impact of the independent variable on the dependent variable the research will also test several control variables to continue the robustness check of the relation between Chinese relative trade and democratization in Africa. A vast amount of scholarly research has been conducted on what could also have an impact on the dependent variable democratization<sup>122</sup>. This research will use five control variables that have appeared in the literature quite frequently.

First and foremost the research will control for GDP per capita income measured in US dollars in African states (GDPpC). The common assumption is that a high GDP per capita coincides with a high degree of democracy<sup>123</sup>. The data for GDP per capita for each of the 52 observed African countries is taken from the Human Development Index of the years 1999 to 2004<sup>124</sup>.

The second control variable is literacy rate (LitR). This indicator is believed to represent social development of a society that will empower citizens of a state to actively participate in a democracy<sup>125</sup>. Hence, a high literacy rate should coincide with a high degree of democracy. Again, the data is obtained from the Human Development Index.

The third control variable is to whether an African state has been a British colony or protectorate (BritCol). Past research has found that there is a strong positive relationship between British colonial control and postcolonial democracy<sup>126</sup>. A British colonial past should coincide with a high degree of democracy. The variable measures a British colonial past of an African state in binary format. The research has obtained the data from the “Encyclopedia of African History and Culture” and its entries on each African state<sup>127</sup>.

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<sup>122</sup> Omer Gokcekus/Jan Knörich, “Does quality of openness affect corruption?” *Economic Letters*, Vol. 91 (2006), 193.

<sup>123</sup> Charles Kurzman / Erin Leahey.

<sup>124</sup> United Nations Development Programme, *Human Development Report*, 1999-2004. <http://hdr.undp.org>.

<sup>125</sup> Karl Deutsch, “Social Mobilization and Political Development”, *American Political Science Review*, Vol. 55 (1961), 493-514.

<sup>126</sup> Kenneth Bollen / Robert W. Jackman, “Political Democracy and the Size Distribution of Income”, *American Sociological Review*, Vol. 50 (1985), 438-457.

<sup>127</sup> Histories of African states taken from Willie F. Page (Ed.), *Encyclopedia of African history and culture*, (New York: Facts on File, 2005).



The fourth variable to control for democratization is ethno-linguistic fraction within a country (ELF). Ethno-linguistic fraction is a very frequent phenomenon occurring in Africa as African states originate from former colonial territories. Hence, there was no nation-building according to cultural commonalities. This resulted in states that host sometimes many different tribes which all speak different languages. A high degree of ethno-linguistic fraction is not considered supportive for young democracies as the several distinct groups might neither want to accept a central rule by a nation-wide democratic system nor do they want to participate in this system and share power with other ethnic groupings. The data for this variable is obtained from an article by Paolo Mauro<sup>128</sup>.

The fifth control variable is militarization. This is represented by the share of a state's GDP that is spent for military (MilEx). If a state has a high degree of militarization it can be a danger to democratic institutions as powerful military can get involved into politics<sup>129</sup>. The research obtained data for military expenditure of African states from the Stockholm International Peace Research Institute (SIPRI) database<sup>130</sup>.

After developing a model for analysis, the next step will be to look at the numerical findings. The research ran a regression analysis with the values of the dependent and independent variables controlling also for five control variables.

### 5.2.3 Findings

In the following part, the research will discuss four different regression analyses based on the model elaborated in the preceding section. This will provide the reader with comprehensive information on whether increasing relative Chinese trade volume has an impact on the democratization process in Africa.

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<sup>128</sup> Paolo Mauro, "Corruption and Growth", *The Quarterly Journal of Economics*, Vol. 110 (1995) No.3, 681-712.

<sup>129</sup> Kurzman/Leahey.

<sup>130</sup> Stockholm International Peace Research Institute, *SIPRI military expenditure database*, 1988-2004, [http://www.sipri.org/contents/milap/milex/mex\\_database1.html](http://www.sipri.org/contents/milap/milex/mex_database1.html).

Table 1 discusses the first regression in which democratization takes the values of the FHI index. The relative Chinese trade volume compared to the world total trade volume with Africa serves as independent variable<sup>131</sup>.

