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Centre for Chinese Studies

Stellenbosch University
P.O. Box 3538 Matieland
7602
South Africa

Tel: +27 (0) 21 808 2840
Fax: +27 (0) 21 808 2841
Email: ccsinfo@sun.ac.za
Website: www.sun.ac.za/ccs
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By Tu T. Huynh*

Department of Sociology
Rhodes University, Grahamstown, South Africa

At this point (and to the audience of this publication), that China has a presence in the African continent is well known. In the Eastern Cape of South Africa, due to my research on new Chinese migrants, those arriving in the 1990s and 2000s, in the province, someone is likely to tell me that there are Chinese people even in the remotest villages in the (former) Transkei area. Although the impression is that they are everywhere, when I would ask where exactly are the Chinese people located, except for those who come from the surrounding areas of Dimbaza where Taiwanese-owned factories were once located, very few people can provide a clear answer. If the truth were told, except for those who work for Chinese employers, the few returning customers who make the effort to talk with the Chinese entrepreneurs, and students and lecturers at schools where there are international students from China, the majority of the local people in South Africa and the Eastern Cape, in

The author is a Mellon Postdoctoral Fellow in the Department of Sociology at Rhodes University in Grahamstown, South Africa. Her current research projects explore the issues of migration and gender among Chinese and Indian women in Gauteng Province as well as identity formations among new Chinese migrants in the Eastern Cape Province.
particular, have not seen a Chinese person and fewer know of or has close ties with a Chinese person.

Unlike other African countries, South Africa has a longstanding Chinese presence, since the arrival of the Dutch East India Company in the 17th century (Park; 2008, Yap and Man; 1996). European colonialism, but also the development of industrial (mining) capitalism in South Africa, 20th-century international warfare (including the Cold War), and policies of racial segregation as well as decisions of the post-apartheid governments have influenced the ebb and flow of Chinese people as slaves, convicts, and indentured labourers (Harris; 2006, Huynh; 2008) and as independent merchants to South Africa up until the present time (Huynh, Park, and Chen; 2010). The various Chinese communities (e.g., South African-born, Taiwanese, and Mainland Chinese) that have settled in the country over four centuries show a long-term historical connection between China and South Africa. That there is still little knowledge about this population raises concerns about how the nation-state has been constructed up until now, but, more importantly, is a reflection of the way in which race has manifested in the country. In the latter, race continues to be viewed as mostly consisting of two racial groups, ‘black’ and ‘white’. In this bipolar schema, Asians (in South Africa, this category refers to Indians, but here I include Chinese) are perpetual foreigners regardless of their place of birth or citizenship status.

Regardless of the real, imagined, or hearsay presence of Chinese people in any particular place in South Africa, opinions about them are manifold. The gamut of opinions available in the streets includes: the availability of cheap Chinese manufactured goods allows (mainly, poor)
people to consume things that they otherwise would not have been able to afford, Chinese businesses create employment opportunities, Chinese entrepreneurs exploit local people by paying low wages and selling low-quality goods that are not durable, Chinese traders are competing with locals for economic opportunities, and Chinese people are kung-fu fighters. With the exception of the last stereotype, which is influenced by an explosion of Bruce Lee and Chinese (i.e., Hong Kong) martial arts films in South Africa in the 1990s (about 20 years after television was introduced to the country), the opinions are mostly formulated around economic activities like competition, consumption, and employment. Though these opinions contradict one another as well as affirm and conflate with views about China’s present influence in Africa that are expressed by the Western media, local policy elites, political and economic analysts, unions, and civil society, they have yet to crystallize into an anti-Chinese sentiment. Nonetheless, whether the opinions appear to be positive or critical, what has oftentimes been neglected is that linguistic differences, cultural particularities, and enduring stereotypes generated by the West have contributed to half-truths that have come to represent the whole country of China, so massive and so culturally embellished, and the people.

International scholars and the Chinese government have attempted to broaden the discourse on relations between China and Africa, filling in gaps with meticulous research and counterbalancing some of the assumptions used to describe the relationship that have seemingly become quotidian. While the national government of China has been presenting a discourse of brotherhood and friendship that emanated from the Bandung Conference in the 1950s, the academic literature on China-Africa relations has been increasing rapidly outside of Africa
since 2005. The most analysed are the figures for trade and foreign direct investment (primarily in resource extraction) (Large; 2008: 55) and Chinese development aid in Africa (Brautigam; 1998, Tan-Mullins, Mohan, and Power; 2010), all of which all have expanded tremendously within the Forum on China-Africa Cooperation (FOCAC) framework that was initiated in 2000 by China and a few African countries. The research details the various economic and development activities, demonstrating nuances, as well as situates them in a historical and global political context that includes America and a number of European countries. It also addresses the areas where the engagement is uneven, but in addition concludes that African political elites need to step up to negotiate better deals with their Chinese partners, be they government or private actors. The strength of the research that sheds new light on what could be referred to as a political-economy of China-Africa relations is also its weakness, which is the people who have accompanied and been affected by the circulation of manufactured goods and capital.

Scholars in disciplines like anthropology, geography, history, linguistics, and sociology have started to examine the crucial connections that people are making in contemporary China-Africa relations. Research that focuses on migration flows and migrants exposes that migration has been occurring in both directions, with Africans increasingly going to do business, study, work, and settle in China (Bodomo; 2012, Haugen; 2012, Mathews; 2011). Also, it details the diverse Chinese actors who come from various parts of China and are creating new Chinese communities or renewing and reconfiguring long-established ones in various African countries (Bourdarias; 2010; Esteban; 2010, Mohan and Kale; 2007, Huynh, Park, and Chen; 2010). The studies not only show
that ‘China’ and ‘Africa’ are not homogeneous entities, but also elucidate the complexity of China-Africa relations at the ground level, where people come into contact, especially through the market, on a daily basis.

As part of this growth in research focus, an interest in African perceptions of China’s presence in Africa has also materialised (Rebol; 2010). This intervention is significant, as it aims to give voice to Africans. However, the fact that such research relies on surveys that oftentimes ask questions kindled by the Western media, which broadly situate China as a foe or friend and a challenge or model (Sautman and Yan; 2007), reinforces the power of the media. While the questions raised indicate the extent of the media’s influence in shaping competing perceptions, the respondents appear to have little opportunity to reflect on whether she or he knows China or Chinese people and what informs her or his knowledge (even if it includes media coverage, local rumour mills, and past memories). Nonetheless, as new research is trying to fill in gaps in available knowledge and data, correct misconceptions, and strike a balanced view by doing larger, longer-term studies as well as tapping into Chinese and African sources, the research, as one scholar rightly notes, ‘[must reach] beyond concerns that dominate headlines and [address] a broader range of issues’ (Large; 2008: 58); that includes examining the issues of linguistic differences, cultural particularities, and existing stereotypes that have also shaped China-Africa relations in crucial ways or investigating the kinds of cultural productions (including myths and symbols) that the relationship has enabled.
Gauging from her disciplinary background in African Art History, Simbao (2012: 1) makes a similar point: ‘Until recently little in-depth research has existed on human relationships at an individual or community level, and even less research exists on China-Africa engagement in terms of culture or the visual arts’. And, if people unselfconsciously look for other modes of communication like body language and drawing when language fails, then Simbao is right about the gap in the present China-Africa literature and the relevance of culture and the arts in relations building\(^1\). There has been more focus on China’s FOCAC commitments to political and economic cooperation with African countries and less on the inclusion of the objective to strengthen cultural exchange as an area for cooperation. China only acknowledged the relevance of people-to-people and cultural exchange with Africa at the second FOCAC conference in Addis Ababa in 2003, suggesting that a focus on politics and economics alone was insufficient in the development of China-Africa relations.

Early ideas on how to achieve this end included training African professionals, expanding tourism, and hosting an African arts as well as China-Africa youth festival in China\(^2\). At the 2006 FOCAC meeting in Beijing, the activities came to include sending Chinese agricultural experts and volunteers to Africa, setting up agricultural centres, hospitals and rural schools, and increasing the number of Chinese government scholarships for African students to study in China. Additionally, a number of African youths were invited to visit China to participate in the China-Africa youth festival and several Confucius Institutes (CIs) were set up to teach Chinese language and culture in African schools (South Africa alone has at least three Confucius Institute; overall, however, the number of CIs in other regions is much larger than in Africa). By the
fourth FOCAC meeting in 2009 in El Sheikh, a proposal was introduced to create a joint research and exchange programme to provide a platform for African and Chinese scholars as well as analysts of think tanks to have more exchanges and collaborate in formulating better cooperation policies. As part of this initiative, from 28-29 March 2011, the Council for the Development of Social Science Research in Africa (CODESRIA) facilitated a meeting with representatives of African and Chinese academic institutions, think tanks, and policy makers in Nairobi, Kenya. Notwithstanding the theme of understanding China-Africa relations, the conference concluded with a general consensus that more knowledge about China was necessary, rather than with a research programme to strengthen African people’s participation. Nonetheless, among these activities that aimed to extend people-to-people and cultural exchange, the establishment of CIs in a number of African countries (Akelo; 2009, French; 2006, Gil; 2009, Magistad; 2011, Paradise; 2009, Simons; 2009) has received more attention than other social development projects as well as student exchanges and scholarships (King 2010). Receiving least attention have been the culture weeks and arts festivals that are equally influential in shaping views about particular cultures and peoples.

