

China: Increasing Trade Relations with Developing Areas. The case of Africa and Latin America

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Abstract

The last couple of decades have seen China's remarkable growth and successful integration to world markets. In particular, since China became a member of the World Trade Organisation (WTO) in 2001; China's trade links with the rest of the world have become stronger and more diversified. This paper will discuss China's increasing economic links with two developing areas, namely Latin America and Africa, in order to draw comparisons in terms of objectives, interaction and future prospects in China's bilateral relationship with each region. Its growing significance can be seen in the increased frequency of high-level meetings as well as the release of a White Paper for relations with Africa (2006) and Latin America (2008).

Asia constitutes, by far, the most significant trading partner for China, with over 53% of total trade in 2009 being conducted with this region. However, although trade with both Latin America and Africa is still relatively small at 6 and 4% of total Chinese trade respectively; this has increased dramatically over the last decade. In terms of total Chinese foreign investment, the top three recipient regions are Asia (75.5%), Latin America (12.4%) and Africa (3.8%).

From the Chinese perspective, the importance of increased trade links with these developing areas is two-fold. On the one hand, both Africa and Latin America are rich in natural resources, energy and fuels that the Chinese economy seeks in order to sustain its industrial and consumption growth. Although China is a major world producer of agricultural products, in recent year it has become a net importer (arable land available, which has been decreasing due to urbanization and desertification pose constraints on the supply of these products), and both Africa and Latin America, with large land extensions, are able to provide the excess demand required. On the other hand, China is looking for markets in which to sell its manufactured products and the large middle classes of both regions provide an ideal market for these.

From the African as well as the Latin American perspective on the whole, increasing trade with China is mostly beneficial; although in the case of some particular countries Chinese imports can constitute a competition for domestic production. However, by and large, Chinese interest in the region is highly welcome, not only as a trading partner but also, and most importantly, as a

major foreign investor. China has been actively investing in local infrastructural projects in both regions, not only through the ExIm Bank but also through institutions such as the Inter American Development Bank (IADB) – of which China is currently a member.

Chinese links with both Africa and Latin America have been based on a three-point strategy: trade, investment and cooperation under the umbrella of non conditionality (either politically or economically). This constitutes a major departure from past cooperation in these areas, where the United States and main European nations provided assistance but was attached to political and economic conditions.