Column I in Table 1 shows the regression results solely with the input of the independent and dependent variable. It reveals that Chinese relative trade compared to the world total has a strong positive value. This supports the research hypothesis as it suggests that when Chinese trade increases the FHI increases. If the FHI increases then democracy becomes worse for Africa.

In column II the research introduces the first control variable: GDP per capita. Surprisingly, the regression coefficient for GDP per capita is not significantly different from zero. This indicates that contrary to the known literature, income per capita does not play a role for the democratization process in Africa. This requires a closer look. Looking at a country like Niger it is interesting to see that although the country with an annual income per capita of 835 US dollars (2003) is one of the poorest in Africa it has progressed on the Freedom House Index from the score 12 in 1998 to 6 in 2003. On the other hand, Equatorial Guinea has with 19,780 US dollars (2003) the highest income per capita in Africa, yet its democratization process stagnated at a score of 14 in 1998 to 13 in 2003 on the Freedom House Index. The same accounts for Libya with a fairly high income per capita of 7580 US dollars (2003). The country stagnates at a Freedom House Index score of 14 throughout the relevant period. Hence, it seems to apply to Africa that an increase of GDP per capita is not necessarily a push for democratization. This requires further research that would go beyond the scope of this paper. Nevertheless, the regression coefficient for the relative Chinese trade volume still holds a significantly positive value.

The column III introduces the control variables for ethno-linguistic fraction and the heritage of being a British colony or protectorate. It is expected that a high ethno-linguistic

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<sup>131</sup> See Table 1.

fraction will coincide with a high score on the FHI and hence the regression coefficient should be positive. However, it is only slightly different from zero and negative. This suggests that ethno-linguistic fraction may not have that big of an impact on democratization in Africa. On the other hand, the heritage of being a British colony is strongly negative and indicates as expected from the literature that former British colonies have a better chance to progress in the democratization process. The regression coefficient for the relative Chinese trade volume is still significantly positive. However, the t-test is very low which might suggest that for the regression in column III the research has to reject the research hypothesis.

Controlling for literacy rate in column IV of table 1 reveals that, as expected, a low literacy rate will coincide with a high FHI score. Hence, it is a negative regression coefficient which is slightly different from zero. In this regression, the regression coefficient for the relative Chinese trade volume is significantly positive.

Introducing the final control variable military expenditure in column V provides a clear picture that as expected a higher military expenditure coincides with a higher FHI score which the strong positive regression coefficient indicates. Again, the regression coefficient for relative Chinese trade volume is significantly positive.

The final regression introduces all control variables beside the independent variable at once in column VI of table 1. The regression coefficient for the relative Chinese trade volume remains significantly positive. All other control variables do not change in a noteworthy manner except for literacy rate and GDP per capita. Literacy rate flips from negative to positive. GDP per capita receives a weakly negative regression coefficient which only slightly indicates that a higher GDP per capita income coincides with a higher degree of democracy. However, both results remain close to zero.

In table 2 the research is going to discuss the regression analysis in which the Freedom House Index serves as the dependent variable and the relative Chinese trade volume compared

to the US trade volume with Africa serves as the independent variable<sup>132</sup>. This should serve as robustness check. As a high score of the Freedom House Index indicates a low degree of democracy, the research expects the Index to increase with an increase of Chinese relative trade volume compared to the US. Hence, the regression coefficient for the Chinese relative trade volume compared to the US is expected to be positive and indeed this is the case for the first regression in column I without any control variables. Although it is only a positive coefficient slightly different from zero (0.008 in column I-V, 0.063 in column VI), its t-test indicates that the result is significant.

Looking into the values of the regression coefficients attached to the control variables by the regression analysis one will note that they are all similar to the first regression analysis in table 1 in which the relative Chinese trade volume compared to the world total trade volume was the independent variable.

The third regression analysis changes the dependent variable from FHI to the ICRG index<sup>133</sup> in table 3. It takes the relative Chinese trade volume compared to the world total trade volume with Africa as independent variable. In this case a high ICRG score would indicate a high degree of democracy in an African state. A high ICRG score should coincide with a low level of relative Chinese trade volume compared to the US trade volume with Africa. Hence, it is expected to find a negative regression coefficient for the independent variable. This is actually the case for all regressions in column I to VI, although it is only slightly different from zero.