There have been numerous festivals and art shows held in African countries and China, and African artists have been hosted in China as a result of China’s African visiting scholars programme. Among them, the ‘African Culture in Focus’ event in 2008, sponsored by the Chinese Ministry of Culture, was significant. A China Daily article reports that it consisted of exhibitions, dance performances, and conferences about African art from 29 African countries, as well as hosting African artists in Shenzhen to teach painting (‘Out of Africa’ 2008). Of similar
importance is the ‘Chinese Culture in Focus’ event that took place in 2009 in 20 African countries. The People’s Daily reports that it ‘show [ed] unique Chinese tradition and culture in all aspects’ (‘Cultural Exchange’; 2009); it does not detail what aspects of Chinese culture were on display. The creation of a platform for Chinese and African performance ensembles, different genres and scales of art exhibitions, and the training of artists and performers does indeed encourage cultural engagement among the artists and between the artists and spectators. However, in such a state-initiated framework as FOCAC (almost reminiscent of the mid-19th-century world fairs), it is necessary to continue to ask ourselves: who is allowed to represent or give meaning to and interpret China-Africa on the one hand, and on the other hand, what gets presented as Chinese or, even, as African culture (the ‘real China’ or ‘real Africa’)? And, if the created platform is reducible to propaganda, rather than a product of a ‘creative, imaginative, and undoctrinaire mind’ (Robinson; 1980: 353), for whom is it really directed towards? Furthermore, are there multiple cultural authorities or a singular one? The scale and scope of cultural exchange should ideally attract more attention and analyses, especially the meanings of China and Africa or Chinese-ness and African-ness that are being produced.

As pointed out by Wallerstein (1990: 33), culture is puzzling because the concept is used to signify two phenomena: it is ‘the set of characteristics which distinguish one group from another, and . . . some set of phenomena which are different from (and ‘higher’ than) some other set of phenomena within any one group’. While we can refer to the first as ‘national culture’ and the second as ‘local cultures’, it is not as easy to define the ‘group’ (national or local) due to various factors like gender, ethnic, racial, and age differences; policies put in place by various levels
of government to regulate people’s mobility; definitions of citizenship, etc. As mentioned above, China is vast, but so is the African continent in its diversity, so to get a sense of the places, peoples, and cultures, it is necessary to engage China-Africa at a number of levels, including the visual and performing arts, in a way that entails thinking and seeing what is there and what is not there (Sullivan; 2010: 133). Here, if art (in all its forms) is one expression of the culture of a particular society or group of people and engages, confronts, and reflects the actual events of its time, should ‘traditional’ art that appears to be (temporally) static, such as masks, dances of cultural groups, and images of wild landscapes, as well as acrobatics, calligraphy, and martial arts, be the predominant representations of China and Africa? Does it adequately represent the culture of a people as they are now? This is not to suggest that, as spectators or consumers of art, we have to choose one over the other, but a suggestion to deepen our understanding in order to simultaneously demystify and develop a more accurate diagnosis of China-Africa.

For instance, in the ‘Making Way’ exhibition that Simbao curated in 2012, artists like Gerald Machona, a Zimbabwean visual and performing artist who now lives in Grahamstown in the Eastern Cape, and Lebogang Rasethaba, a South African filmmaker, directly take up the heady issue of China-Africa relations in ways that do not invoke ‘African tradition’. Specifically, Machona utilizes and transforms the conventional use of national currencies to home in on the issue of territorial boundaries (and one could even add trade relations) while Rasethaba draws from his first-hand experience as a student in Beijing to highlight the linguistic and cultural challenges of resettlement as well as differences among Africans abroad. New consciousness and ways of being emerge through the art-
ists’ engagement with China-Africa. In a way, their works could be viewed as political, but they are also chronicles and interpretations of the ways in which Africans, in particular, experience China-Africa. However, in the case of China, though contemporary art has mushroomed in the post-New China period after 1989 and parodies China’s transforming political life and consumer society (Lu; 1997) like in the photographs by Shanghai-born artist Maleonns shown in the abovementioned exhibition, one has to still ask what is the role of such art in conversations about China-Africa if it were to be concerned about China’s and the Chinese people’s relations with the broader world? Thus far, in spite of all its diversity inside and outside of China, it is primarily the acrobatics and cultural dance troupes, calligraphy, and martial arts that have been given the task of expressing Chinese culture and experience in Africa; these ‘classical’ (and once treated as bourgeois) expressions disregard the fact that the various Chinese actors, especially the new migrants who are gradually settling, in Africa have developed a psychic and cultural identity independently of the one put forth by the state. Finally, while African artists are going to China to exchange with and learn from Chinese artists, perhaps the flow of artists needs to go from China towards the direction of Africa, too.

**End Notes**

1 From an energy policy and management standpoint, Feng and Mu (2010) begin to highlight the importance of knowing local cultures to reduce investment risks of Chinese companies in capital-intensive industries, such as oil, on the continent.


4 China’s contemporary art artists have more exposure in Hong Kong and other major cities in Europe and America than in China.

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Grassroots Perceptions of China in Namibia: Effects on Domestic Politics and Foreign Policy

By Nelago Amadhila*

Trainee Political Risk Analyst, Political Analysis South Africa

The dramatic expansion of Sino-Namibian relations in the last decade has led to the formation of varying perceptions of China in Namibia. Perceptions are being formed at different levels of society. Grassroots perceptions differ greatly from perceptions being formed at the top and this increasingly has an effect on domestic Namibian politics and, as such, Sino-Namibian relations. It is therefore essential to determine the importance of grassroots perceptions on China in Namibian politics and the effects of these grassroots views on Foreign Policy towards China. This paper looks at the non-official relations between Namibia and China. Non-official views are based on interviews conducted between March and April 2011. The basis for this article was a survey with 100 respondents various social and economic backgrounds.

Official Sino-Namibian Political Relations

China’s political presence is mostly defined within its official state-to-

* The author graduated from Rhodes University in 2011 with a Master of Arts in Political and International Studies. She also holds an Honours degree in Historical Studies and a Bachelors degree in English Literature and Historical Studies from the University of Cape Town. She currently works at Political Analysis South Africa Ltd as a Trainee Political Risk Analyst.
state relations with the Namibian government. China and Namibia regard each other to be friends, sharing a new type of close partnership (Embassy of the People’s Republic of China in Namibia; 2007) based on shared ideas of anti-colonialism and anti-imperialism. Like with other African nations, China has created close ties with government officials with the rhetoric of mutual benefit and aid, without interference in internal affairs.

Namibia and China’s close relationship began during the years of Namibia’s liberation war. China supported the South West Africa People’s Organisation’s (SWAPO) liberation efforts\(^2\) as part of its foreign policy in the 1970s and 1980s of supporting victims of colonialism and also raising China’s profile on the international stage (Taylor; 1997: 112). The SWAPO-led government of Namibia uses the narrative of China’s help during the liberation struggle (Embassy of the People’s Republic of China in the Republic of Namibia; 2007) as a way to justify and further drive close relations between the People’s Republic of China (PRC) and the Namibian government. This discourse is re-iterated in speeches from both governments and demonstrates a shared idea of Namibia and China being partners and allies in the fight against colonialism, apartheid and oppression. There has been an escalation of party-to-party co-operation between SWAPO party elites and the CCP\(^3\).

In parallel, the criticism of the Namibian government’s relationship with China is growing. This may be due to people’s concerns that some government officials could be preoccupied with strengthening bilateral relations with China for personal gain rather than pursuing relations that would help further the interests and needs of the Namibian people. The
very close relationship between the Chinese and Namibian government is therefore beginning to shape non-state actor views about China’s engagement in the country. These perceptions are having an effect on how Namibian analysts, business people and grassroots level view China’s economic presence in Namibia.

**China’s Economic Presence in Namibia**

China’s economic presence in Namibia is closely linked to its overall foreign policy goals in Africa. There are two main elements to China’s economic relationship with Namibia that are shaping grassroots perceptions. These are the import of manufactured goods, often by Chinese migrant entrepreneurs, and competition in the construction industry (Dobler; 2007: 95).

The start of bilateral relations between Namibia and China in 1990 saw to the increase of Chinese businesses in Namibia. These businesses focused on small “China shops” which sold generic items (Niikondo and Coetzee; 2009: 6). “China Shops” have since become a permanent feature across Namibia, and can be found in the most remote of places. The Ministry of Trade and Industry database reflects that there are five hundred registered small Chinese shops in Namibia (Jauch and Sakaria, 2009: 11). Most Chinese shops are run and owned by private business people and many of them are not registered with the Ministry of Trade and Industry⁴ (Jauch and Sakaria; 2009: 11).

Chinese traders have a strategic advantage because they are familiar with the both the supply market in China (Dobler; 2009: 717) which allows them to import goods at very low prices from large wholesalers or
factories in China (Jauch and Sakaria; 2009: 16). In the northern town of Oshikango, Chinese traders buy their supplies from bulk suppliers instead of large public wholesalers while larger quantities are ordered directly from factories in China. This eliminates the middleman and increases their profit (Dobler; 2009: 713). This way of purchasing stock means that these traders can keep their costs low and be able to undercut local businesses (Jauch and Sakaria; 2009: 16).

Chinese retail shops are seen in both a positive and negative way by local populations. Many respondents of the study (92%) voiced that positive perceptions were due to the fact that lower-income citizens are able to afford goods that they would not be able to afford in South African or Western stores. Some respondents stated that China’s retail presence has “broken the monopolies of Germany, South Africa and the United Kingdom” in the retail centre. Interviewees, however, responded negatively to the low quality of the goods. All respondents stated that the products were of inferior quality and that these goods “spoil” the market by flooding it with cheap goods. The low prices of Chinese goods have also made it very difficult for local traders to compete in the retail industry. This unfair advantage has created negative perceptions about Chinese traders in Namibia because they are seen to be taking over the retail industry and putting locals out of business.

Chinese shop owners also usually deal in cash with their local customers. This makes taxing them problematic because profit margins cannot be documented. Chinese businesses also avoid banking in Namibia so that transfers can remain unrecorded, despite the country’s foreign exchange restrictions (Jauch and Sakaria; 2009: 14-15).
Eighty-seven respondents felt that this has a negative effect on the economy because the money that they make in Namibia is expected to be sent to China and does not directly contribute to the Namibian economy.

On the other hand, respondents often (74%) credited Chinese businesses for creating unskilled employment for Namibians as shop assistants, store hands or security guards. Yet Chinese traders rely mostly on family labour and use Namibian labour for menial tasks, and respondents felt negatively about this. Many Chinese traders have noted that they do not employ people without skills because they then have to “waste” money to train them. These traders perceive Namibian locals to be untrustworthy and therefore easier to import the skills from China (Jauch and Sakaria; 2009: 15). This reinforces perceptions that Chinese traders are not benefitting the economy or helping create employment in the country.

While most visible throughout the country in trade Chinese businesses have also become a prominent feature in the construction industry. Prominent public construction contracts have been awarded to these Chinese companies. The largest public project undertaken by the Chinese to date has been the State House. This project was never put up for public tender and the Chinese government donated N$ 55 million for its construction in 2002 “with no strings attached”, as the official line is. In 2005 another undisclosed figure was granted for the State House whilst in 2006 it was announced that the Presidential home attached to the State House would be completely donated by the Chinese government, built by Chinese companies which would be tendered in China (Dobler; 2007: 101).
This is highlighted as an example of how Chinese construction companies have been awarded prominent local government building tenders as opposed to local construction companies. There are mixed perceptions about the projects undertaken by Chinese companies. Respondents stated that they perceived these projects in a positive light because they are useful in terms of the development of infrastructure in the country. Thirty-four respondents, however, voiced negative perceptions around Chinese infrastructure engagement, suspecting China to use these projects, such as the State House, to win the favour of government officials. These projects are all constructed by Chinese companies and this has caused negative local perceptions of Chinese companies.

Chinese construction companies are also pursuing private sector projects, and in this, state-owned and private Chinese construction companies often submit tenders at a significantly lower price than local companies (Chen, Goldstein and Orr; 2009: 77). They can afford to do so because they purchase construction equipment and material from Chinese manufacturers at low prices (Chen, Goldstein and Orr. 2009: 82). The move into the private sector has had a large impact on local and South African construction companies as Chinese companies are able to undercut their competitors (Jauch and Sakaria; 2009: 14).

It is likely that the presence and involvement of Chinese actors will increase in the construction and the retail industry will increase. This is clearly supported by political relations between China and Namibia as the two governments seek to strengthen co-operation in various fields.
China’s Social Presence

Chinese companies and small businesses have brought about a significant increase in the number of Chinese immigrants in Namibia over the past decade. It has been difficult to establish an accurate number of Chinese immigrants in Namibia as the data is not available. In 2010, a Wikileaks report of 2006 suggested that a default on a repayment of a loan by the Namibian government resulted in the Chinese government demanding five-thousand passports and residential documents from the department of Home Affairs (The Namibian; 2010). The Namibian government denied ever defaulting on a loan payment but were elusive about the issuing of these documents with Prime Minister Nahas Angula stating that Chinese nationals are among the lowest number of those who have acquired Namibian citizenship (Kisting; 2010). Whether or not there is any truth to these Wikileaks reports, such media coverage, in any case, is shaping perceptions.

The lack of documentation of the number of Chinese nationals in Namibia can partly be attributed to their legal status; a large number of Chinese immigrants can be expected to be there illegally. Some nationals have settled into the country on expired tourist visas hoping to not be found out by officials (Dobler; 2007: 105). The most popular option appears to be for a new migrant to pay established Chinese business people to act as immigration brokers to provide housing and employment for them when they arrive in Namibia. Immigration brokers can charge up to N$100 000 for their services. The migrant pays this money back through working for the broker and once the debt has been repaid he or she expects to have the skills and local knowledge to start
their own business (Dobler; 2007: 104).

Using Dobler’s study of Chinese traders in the town Oshikango in northern Namibia (Dobler; 2009), inferences can be made about the Chinese community in the country. The chain migration of Chinese families which came about after Namibia and China established bilateral relations was a result of Chinese officials advertising business opportunities in Namibia in newspapers and magazines, Dobler states. Families, mostly couples move to Namibia and establish their businesses, and subsequently bring family members from China. These family members are usually single males who want to establish their own businesses later on and so come to Namibia to learn the trade in the business (Dobler; 2009: 716-717). This chain of family migration suggests that the Chinese government does not organise for these traders to come to Namibia; in fact the Chinese embassy has discouraged the establishment of small retail stores in the country (Jauch and Sakaria; 2009: 11). Chinese traders come on their own personal initiative to establish businesses and make better lives for their families. This disproves the popular view in Namibia that the Chinese government is encouraging the immigration of Chinese in the country (Jauch and Sakaria; 2009: 717).

The study also found that the Chinese migrants in Namibia cannot yet be considered as a close-knit migrant community. A key commonality is their dependence on retail trade for a living in Namibia. This, in effect, also means that there is also competition amongst them. Dobler does, however, suggest that there is a high possibility that a stable expatriate community and society of Chinese Diaspora living in Namibia will be
formed and will be shaped by the conditions exposed to them by the local population and government policies (Dobler; 2009: 724).

Perceptions shape attitudes about Chinese immigrants who are perceived to be strangers or the “other” and this has fuelled feelings of xenophobia. Sixty-eight respondents expressed that Chinese nationals’ physical presence in Namibia is seen as threatening to the local population. One respondent stated that there were “too many of them in the country” and that they were “taking up space” in terms of housing and schools. These feelings of xenophobia are further fuelled by the lack of interaction between Chinese citizens and the local population. Chinese families rarely have contact with other nationals outside of a business or retail environment. The language barrier between Chinese nationals and Namibians also seems to contribute to feelings of xenophobia.

**Socio-Economic Effects of China in Namibia**

Namibia’s current practice in attracting investment from and trade with China has had the effect of compromising the country’s labour laws. Local construction companies and trade unions blame the government for not forcing Chinese construction companies to comply with Namibian labour laws. Chinese companies tend to be the lowest-paying employers in Africa compared with other employers in the same sector (Jauch; 2011: 52), and the situation is no different in Namibia.

A study conducted by the Labour Research and Resource Institute on labour practices in Namibia in 2009 found that many Chinese companies do not pay the N$ 8.44 per hour minimum wage agreed upon by the construction industry. Chinese employers consider Namibian workers as
efficient as Chinese workers (Jauch and Sakaria; 2009: 23). Low productivity means that they do not deserve the minimum wage and so Chinese employers reserve the right to choose how much to pay them (Jauch; 2011: 52). These sentiments suggest that Chinese employers do not comply with Namibia’s labour laws. Respondents felt that the Chinese exploit the local labour force by not complying with the labour laws.

An example of a reaction to low wages and poor working conditions is the strike action by MANWU members in March 2011. Construction workers employed by Chinese-owned New Era Investment downed tools in an attempt to force the company to comply with their demands for better terms and conditions of employment (Smit; 2011). Strike action was a result of the large number of Chinese workers displacing local construction workers and the exploitation of Namibian workers by Chinese construction companies. MANWU members pointed out that they were not being supported by the government and called for action against contractors who bribe government officials (Smit; 2011). The strike action of New Era Investment workers shows that if Namibian trade unions and workers had more support from government and had more bargaining power it could lead to Chinese companies adhering to the country’s labour laws. Respondents expressed that the government has not tried to adequately deal with the contravention of labour laws by Chinese companies and this is creating negative perceptions and raising doubts about the integrity of the Namibian government.

The Construction Industry Federation (CIF) has on numerous occasions expressed their concern about Chinese firms profiting from preferential
treatment in the allocation of tenders (Dobler; 2007: 101). The local construction companies that are organised under the CIF are subjected to regulations such as providing proof of registration as a Namibian taxpayer, certificates of good standing from the Social Security Commission, and valid affirmative action certificates from the Employment Equity Commission (Odada and Kakujaha-Matundu; 2008: 23). These local companies complain that Chinese businesses do not have to comply with these regulations (Odada and Kakujaha-Matundu; 2008: 23), thereby giving them an unfair advantage. The bids of Chinese companies on public contracts are so low that local companies struggle to compete with them (Bloom and Poplak; 2011). In 2007, Murray & Roberts and Namibia Construction took the Namibian tender board to the high court. The two construction companies requested the high court to stop China Nanjing International from starting work on the head offices of the Ministry of Lands and Resettlement in Windhoek after China Nanjing International was awarded the N$ 74.4 million tender. Murray & Roberts and Namibia Construction wanted the high court to declare the tender null and void on the basis that it was not in compliance with the Affirmative Action Act and Labour Acts (Heita; 2007). The Chinese company was also accused of not being a member of the CIF nor the Employment Equity Commission, both a pre-requisite for the tender process. Work on the head offices began and construction was almost halfway complete whilst the lawsuit returned to the high court for the third time in 2009 (Menges; 2009). This lawsuit is an example of the frustrations facing local construction companies in Namibia who feel as though Chinese companies have no respect for the laws of the country and have the support of the government to do so.
Despite the negative effects of Chinese competition in the construction industry, there has been a positive effect. Productivity and efficiency have improved and construction costs have decreased (Dobler; 2007: 101). Respondents expressed positive perceptions about China in terms of their role in aiding development by building infrastructure. Sixty-two respondents also stated that Namibians could benefit from learning skills and work ethic from Chinese labourers. One respondent stated that he preferred hiring Chinese construction companies because they were “fast and cheap”. Another respondent stated that there was “a degree of expertise” in their buildings and “efficiency in their work”.