The control variables largely correspond to the first and second regression analyses for the fact that they are reversed from negative to positive and vice versa. Noteworthy is only the value for ethno-linguistic fraction that shows an expected negative regression coefficient. This was not the case in the first and second regression analyses. However, it is only slightly

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<sup>132</sup> See Table 2.

<sup>133</sup> See Table 3.

different from zero which confirms the assumption that ethno-linguistic fraction does not have a big impact on whether an African state democratizes or not.

The fourth regression in table 4 keeps the ICRG index as dependent variable, but selects the relative Chinese trade volume compared to the US trade volume with African states as independent variable<sup>134</sup>. In all regressions in column I to VI the regression coefficients for the independent variable are as expected strongly significant negative.

However, regression I and IV do not pass the t-test even for a 5% significance level and hence the research needs to reject the research hypothesis for these regressions. Fortunately, the regression entering all control variables at once shows a significant negative regression coefficient for the independent variable.

Looking into the control variables one would not note any significant differences from the third regression analysis.

The four regression analyses support the research hypothesis. The research concludes that in fact the increase of the relative Chinese trade volume compared to the US and the world trade volume with Africa had a negative impact on the democratization process in Africa for the years from 1998 to 2003. The analyses took two different angles to the independent variable relative Chinese trade volume, first the US and then the world. Also, it used two different indices as the dependent variable to show democratization. Still, the research hypothesis held true for all different dependent and independent variables. This should provide a comprehensive and significant result for the continent-wide impact of the Chinese economic presence in Africa.

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<sup>134</sup> See Table 4.

## CHAPTER SIX

### CONCLUSION AND POLICY RECOMMENDATIONS

This research has attempted to make an academic contribution to the current debate on whether the increasing Chinese economic presence in Africa delays the democratization process on the continent. It adds a comprehensive quantitative analysis to the circulating arguments that African states which increasingly trade with China do not progress or even fall back in the democratization process. This quantitative analysis was supported by a qualitative analysis that should make the mechanism between Chinese relative trade volume and democratization in African states more transparent to the reader by introducing a cultural component that explains the Chinese way of doing business and how it contrasts to the Western approach.

The comprehensive analysis of all 52 African states showed that Chinese economic presence in Africa has indeed an impact on the democratization process. This observation can be tied back to Hirschman's theory on trade and influence. It seems that African states more and more seek to diversify their trade partners in order to resist Western demands for democratization.

The question is when should Western policy makers act? Is the time now when the West slowly starts losing influence on the African continent or should Western states start to worry when China has become the biggest trader to some African states and Western demands for democratization can be comfortably ignored by these states?

It seems advisable to act on this matter sooner rather than later. Once, states like Sudan and Zimbabwe have diverted their main trade to China their terrible regimes will have ensured survival. The West will run out of means to pressure these states to progress with democratization.

If action should be taken the next question is what can indeed be done? The Western and in particular US foreign policy makers face a riddle. US foreign policy promotes more trade liberalization across the world<sup>135</sup> and hence it should welcome Africa's step to engage in international trade with China. In fact, diversifying trade partners can be a good thing for African states as it makes them less vulnerable to trade interruption or price shocks which they face when trading only with a few Western partners. On the other hand, the West loses effective means to promote democracy when allowing the relative Chinese trade volume with African states to rise. In order to pursue the foreign policy goal "promotion of democracy"<sup>136</sup> on the African continent the US could approach China with the request to support development goals in Africa as the Council on Foreign Relations report suggests<sup>137</sup>. Nevertheless, China is a non-democratic state and follows strictly a non-interventionist policy. How could the US approach China and convince it to cooperate? China is the best example how a non-democracy can still develop rapidly. The People's Republic will see no benefit from promoting democracy in Africa. Rather it will promote its model as way to develop.

Hence, the US and also Europe should explore a different route to keep African countries engaged in trade with the West. If the Western trade volume rises accordingly to the Chinese volume then the West will not lose influence on the political reform process in African states. Subsequently, the West needs to offer more incentives for African states to remain engaged in trade with Western states. Competition with China for African states as trade partners demands action in very sensitive areas. Europe and North America should consider abandoning or reducing significantly trade barriers on agricultural goods. These commodities still compose the largest chunk of the exports African states have to offer. However, the West is hesitant to play this trump card. It would trigger fierce domestic resistance of agricultural lobby groups in North America and within the European Union. But,

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<sup>135</sup> US House of Representatives International Relations Committee, 15

<sup>136</sup> Ibid.