Overall, however, the increasing number of Chinese businesses in Namibia has become of concern in Namibia and is predominantly creating negative perceptions at grassroots levels and local traders. The five hundred Chinese shops and businesses registered with the Ministry of Trade and Industry is unlikely to be a true reflection of the situation. The majority of small Chinese businesses do not register themselves with the Ministry of Trade and Industry. Many of these small business traders arrive in the country as employees with large state owned enterprises and then take advantage of openings in the market. They resign from their employment and start their own businesses. They then invite relatives and friends to help them once their businesses begin to grow (Thorniley; 2010). This makes it difficult to keep accurate figures of how many Chinese businesses are operating in Namibia. Majority of the respondents expressed that they were very much aware of the increasing number of Chinese businesses and this is likely to become more of a political issue in the country.
Local businesses are concerned about their livelihoods as the increase in Chinese owned stores is increasing fierce competition. In 2008, northern indigenous business people appealed to government to protect them from foreign owned businesses that have successfully set up businesses as a result of the free-market system policy introduced in 1990. Even though they are not completely opposed to foreign business and acknowledging some positive effects on the economy, they feel that these businesses should be restricted to areas that Namibians are not involved in. Singling out Chinese and Indian owned stores, they expressed that it is unfair to compete with people who are financially backed by bigger companies in their countries (Shivute; 2008).

In Oshakati, clothing vendors and small garment manufacturers are against what they call a “Chinese invasion and colonisation” and a “competitive threat” (Xoagub; 2011). Local businesses and respondents of the study further complained about the local merchandise being sold by the Chinese. Such an example is the manufacturing and importing of cheap materials from China used in making the traditional Owambo attire, Ondelela. The low prices of these items displace local manufacturers as it is very difficult to compete with Chinese traders who are active in the lower cost segments.

The labour issue also extends to the retail sector. Local workers employed by Chinese businesses often do not have employment contracts or any type of job security (Jauch and Sakaria; 2009: 22). The LARRI study found that in both the construction and retail sector, local workers have complained of verbal abuse, intimidation and harassment by their Chinese employers. The workers felt that that had no rights to
express their views or lodge any complaints out of fear that they would be retrenched (Jauch and Sakaria; 2009: 24). Employers indicated that they had to work between 7:30 – 17:30 on week days and 7:30-13:00 on Saturdays and Sundays; these hours are longer than permitted by Namibian labour laws. Workers are also expected to work during public holidays without extra pay and did not receive lunch breaks, which is also in violation of labour laws (Jauch and Sakaria; 2009: 25). The Namibian government has yet to take any decisive action against Chinese businesses that do not comply with the country’s labour laws (Shejavali; 2009). This is having the effect of compromising the integrity of the government. The current debate about China’s political, economic and social presence demonstrates that various sectors of society are taking notice of Sino-Namibian relations in terms of what Namibians perceive as national interests.

Seventy-one of the respondents expressed frustration that grassroots perceptions of the Chinese in Namibia are not taken seriously and suspect this to be an effect of the SWAPO party’s close relationship with the Chinese government. The SWAPO party may become more mindful of negative public perceptions of Sino-Namibian relations as this could ultimately have the effect of costing it votes in future elections. It is likely that growing resentment will, over time, affect the government’s behaviour towards privileging Chinese state owned companies and perhaps force it to become more vigilant in making sure these companies comply with the country’s laws and regulations.
The Political Ramifications of China’s Presence

Before addressing the political ramifications of China’s presence in Namibia, it is important to note the nature of its political system. Namibia’s political system is dominated by the SWAPO party. Since independence in 1990, SWAPO has managed to obtain and maintain political control in Namibia. This is largely due to the fact that party followers share the same view that SWAPO was the leading liberator of Namibia in its struggle for independence.

Table 6: Percentages (%) of SWAPO votes from 1989 to 2009

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<tr>
<td>Percentage</td>
<td>57.3</td>
<td>73.89</td>
<td>76.15</td>
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The Namibian political system displays characteristics of a one-party state under increasing autocratic rule (Melber, 2005: 146) where opposition parties are unable to gain enough votes to seriously challenge SWAPO dominance (Melber; 2008: 66). SWAPO’s reputation and identity as being the liberator of Namibia and the absence of a strong alternative opposition parties remains an issue in the political system because it limits the ability of non-SWAPO party actors to effectively play a role in the countries decision making process.

Official government statements of China being an ally against colonialism are an indication of how the Namibian government views and justifies China’s presence in Namibia. It is this intersubjective
understanding that is causing concern amongst local business people and grassroots levels of society.

The nature of China’s foreign policy of mixing aid and business in government agreements were viewed negatively by the respondents of this study. Most Chinese agreements require that financial aid and loan contracts be awarded to Chinese contractors that have been selected by the Beijing government. That means that information such as project costs, loan terms and repayment conditions is not provided (LaFraniere and Grobler; 2009). A case which resulted in the Namibian government taking a Chinese state-owned company, Nuchtech, to court in 2008, may serve as an illustration. The N$ 55.3 million dollar tender deal for cargo scanners revealed that N$ 4.2 million dollars in the form of ‘kickbacks’ was sent to a front company set up by two Namibian officials and a Chinese Nuchtech representative (LaFraniere and Grobler; 2009). Such problems could be reduced if Namibia insisted on independently comparing prices before accepting the tender terms as is. The state’s perception that China is a good friend and that the government will receive good value for its money apparently reduces vigilance when it comes to signing agreements (LaFraniere and Grobler; 2009).

Government officials have been steadfast in denouncing any criticism of China’s relationship with Namibia, stating that negative reports in the local media are being perpetuated by the West to cause suspicion and distrust among the local population about China’s interests in Namibia (Jauch and Sakaria; 2009: 6). Former Minister of Trade and Industry, Immanuel Ngatjizeko lashed out at criticism saying that the “unproductive sentiments bordering on xenophobia and outright
narrow-mindedness not supported by historical and empirical evidence should not be entertained by Africans as regards to our Chinese brothers and sisters, who supported us all these years without any counter-demands” (Katswara; 2007). Former Secretary General of SWAPO Dr. Ngarikutuke Tjiriange also noted that China helped Namibia through its liberation struggle, unlike the US and Britain, thus proving that it was a true ally and friend to Namibia (Jauch and Sakaria; 2009: 5).

SWAPO Youth League President Elijah Ngurare also expressed that negative perceptions are unavoidable but believes that criticism of China is being driven by the West (Personal Communication, 10 March 2011). Ngatjizeko affirmed that the Namibian government had no doubt that China meant well in Africa and was entitled to trade and invest in any country of its choice. He argued that negative sentiments were aimed at causing suspicion and distrust among Africans (Katswara 2007). A speech from President Pohamba suggested that China had more of a right to operate in Namibia than other Western countries due to its historical ties. In March 2011, Pohamba defended Chinese business people operating in Namibia by expressing his disappointment of black Namibian businesses for condemning them. He demanded to know why they do not criticise the presence of South African business people who were in the past responsible for oppressing Namibians before independence. Pohamba further expressed that it was shameful for black Namibian business people to condemn the Chinese because they had provided Namibia with arms during the liberation struggle (The Namibian; 2011).
In response, Pohamba came under heavy attack by various political and economic groups in Namibia. Most notably, the Namibia Chamber of Commerce Institute (NCCI) Chief Executive Officer, Taara Shaanika criticised the president for misunderstanding the concerns of Namibian business people. Shaanika argued that the local condemnation of Chinese business in Namibia stemmed from concerns about respect for the country’s laws and policies. He therefore called for Pohamba to “undertake serious engagement with the private sector to design and formulate clear policies on how countries such as China should do business with Namibia at a local level that is beneficial to the local economy” (Heita; 2011). Illegal and unethical business practices, non-payment of taxes, dealing in foreign currency, the disrespect for labour laws, illegal siphoning of funds outside the country and the engagement in micro businesses through purported direct investments, according to Shaanika, are the main problems with Chinese and other foreign businesses in Namibia (Heita; 2011).

Shaanika, argues that China’s help during the war of independence should not be an “open door for any nation to side step [Namibia’s] laws and national priorities” and that Namibia’s “friendship with others should not disadvantage [its] citizens” (Heita; 2011). It is debatable as to how much help Namibia received from China during the liberation war. Evidence suggests that the Soviet Union provided most of SWAPO’s military weapons and training. NamRights, a human rights monitoring and advocacy organisation also argues that “‘white imperialist’ Sweden...accorded SWAPO much more support in terms of logistics, money and vital assistance than China” (NamRights; 2011).
Official Sino-Namibian relations appear to make citizens question the integrity of the state and of the governing elite against a context of the ruling party’s dominance. Government perceptions and the nature of Namibia’s political system allows for little room for non-state actor views to effectively impact on foreign policy in Namibia. Local citizens do, however, reserve the power to hold the state accountable for its lack of integrity when it comes to official Sino-Namibian relations. Non-state actor perceptions about the Chinese are predominantly based on China’s economic engagement with the country and from its relationship with the SWAPO-dominated government. More specifically, China’s increased presence in the construction and retail industries as a result of this relationship is playing a large role in forming local perceptions of Sino-Namibia relations.

Conclusion

China’s seemingly aggressive economic presence in the construction and retail industry is mostly responsible for shaping negative perceptions of Sino-Namibian relations. Citizens are very much aware of the use of Chinese companies and workers in the construction of public and private projects and the increase in the number of Chinese traders in the country. The apparent disinterest of the government in taking action against China’s dominant economic and social presence in the country is causing widespread criticism of Sino-Namibian relations. Despite the positive perceptions that lower-income citizens have for small Chinese retailers and their affordable goods, they pale in comparison to the overall negative perceptions of Chinese presence in Namibia.

Both governments use the narrative of a shared colonial past and “invoke
history to suggest a bond that is a result of a genuine kinship rather than mutual capacity” (Bloom and Poplak; 2011). There are public perceptions that China is using this relationship to gain access to Namibia’s resources, be awarded tenders for public projects and bypass the country’s laws. Chinese companies appear to be receiving preferential treatment from the government at the expense of local companies.

Government statements that China is a “friendly big power” (Kisting; 2010) that helped Namibia during the struggle for independence is problematic. The government’s rhetoric that China militarily and diplomatically supported Namibia during the liberation struggle cannot be an excuse for it to not have to comply with Namibia’s laws or disadvantage the local population. Vekuii Rukoro argues that Namibia should not be naive when dealing with its “former benefactors during the liberations struggle” (Duddy; 2009). He argues that it is naive to believe that China is not pursuing its own narrow national interests at the cost of Namibia’s national interests (Duddy; 2009). The state has tried to justify China’s presence in the country arguing that the benefits of Sino-Namibian relations outweigh the negative. In August 2010, Hage Geingob expressed his dissatisfaction of anti-Chinese rhetoric in Namibia and argued that the Chinese are not in Namibia to take away employment from locals (Kisting; 2010).

Civil society as a concept is still regarded as suspicious and foreign controlled (Tonchi; 2002: 4). It therefore seems unlikely that negative perceptions from the public will translate into a change of policy towards Sino-Namibian relations. However, increased criticism is likely have the
effect of changing how the government engages with China. Statements from various government officials suggest that the state is becoming aware of the problems with the present nature of Sino-Namibian relations. Deputy Minister of Foreign Affairs Peya Mushelenga, stated that the grassroots criticism of China’s economic presence in Namibia is legitimate. There is government awareness that Chinese businesses are making it difficult for Namibians to compete in the local market and that investors are importing unskilled labour that can be done by Namibians (Personal Communication, 10 May 2011). Negative perceptions of China’s presence in Namibia suggests that people want the government to protect certain sectors, specifically the retail and construction industries, as a way of coping with the influx of Chinese business in the country. Grassroots levels have the ability to hold the government accountable for the way it handles Sino-Namibian relations. This would allow for the government to show that it has the integrity to deal with the Chinese presence in Namibia. Non-state actor perceptions can therefore, over time, drive changes in domestic politics and Namibia’s foreign relations with China.

With the number of Chinese migrants rising, it may be beneficial for the government to strategically take advantage of these Chinese migrants to benefit its own interests by creating opportunities that can lead to development. Tweya suggests that Namibia should take advantage of Sino-Namibia relations by borrowing certain aspects of China’s development model, culture of hard work and its ability to focus on economic goals (Personal Communication, 3 March 2011).
Growing negative perceptions could possibly have the effect of undermining the advantages of Namibia’s relationship with China. Growing criticism of China could prove to be detrimental for the government and in turn for official Namibia-China relations. It is therefore crucial that the government make an effort to address these negative perceptions at grassroots level before they manifest themselves in violence against Chinese immigrants or possible wider social unrest.

**End Notes**

1 The 100 respondents, aged 18 years and older, were chosen at random and were assured of their anonymity.

2 Namibia’s Liberation Struggle was fought between 1966 and 1990.

3 In June 2003, the Communist Party of China (CPC) donated US$ 30 000 to SWAPO. This money was used to print SWAPO material for the extraordinary congress set which was held in 2004. When this donation was criticised by opposition parties, SWAPO party defended itself by stating that foreign funding of political parties was not illegal in Namibia (Sherbourne; 2005: 6).

4 Many shop owners set up their own businesses once they obtain a work permit (Jauch and Sakaria; 2009: 11)

5 The five main Chinese companies that have set up in Namibia are China State Construction, China Nanjing International, New Era Investment, China Zhentai and China Jiangxe (Odada and Kakujaha-Matunda, 2008: 23)

The State House is the President’s residence.

Ninety-one respondents expressed that they were unhappy about the number of projects being constructed by Chinese businesses.

US Ambassador Josiah Rosenblatt was informed about the alleged five-thousand Chinese families’ resettled in Namibia as a result of the Namibian government defaulting on a loan, by French lawyer Allain Feneon. Former Togo President Koba was also at the meeting (*The Namibian*; 2010).

Chinese employers claim that they have an agreement with the Metal and Allied Namibian Workers Union (MANWU) to only pay workers that reach a specific target each day. Chinese companies argue that local general workers do not apply for the minimum wage because they do not reach these targets. MANWU has claimed that no agreement exists (Jauch and Sakaria; 2009: 24).

New Era Investments was also accused of paying below minimum wage, mistreating workers, not deducting union membership dues from wages and “not adding value to the Namibian economy and lives of the workers” (Smit; 2011).

A day after the strike, New Era Investment gave into workers demands and agreed to pay minimum wage and register its employees with the Social Security Commission and the Namibia Building Workers Pension Fund. The agreement, however, only covered three out of the ten demands of MANWU and issues such as housing allowance, medical aid and union membership deductions were not addressed (Smit; 2011).

The Chief Executive Officer of First National Bank Group of Namibia

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Personal Communication with Deputy Minister of Foreign Affairs Peya Mushelenga, on 10 May 2011 in Windhoek


China in the Pacific islands: What are the lessons for Africa?

By Hilary Patroba*
Department of Economics, University of Cape Town

Introduction

Pacific Island Countries’ (PICs) relation with its partners is based on shared history, common values, economic and trade relations. Over the years, developments on both the Islands and its partners have necessitated renewal of such partnerships and establishment of partnership strategies. The Islands continue to experience a number of challenges in terms of vulnerability, poverty and weak governance. More often than not, the PICs are overlooked in social, economic and development initiatives as their population accounts for a fraction of the world’s population. The majority of PICs’ population are in Papua New Guinea (PNG).

Every major international actor has an agreement\(^1\) with the Islands that provides the basis of their relations. The Islands are characterized by substantial natural resources (fish, timber, agricultural products, oil and minerals) whilst climate change effects related challenges. On one hand,

* The author is a PhD (Economics) candidate at the University of Cape Town. He has a Master’s Degree in Economics from the University of Nairobi. His research interests include trade and development, finance and investment, environment, monetary and health economics and related issues.
many international actors are increasing their presence in the region while at the same time, their involvement and influence in the region are declining. On the other hand, new actors are increasingly taking the opportunity to establish a presence in the region.

In these changing circumstances, there is need to analyse the effectiveness of increasing partnerships with the Islands to better understand which actors offer better opportunities to achieving the Islands’ social and economic goals as well as mitigating and or addressing the many challenges the region faces and what shared lessons Africa can learn from such engagement. Given that some of the actors also have a presence in Africa, a study on PICs should offer Africa some lessons. This paper seeks to highlight the changing landscape of the PICs, which cooperation approaches are used by actors in the region, what lessons Africa can learn from actors, particularly China’s presence in the Pacific Island and to make recommendations on how the actors can optimize their involvement in the region and Africa given their varying comparative advantages.

Below we present the state of Pacific Islands’, international actors in the Pacific region, major trading and aid patterns, approaches to cooperation and lessons which African counties can learn from these engagements.

**State of Pacific Island; challenges and opportunities**

The Pacific islands experience a number of challenges including poverty (Asian Development Bank 2000b; UN Economic and Social Commission for Asia and the Pacific - UN-ESCAP; 2004; Good; 2003); nevertheless, they have high per capita incomes by developing countries standards and migration from smaller Islands to larger Islands and from
rural to urban areas (Connell; 2003, World Bank; 2000) due to a high population growth rate. The Islands are also characterized by mixed economic growth with many Islands not achieving their growth potentials (McKenzie et al 2006; Stewart 2008; ABC Radio Australia 2009) and weak political systems coupled with poor governance and civil conflicts (UN-ESCAP; 2004). Inadequate drinking water and low sanitary levels (UNESCO; 2010, World Health Organization; 2008), food insecurity due to increasing population growth and low nutrition levels due to declining subsistence farming are other challenges facing the region. There are also issues of climate change related disasters such as drought, flooding and catastrophic storms.