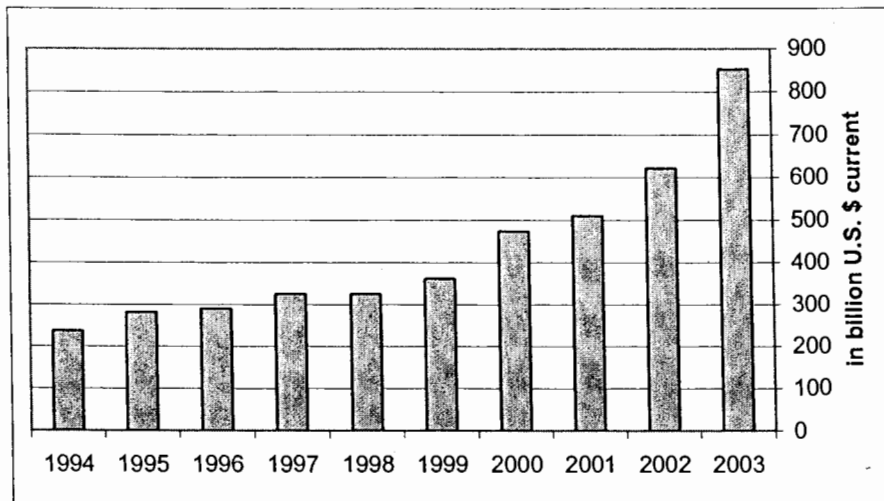
<sup>137</sup> Council on Foreign Relations, 52.

should the West consider to drop trade barriers on agricultural products it will foster trade relations and channels of influence for the US and Europe on the African democratization process.

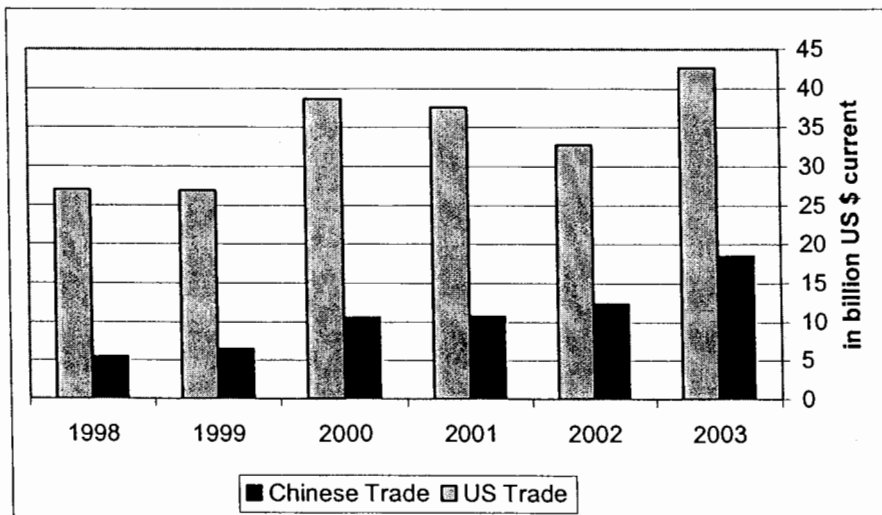


## APPENDIX 1: CHARTS

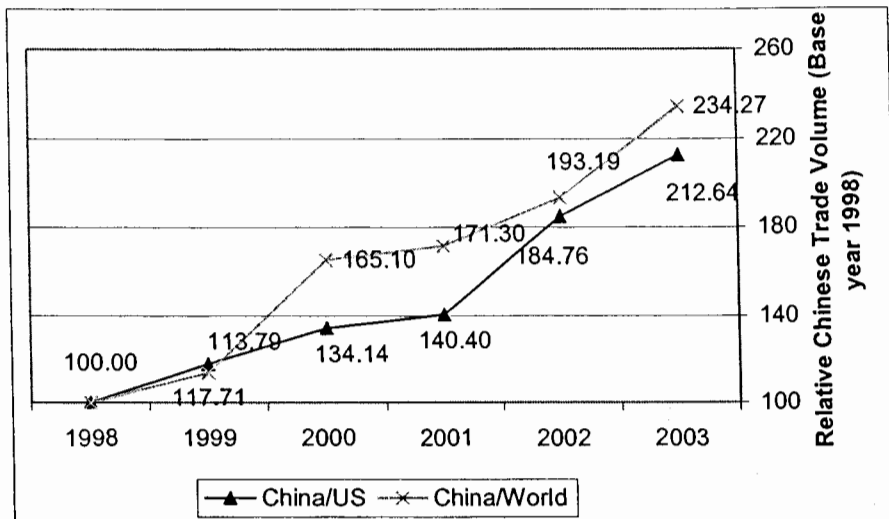
**Chart 1:** Volume of Chinese total trade: 1994 – 2003 (in billion US \$ current), Source: MOFCOM, *Yearbook of China's Foreign Economic Relations and Trade*.



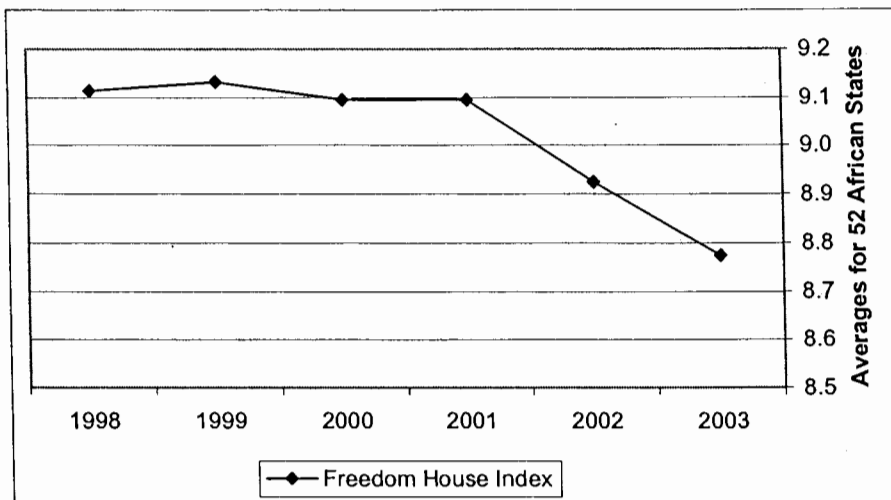
**Chart 2:** The Volume of the U.S. and Chinese trade with Africa (in billion U.S. \$ current), Source for data: US Trade Online and MOFCOM, *Yearbook of China's Foreign Economic Relations and Trade*.



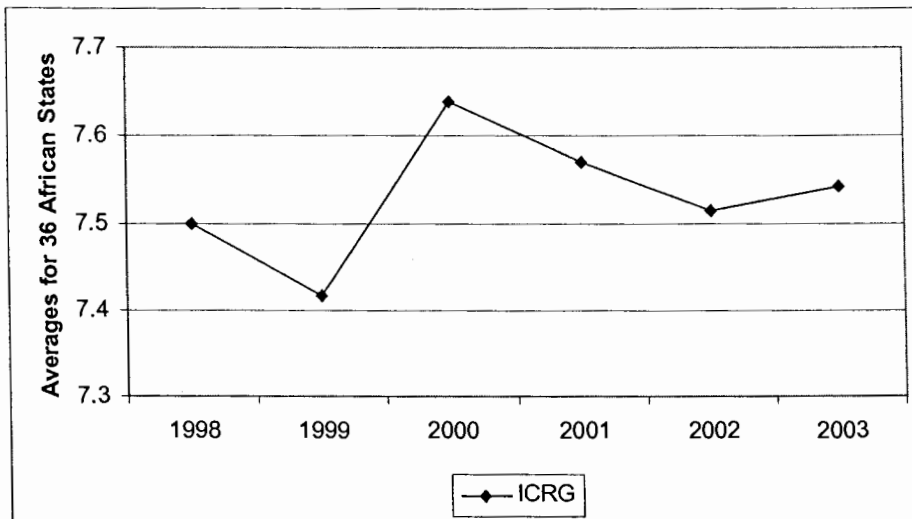
**Chart 3:** The Relative Chinese Trade Volume with Africa (compared to the U.S. and World total, base year = 1998), Source for data: World Trade Organization, *Trade Statistics*; US Trade Online and MOFCOM, *Yearbook of China's Foreign Economic Relations and Trade*.