Agricultural land in Pacific Island countries such as Fiji, Solomon Islands, Samoa, PNG, Tonga and Vanuatu is fertile and ideal for growing tropical fruits, vegetables and root crops. These countries are, however, constrained with the shortage of usable land as land for commercial agriculture is limited. Larger Islands engage in commercial crop and livestock production at the expense of local food production and as such, many urban populations in the Pacific Islands are dependent on imported foreign food (UN Food and Agriculture Organization; 2008). Pacific Islands’ forests have served as sources for food, income, medicine, fuel and building materials. Increasing population and the impacts of human activity such as logging and forest clearance threaten wild harvests, and destroy sources of traditional medicine. National forestry agencies lack capacity to manage forests.

The loss of terrestrial biodiversity is particularly high in the Polynesian and Micronesian Islands. Melanesian islands have the greatest reserve of unaltered terrestrial biodiversity in the sub-region. However throughout
the region, commercial logging, rising populations and the advent of modern agricultural practices imply that the habitats for many plants and animals are being destroyed in favour of cash cropping, construction or other activities (Ministerial Conference on Environment and Development in Asia and the Pacific; 2000). Marine biodiversity is threatened near urban areas by pollution, dredging and filling of coastal habitats, by over-fishing and by destructive fishing techniques such as use of poisons to fish, and excessive use of gill nets. Equally, barriers of reefs surround many of the Pacific Islands while some countries consist entirely of reefs in the form of atolls (Secretariat of the Pacific Regional Environment Program; 2009).

In sum, the PICs face many challenges. However, a major benefit of investing in the Pacific Islands is the attractive lifestyle. The warm tropical climates and the friendly personalities of the great majority of Pacific Islanders are other incentives to invest in the region. While not all types of manufacturing and service industries are suited to the environmental and business conditions of the Pacific Islands, there are numerous opportunities in other industries. Pacific Islands’ relative isolation means that passenger, freight connections and boats are important for each country’s development. The availability and affordable costs of such services offers alternative opportunities for investments. Box 1 summarises the Islands’ constraints and opportunities.
Box 1. Pacific Islands’ constraints and opportunities.

Constraints to economic development

- Small domestic market in most of the countries;
- Inadequate infrastructure for many sophisticated, export-orientated projects (the underdeveloped physical infrastructure in several countries is compounded by a relatively weak industrial support base);
- Limited technical skills and/or experience in the workforce;
- High costs of basic utilities (such as power and water) and telecommunications;
- Isolation of the Pacific Islands from the world markets; and in some countries, relatively low productivity levels amongst the workers.

Opportunities for investments

- The considerable agricultural, timber and mineral resources of several countries have not yet been efficiently developed, and in almost every country there is scope to expand the fisheries sector and to develop viable aquaculture projects;
- The region’s fisheries (the region’s most significant renewable resource – see Figure 1) and the fishing sector that contribute approximately 10 per cent to the countries gross domestic produce offers opportunity for fish processing;
- While most of the local markets are small, there are numerous opportunities for import-replacement projects that can also develop exports to the other Pacific Island markets;
Tourism potential in the Pacific Islands is enormous and every government is keen to assist new ventures in this area; and

- The welcoming and increasingly deregulated markets in the islands offer a range of opportunities in the ICT and services sectors.

Source: Author’s compilation

Figure 1: Fishery production trends

Source: Gillett and Cartwright; 2010: 5.

Traditional donors and China in the Pacific

China is now considered to be the third largest aid donor to the PICs, after Australia and the US (Marles MP; 2011, Islands Business; 2011, Pacific Island Forum; 2009), with the majority of its increase in development assistance occurring over the past decade pledging 600 million US dollars between 2005 and 2009. Initially China’s motives were part of its rivalry with Taiwan over diplomatic recognition and...
support for diplomatic objectives. Beijing and Taipei courted Pacific Island states in a bidding war using economic assistance as leverage for support on international issues.

Traditional countries active in the PICs are Australia\(^5\), New Zealand, the United States and Japan are concerned that "dollar diplomacy\(^6\)" involving unregulated and unconditional foreign aid would add to the underlying economic, social and political issues in the region. By moving into the Pacific Islands, China is challenging not only Taiwan but also the US, Australia, New Zealand and Japan as the prime movers in the region. Unlike China, which is heavily involved in the Pacific Islands, other emerging players – Brazil, Russia, India and Turkey and South Korea to some extent have not ventured in the region to provide aid or invest in the region. However Malaysia and Singapore on other hand are involved in the region through South-South cooperation (SSC).

The EU’s relations with the PICs have been structured on the basis of first, the Lome conventions and currently the Cotonou Agreements. Relations with the Pacific Islands have been rocky (Melissa, J & Melissa, D ;2011, Pacific Institute of Public Policy; 2009, Primack; 2007/08, Trade Negotiation Insight; 2007, Franziska; 2007) in particular with the Economic Partnership Agreements (EPAs) with disagreements arising on whether signing EPAs should be tied to the European Development Fund (EDF) channelled to the PICs and disunity (Pacific Islands Forum Secretariat - PIFS; 2011b\(^7\) among the Islanders. EU’s political dialogue with individual PICs is limited, however at the regional level, a broad political dialogue is undertaken through a Post Forum Dialogue. Equally, the relations are based on a colonial past with United Kingdom, France and Portugal who are states with greater
influence in the region. The EU has an Association Agreement with four Overseas Countries and Territories (OCTs) in the region that is subject to different preference regimes from other African, Caribbean and Pacific countries.

**Major trading and aid patterns**

*Trade*

Among the PICs, the major trading partners between 2001 and 2005 were the EU and Australia (see Figure 2). However, while the EU reported increased trade volumes from 2006, peaking in 2008 at 4,586,677 thousand US dollars, Australia reported a decline in trade with the PICs in 2004/05. Other trading partners; China, Japan, New Zealand and the United States, have reported a steady trade pattern with the PICs from 2001 to 2008. Over the global economic crisis in 2008/09, Australia, the EU, New Zealand and US reported declining trade volumes. China and Japan, however, recorded increased trade over the period 2008-2010. A comparison of Pacific nations’ trade values indicated that China was the main trading partner as its total trade steadily increased from 2001.

All Pacific Island countries are beneficiaries of trade preference programmes offered by major industrialized trading countries and blocs (see Box 2). The EU’s new accord with ACP countries, EPAs under the Cotonou Agreement, offers additional trade preferences to PNG and Fiji. Australia and New Zealand offer preferential treatment to imports from PICs pursuant to the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA). In 2001, the sixteen members of the Pacific Islands Forum signed the Pacific Agreement on Closer Economic Relations (PACER), which aims to facilitate the establishment
of free trade agreements, first among the Islands and then between the Islands and Australia and New Zealand. Currently, PACER plus negotiations are ongoing.

**Figure 2: Total Trade of selected PICs** in thousand US$ (2001 - 2010)

![Graph showing total trade of selected PICs](http://www.trademap.org/Bilateral_TS.aspx)

**Source:** International Trade Centre, [http://www.trademap.org/Bilateral_TS.aspx](http://www.trademap.org/Bilateral_TS.aspx)

PACER plus\textsuperscript{11} was triggered by the fact that the Pacific Islands initiated EPAs with the EU. Progress has been made on the PACER plus with Australia and New Zealand committing to fund operations of the Office of the Chief Trade Advisor (OCTA) charged with its smooth negotiations. They have also undertaken to address labour mobility issues raised by the Forum Island Countries (FICs) at the latest negotiations (PIFS; 2011a, Robert; 2010). The focus of the current
negotiation will shift to customs procedures, rules of origin and development assistance related issues at a Forum leaders meeting in September 2011.

On Pacific Island Countries Trade Agreement (PICTA), there is progress made on negotiations to strengthen, expand and diversify trade between the FICs for the elimination of tariffs and non-tariff barriers in the region (Pacific Island Forum; 2011). Both Pacific region EPAs and Pacific Agreement on Closer Economic Relations (PACER)\textsuperscript{12} negotiations are still ongoing with various challenges. Australia’s regional interests focus on the Islands south of the equator, including the relatively large Melanesian nations of PNG and the Solomon Islands as well as Vanuatu. New Zealand has long-standing ties with the territory of Tokelau, the Cook Islands and Niue. Although China has been courting the Pacific nations, they are yet to sign any trade pact as are other actors in the islands.

**Box 2: Pacific Island countries preferential trade access**

The Pacific Island economies have preferential access to many overseas markets.

- Duty-free access to the Australian and New Zealand markets is allowed for products with a Pacific Island and/or Australian/New Zealand content of at least 50%.

- The Generalised System of Preferences (GSP) provides concessional entry for some of Pacific Island products into the United States, Canada, Japan and EU

- Interim Economic Partnership Agreements (Kennan & Meyn; 2009, Bilan & Ramdoo; 2010)\textsuperscript{13} (IEPAs) as a preferential rule of origin for export of processed fish and marine products to the European markets.
The Melanesian Spearhead Group Agreement (MSG) allows duty free or preferential access for a range of products produced in and exported between the Fiji Islands, PNG, the Solomon Islands and Vanuatu (while the Fiji Islands also has similar bilateral trade agreements with several countries in the region).