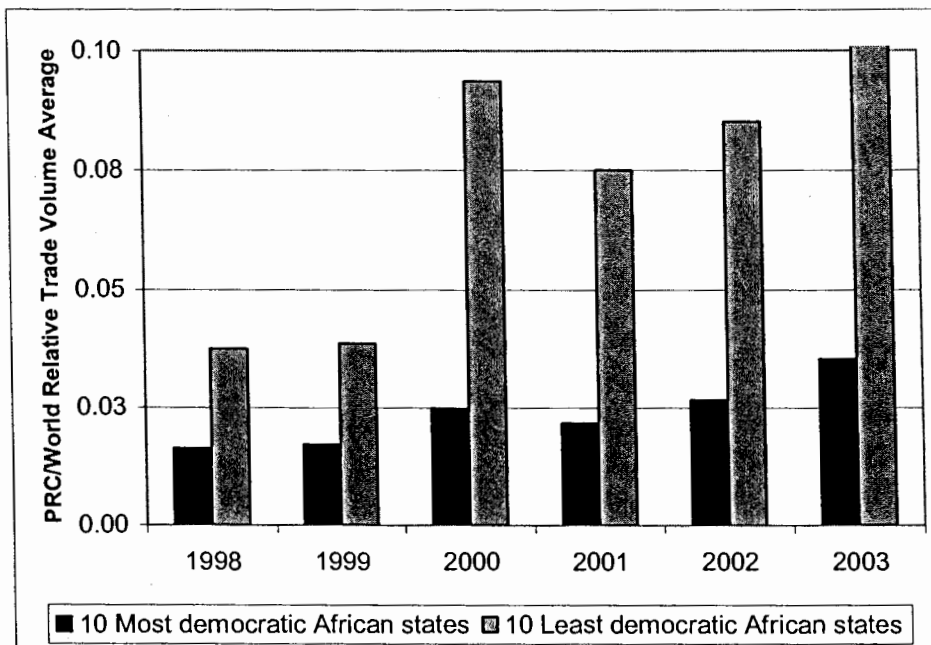
**Chart 4:** Freedom House Index Average Values for 52 African States (Index scale 2=high level of democracy to 16=low level of democracy).



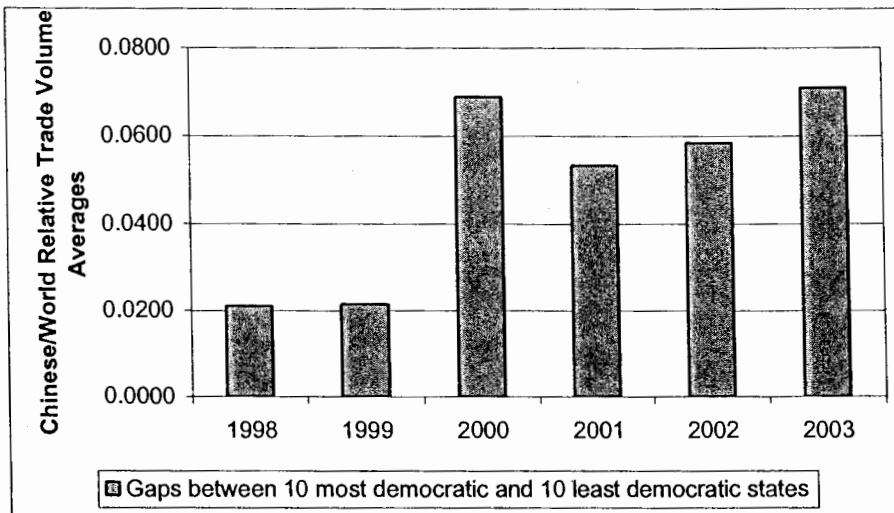
**Chart 5:** International Country Risk Guide Average Values for 36 African States (Index scale 0=low level of democracy 18=high level of democracy).