**Source:** Author’s compilation

**Foreign Aid**

The Pacific Island region has among the highest rates of foreign aid per capita in the world. This is due to their low population levels compared to the other countries. The largest donors in terms of official development assistance (ODA) are Australia, the United States, and Japan. Other large providers are New Zealand and EU institutions (see Figure 3). The bulk of US funding in the region goes to the Freely Associated States. Australian aid is directed primarily to Melanesian and Polynesian states, while New Zealand aid flows mostly to Polynesia (Asian Development Bank 2000a). However the situation has changed over the years with EU institutions, France, and Japan reportedly having increased their development assistance in the region, while Australia and New Zealand have added conditions on aid such as good governance and integrity and the United States and the United Kingdom have cut back on their programs.

This new situation has given China an opportunity to increase its aid to the region with varying opinion that China has become the third largest provider of foreign assistance in the region (Islands Business; 2011, Islands Business; 2009, Foreign Affairs; 2006, Squires; 2005). As Samoan Prime Minister recently pointed out, “The uniqueness of the Chinese assistance is its flexibility and very quick response by the authorities in China” (Malielegaoi; 2012). China’s aid to the Pacific
Islands is in the form of soft loans and infrastructure projects (see Figure 4 and 5).

**Figure 3: Total net Official Development Assistance (US$ millions)**

![Figure 3: Total net Official Development Assistance (US$ millions)](image)


**Figure 4: China's aid by grants and loans (2008 and 2009, US$ millions)**

![Figure 4: China's aid by grants and loans (2008 and 2009, US$ millions)](image)

*Source: Fifita & Hanson 2011, p. 6.*
Figure 5: Cumulative Chinese aid loans as a percentage of GDP (2005-2009)

Source: Fifita & Hanson; 2011: 6.

Approaches to cooperation with the Pacific

While Pacific Islands’ partners aid programs offer insight into their aid policies, they differ in approach and objective. The Cairns Compact on Strengthening Development Cooperation in the Pacific (PIFS; 2009) for example aims to coordinate donor assistance to the Pacific Islands countries. This is part of the Pacific strategy promoted by the Asian Development bank, the World Bank, AusAID and the New Zealand Agency for international development. This strategy’s key objective is to enhance more effective coordination of available development resources in the pacific.

Emerging players on the other hand subscribe to SSC and triangular development cooperation (TDC) for development experience sharing with China and India spending approximately 0.7 percent of their
national income on SSC related activities (see Table 1 for a summary of SSC activities of selected Asia-Pacific developing countries). Some Pacific Islands’ are setting up sovereign wealth funds (Wrights; 2011) as a new approach to tapping their potentials (eg. PNG). More recently, China, New Zealand and the Cook Island have partnered to improve water, health and sanitation services in the islands (Xinhua; 2012). Other opportunities that could arise from SSC include:

- Enhanced agricultural research and development to achieve food security
- Improved coordination in medical services provision
- Facilitating improved information communication technologies (ICT) connectivity
- Better disaster mitigation and
- More responsive global economic governance.
Table 1: Summary of SSC activities of selected Asia-Pacific developing countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimated Scale, US$ million (% of GNI 2010)</th>
<th>Recipient countries</th>
<th>Geographical focus of SSC</th>
<th>Scope of SSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3.74P (0.08)</td>
<td>Mostly low-income developing countries in Asia, Africa, Latin America, Caribbean, Oceania, Eastern Europe</td>
<td>80% to Asia and Africa</td>
<td>Technical cooperation, support of basic infrastructure, social welfare, humanitarian aid</td>
</tr>
<tr>
<td>India</td>
<td>785-1,000 (0.04-0.07)</td>
<td>Mostly to neighbouring countries (Afghanistan, Bhutan, Bangladesh, Nepal, Sri Lanka, Myanmar, Maldives, and Africa)</td>
<td>60% training of civil servants, engineers; 30% soft loans to foreign government to enable purchase of Indian equipment and services; 10% project related costs abroad, very little cash grants.</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td>954+ (0.09)</td>
<td>Africa, Asia, Pacific islands</td>
<td>Training, capacity building, advisory services, special projects.</td>
<td></td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>1.16P (0.12)</td>
<td>40% Asia, 10% Africa</td>
<td>Technical cooperation, reconstruction, debt relief for HIPIC, 23% health, 16% education, 13% ICT related.</td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td>400-500</td>
<td>CIS countries, ESCAP countries, Africa</td>
<td>Bilateral, multilateral and multilateral channels; debt relief, technical cooperation and humanitarian aid.</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>-</td>
<td>Asia-Pacific, mainly CLMV countries, Africa, Middle East, Eastern Europe, Western Europe, Latin America and Caribbean</td>
<td>Technical cooperation with a focus on capacity-building; training programmes in collaboration with developed or developing country or international organization; third country training programmes with 16 countries and 19 international organizations.</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>40+ (0.11)</td>
<td>Mainly CLMV countries</td>
<td>90% as bilateral concessional loans, infrastructure projects, cross-border public goods to facilitate trade and regional integration.</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>967 (0.13)</td>
<td>LDCs, Africa, Asia</td>
<td>Economic and social infrastructure projects.</td>
<td></td>
</tr>
</tbody>
</table>

Source: UN Economic and Social Commission for Asia and the Pacific - ESCAP, 2011, p. 3.

Bottlenecks in Chinese engagement in the Pacific; correlation to African problems?

China is well known in its generosity to issue concessional loans in its engagement in the Pacific. Nevertheless, these loans, to some extent, have lead to national indebtedness of the Pacific Islands resulting to huge debt burden to future generation as witnessed in Tonga. This fear has made PNG, for instance, to control the amount of loans it receives from China (Smith; 2012b). Other key issues of concern to Pacific
Islands are;

**Contractor-driven ODA**

The PICs argue that although majority of Chinese contractors are State funded entities, there is always the likelihood of eventually firms subcontracting tenders awarded to them for specialized areas such as electrification. The Island nations such as PNG, has only signed contracts with state funded firms and not the Chinese government that funds the projects. This, the PICs suggests, could lead to irresolvable contractual issues (Smith; 2012b), particularly when the funds are frozen due to unforeseen misunderstanding between the contracted firms and their funders, the Chinese government. In sum, “Chinese 'aid' is often a bottom-up rather than a top-down process” (Smith; 2012a). Equally, to enhance partnerships with the Pacific, China has endeavoured to cooperate with the Islands, particularly by supporting the regional cooperation programs of the Pacific Island Forum Secretariat. Royalties to property owners are always required to be paid up by the contracted firms.

This, a time turns out to be a challenge that Island nations face when dealing with the Chinese contractors. Subcontracting of contracts to, for instance, a subsidiary that specialises on a particular field has resulted in most cases to complications on which firm – contracted or subcontracted ones, ought to pay such royalties (Smith; 2012b). In Africa, although Angola recently signed a US$500 million agreement with China’s Exim bank to finance various reconstruction projects (CSC; 2012d), these projects will most likely be done my Chinese contractors and subcontractor. Elsewhere in Uganda, the construction of a US$350
million Chinese funded road (connecting the Uganda international airport and the Capital), the agreement stipulates that it must be done by Chinese contractors raising questions on competitiveness in tendering process for a contractor (CSC; 2012f). These among other examples in Africa raise similarities in Pacific and Africa’s challenges when engaging the Chinese on construction projects.

**Labour issues**

Labour and employment related issues are another key challenge facing the Pacific-China relations. Although Chinese contractors are praised for being adoptive to local conditions as compared to local or traditional contractors, Chinese companies mainly employ Chinese nationals and to a small extent, local in conducting their operations. This has raised lots of complains among the PICs on how the local governments to handle immigration issues when Chinese nationals are employed (Smith; 2012b: 8, Hank; 2010, *The Australian*; 2007). An argument put forward to defend the practice by Chinese companies is that raw materials and shipment of Chinese workers minimizes their operation costs. Across Africa, Chinese construction companies have been accused of similar concerns.

They have widely been accused of employment malpractices including; poor remuneration of African employees, employment of Chinese prisoners as cheap labour, among others in countries such as Angola where recently, 37 illegal Chinese immigrants were arrested and deported (CSC; 2012a); Kenyan businessmen also recently demonstrated against Chinese hawkers in some parts of the country claiming that the Chinese are taking up their businesses; (*The Star*; 2012) Sudan and
Zambia sought help from China to help resolve their unemployment levels by encouraging Chinese firms to Invest in the country (CSC; 2012e) as well as helping train African in business courses under the umbrella of China-Africa business cooperation (CSC; 2012b); In Ghana, illegal Chinese miners were purported to having invaded an Anglogold Ashanti concession (CSC; 2012c) and arrested to answer to charges. These events highlight commonality in challenges faced by Pacific and Africa in their partnership with China.

**Crime**

In addition, Pacific Islands are perceived to be the hub for Asian crimes such as the drug trade, human trafficking, smuggling, money laundering, prostitution, illegal gambling, fraud and theft, with the Chinese being the main perpetrators (Smith; 2012b). For instance, Chinese traffickers are believed to have corrupted PNG’s police forces to facilitate their illegal activities. As such, China’s engagement with the Pacific Islands is seen to help combat these vices (Powles; 2010). Making opening remarks at the 43rd Pacific Islands Forum, the Secretary General of the Secretariat noted that:

‘Transnational crime continues to be a human and economic security threat, and remains a matter of concern and priority for law enforcement agencies of the region. Recent statistics indicate that the region is being actively targeted as a transit route for the trafficking of arms, people and illicit drugs. We commend the efficient and coordinated efforts by national and regional law enforcement agencies to combat these criminal activities and threat’ (Tuiloma; 2012: p. 2 of 3).
In Africa, China is mainly accused of criminal related activities such as the proliferation of counterfeit goods across many African cities (Patroba; 2012) and poaching of wild animals such as elephants and rhinos. Overall, Africa seems to be facing the same challenges in their engagement with the Chinese as is the Pacific Islands. To this end, given that China has been embracing accusations against its involvement in the Pacific, this has led to some positive responses from China which have been reported in the islands. The continued pressing of China to improve its image in the region for mutual future engagement has played a huge role in this regard. As such the two regions can learn from each other and share experiences in their engagement with Beijing. In the next section we postulate some lessons Africa can learn from China-Pacific relations.