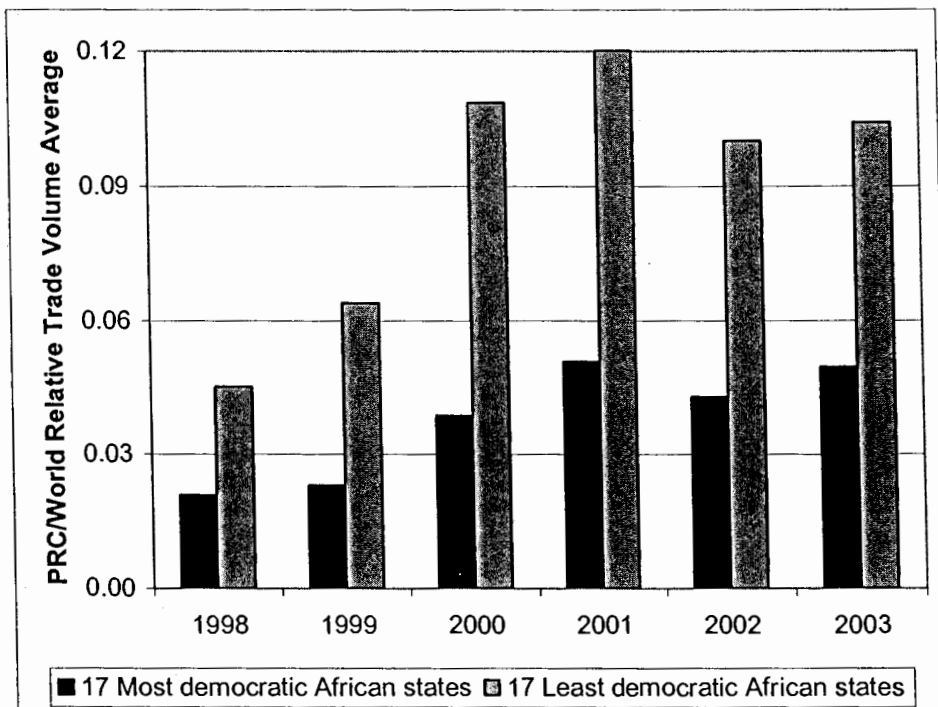
**Chart 6:** China/World Relative Trade Volume Average Values of the ten most democratic and ten least democratic African states according to order by ICRG index.



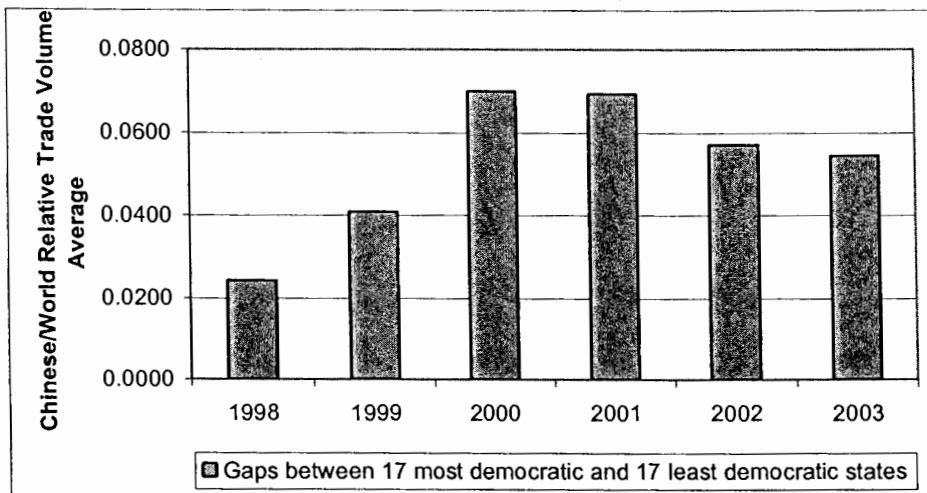
**Chart 7:** Gaps between the Chinese/World Relative Trade Volume Averages for the ten most democratic and the ten least democratic states (ordered by ICRG).



**Chart 8:** China/World Relative Trade Volume Average Values of the 17 most democratic and 17 least democratic African states according to order by Freedom House Index.



**Chart 9:** Gaps between the Chinese/World Relative Trade Volume Averages for 17 most democratic and 17 least democratic states (ordered by Freedom House Index).



## APPENDIX 2: TABLES

**Table 1:** Regression I with Freedom House Index (DV) and relative Chinese trade to world trade with 52 African states (IV)

	I	II	III	IV	V	VI
Constant	8.715	9.069	9.849	9.608	7.533	8.81
PRC/World	<b>3.64</b> (2.829)	<b>3.287</b> (2.676)	<b>2.005</b> (1.033)	<b>3.219</b> (2.462)	<b>7.935</b> (3.149)	<b>12.14</b> (4.179)
GDP per Capita		0 (-2.082)				-0.001 (-6.434)
Ethno-linguistic fraction			-0.009 (-1.278)			-0.016 (-2.167)
British Colony			-0.85 (-2.355)			-1.189 (-2.163)
Literacy Rate				-0.015 (-1.619)		0.034 (2.307)
Military Expenditure					0.42 (4.700)	0.278 (3.360)
Adjusted R <sup>2</sup>	0.022	0.035	0.021	0.025	0.114	0.312
No. of Observations	312	268	245	305	224	166

Number in parenthesis is t-test value

**Table 2:** Regression II with Freedom House Index (DV) and relative Chinese trade to US trade with 52 African states (IV)

	I	II	III	IV	V	VI
Constant	8.938	9.275	10.446	10.057	7.845	9.796
PRC/US	<b>0.008</b> (2.494)	<b>0.008</b> (2.453)	<b>0.04</b> (3.526)	<b>0.008</b> (2.684)	<b>0.008</b> (2.462)	<b>0.063</b> (3.621)
GDP per Capita		0 (-2.869)				-0.001 (-5.987)
Ethno-linguistic fraction			-0.02 (-2.979)			-0.017 (-2.231)
British Colony			-0.583 (-1.664)			-0.624 (-1.198)
Literacy Rate				-0.021 (-2.279)		0.018 (1.284)
Military Expenditure					0.397 (4.416)	0.253 (3.024)
Adjusted R <sup>2</sup>	0.016	0.045	0.069	0.032	0.094	0.294
No. of Observations	312	266	251	303	222	166

Number in parenthesis is t-test value

**Table 3:** Regression III with ICRG index (DV) and relative Chinese trade to world trade with 36 African states (IV)

	I	II	III	IV	V	VI
Constant	7.814	7.182	8.64	6.455	8.47	8.649
PRC/World	<b>-5.488</b> (-2.418)	<b>-6.151</b> (-2.240)	<b>-5.867</b> (-2.690)	<b>-4.756</b> (-2.061)	<b>-4.679</b> (-1.994)	<b>-5.255</b> (-1.771)
GDP per Capita		0 (3.350)				0 (2.443)
Ethno-linguistic fraction			-0.021 (-2.541)			-0.01 (-.943)
British Colony			1.329 (3.524)			0.7 (1.136)
Literacy Rate				0.023 (2.347)		-0.01 (-.609)
Military Expenditure					-0.138 (-1.505)	-0.156 (-1.645)
Adjusted R <sup>2</sup>	0.022	0.079	0.087	0.041	0.022	0.067
No. of Observations	213	184	197	207	165	134

Number in parenthesis is t-test value

**Table 4:** Regression IV with ICRG index (DV) and relative Chinese trade to US trade with 36 African states (IV)

	I	II	III	IV	V	VI
Constant	7.556	6.851	8.433	6.076	8.372	8.316
PRC/US	<b>-0.003</b> (-1.171)	<b>-0.005</b> (-1.607)	<b>-0.024</b> (-2.242)	<b>-0.004</b> (-1.360)	<b>-0.053</b> (-3.356)	<b>-0.05</b> (-2.736)
GDP per Capita		0 (3.745)				0 (2.334)
Ethno-linguistic fraction			-0.02 (-2.364)			-0.01 (-.939)
British Colony			1.145 (3.064)			0.607 (1.050)
Literacy Rate				0.026 (2.636)		-0.005 (-.350)
Military Expenditure					-0.129 (-1.437)	-0.139 (-1.485)
Adjusted R <sup>2</sup>	0.002	0.067	0.077	0.03	0.063	0.097
No. of Observations	213	184	197	207	165	134

Number in parenthesis is t-test value

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