**Lessons for Africa**

Lessons to be drawn cannot be understood as blueprint options from the Pacific region; Africa is a continent with a specific outlook and history. Its domestic sectoral policies, provincial governments and private actors highlight various African countries internal intricacies. As China’s presence in the continent increases, key issues Africa should consider while engaging with the former are: Sound implementation of existing frameworks; effectively using support extended to them through sound governance mechanisms; prudent complementarities, coherence and coordination of regional and national interests and cultivating a culture of inclusiveness in engagement with China through a private-public sector partnership such as the China-South African Development Community business forum. These are issues that the Pacific Islands have dealt with in their engagement with China, realising remarkable
levels of success. More importantly, Africa could press China to improve its operations in the continent particularly on issues concerning contractors and subcontractors, labour issues and crime in the continent attributed to Chinese involvement. To achieve this, Africa could share best practices from the Pacific Islands such as raising complains with the Chinese each time there is a grievance. This, for instance, is an area the Islands have effectively used to draw Chinese attention. Other lessons Africa could learn from the Islands are on issuing situational conditions to Chinese contractor and subcontractors in a similar fashion as PNG freezing of Chinese loans and the Cook Island which have temporarily put on hold USD$ 37 million loan from the Chinese (Smith; 2012b) to optimize Chinese engagement.

Comparatively, Pacific Islands are endowed with different resources to Africa, particularly the latter’s abundance of minerals. As such, China engages with the two regions separately, to some extent. Nevertheless, lessons that Africa can learn from Chinese involvement in the Pacific Islands are: First, Africa must continue to press China on issues of technological transfer including Information Communication Technology, as practiced in the Islands where PICs nationals are offered training by Chinese technology firms to advance their skills thus transferring knowledge. Whereas Chinese contracts in Africa are majorly done by Chinese nationals, there is need for technological transfers through incorporating Africans in development and infrastructural projects undertaken by the Chinese. This, it is believed, would enable African contractors to competitively compete with the Chinese in the tendering process and provision of technical services during such contracts. Interestingly, technological transfer by the Chinese to the islands has tremendously benefited the PICs towards modernizing
indigenous people’s skills and companies’ expertise towards international standards. Africa, to this end, could learn from the islands in their engagement with the Chinese.

Second, Africa should press Chinese companies, a practice that have been perfected by the PICs, to uphold standards of corporate social responsibility and crime prevention (for example, PNG collaborates with the Chinese authorities in combating crime) to encompass issues such as disaster mitigation through prosecution of Chinese law breakers in the continent as the Pacific Islands have done and the provision of medical services to local communities where Chinese companies are involved (this can be done by allowing and encouraging locals to use medical facilities used by Chinese employees). Similarly, Africa ought to press China to address labour and employment issues raised during their involvement in Africa. As is common knowledge, African citizens, as the PICs are, care more about social dimensions of economic development in their regions since they know that the consequences of environmental degradations during any project implementation are costly.

Finally, African countries should involve all stakeholders including the private sector, civil society, research and academic institutions in their engagement with China in order to enhance African ownership of projects undertaken by Chinese companies to promote research and development for instance agricultural production to enhance food security in Africa. These are motivated by the fact that, as highlighted beforehand, PICs and Africa shares lots of similar challenges and opportunities in their engagement with the Chinese.
Conclusion

The place of Pacific Islands’ relation with old partners is increasingly under challenge. With Brazil partnering with the African Development Bank (AfDB) to set a fund (AfDB; 2011 & South-South Cooperation Trust Fund; 2011) channeled for SSC, it remains to be seen if such partnership will extend to Pacific Islands through the Asian Development Bank given AfDB has expressed interest to include Inter-American Development Bank in the agreement (Thierry; 2011). Indeed, followed swiftly by China (AfDBb; 2011), other emerging players will most likely follow thus greater SSC and TDC visibility (UN-ESCAP; 2011). Already, China, New Zealand and Cook Island have formed a TDC to improve water, health and sanitation services in the island (Xinhua 2012). Although Pacific Islands have been marginalized for a long time, it could be that in the Asian century, more investment would flow to the Islands.

For Africa, it is clear that they are grabbing the opportunity brought by China as the latter is involved in massive infrastructural investments and development projects (Bilal & Rampa; 2011) and as the traditional partners reform their development policies (eg. Australia and New Zealand in the Pacific Islands) and China design their policies in the Pacific Island, African countries could learn from China’s involvement in the Pacific, particularly at this time that the continent considers its future after 2020 - the expiry of the Cotonou agreement and other bilateral agreements such as African Growth and Opportunity Act (AGOA), SSC could opens a new avenue for new cooperation with China. Additionally, Africa can endeavour to leverage on China’s
ambition to become a world’s power house by pushing the attainment of mutually agreed modes of engagement towards addressing challenges in China-Africa relations.

**End Notes**

1. For example, under the revised Cotonou Agreement and the European Consensus with the EU and the Paris Declaration on Aid effectiveness adopted in March 2005 that outlines the commitments to harmonize and align aid policy with set targets with the region among other agreements/strategies with Australia, New Zealand, USA and Japan.

2. For example, the political and civil insecurity in Fiji, Solomon Islands and PNG have weak economic and social institutions.

3. “Traditional” donors are those that gather in the OECD Development Assistance Committee (DAC).

4. The Republic of the Marshall Islands, the Solomon Islands, Palau, Kiribati, Tuvalu and Nauru recognize Taiwan’s legitimacy.

5. In 2003 the Australian Senate Foreign Affairs, Defence and Trade Committee reported on China’s emergence as a global power and the implications for Australia. In a chapter on the Southwest Pacific, the committee concluded that Australia should encourage China to “adopt and adhere to” the OECD guidelines on development assistance and that Australia should “work closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the SW Pacific”.

6. The use of large amounts of unconditional aid in exchange for support on international issues.
7 Though there is lack of confidence in the Pacific Island Forum Secretariat to lead the region on EPAs negotiations, modalities are in place to transfer this role to PACER plus’ office of the trade advisers.

8 Fiji, Marshall Islands, French Polynesia, Nauru, Niue, Palau, PNG, Samoa, Solomon Islands, Tonga and Vanuatu. Due to lack of data, Cook Islands, Kabiatu and Tuvalu are not included.

9 Other PICs are still negotiating EPAs with the EU. For monthly update on Pacific – EU EPAs negotiations see Trade negotiations insight, http://www.acp-eu-trade.org/index.php?loc=tni/.

10 The 14 sovereign PICs plus Australia and New Zealand.

11 Was launched in August 2009 with an aim to strengthen the Forum Island Countries ability to trade by enhanced trade capacity building and trade development assistance.

12 A regional trade and economic agreement with Australia that provides long term opportunity to create jobs, enhance private sector growth, raise standards of living, and boost economic growth as well as trade capacity building and trade development assistance in Forum Island Countries.

13 PNG and Fiji has agreed an EIPA with the EU since November 2007, Kiribati, Samoa, Solomon Islands Tuvalu and Vanuatu all least developed countries (LDCs) benefits from everything but arms initiative that offers duty free quoter free access to EU markets while non-LDCs – Cook Islands, Tonga, Marshall Islands, Micronesia, Niue, Palau and Nauru – have not joined the IEPAs have benefited from GSP scheme from January 2008.

For example Australia’s White paper advocates for a more structured and targets performance management to promote mutual responsibility and accountability.

For example PNG alone is estimated to have five times as many fish species than the entire Caribbean.

The Polynesian nations include Tonga, Samoa, American Samoa, Cook Islands, Wallis and Futuna, French Polynesia, Pitcairn Islands, Niue, Tokelau, and Tuvalu. Polynesian islands vary from volcanic islands with some fertile land to low-lying coral atolls or phosphate rock islands.

Includes the Federated States of Micronesia, Guam, Palau, the Commonwealth of the Northern Mariana Islands, Kiribati, Marshall Islands, and Nauru.

PNG accounting for 84% of the land area of the entire Pacific Islands region, with the Solomon Islands, Vanuatu, New Caledonia and Fiji forming a further 14%.

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Annex 1: Total net ODI (US$ millions)


Annex 2. The Pacific Islands

Spread across a vast expanse of ocean, Pacific Island peoples occupy an array of environments, from Papua New Guinea (PNG)'s massive mountains to the atolls and lagoons of European fantasy to Auckland New Zealand's urban jungles. Equally, the region is home to large natural resource (fish, timber, agricultural produce, oil, gas and minerals. Its major efforts are to mitigate climate change given its rich biodiversity.

The Pacific Islands are grouped into three sub-regions of Polynesia (south-east), Micronesia (north) and Melanesia (west), based on their ethnic,
linguistic and cultural differences. Spread over 30 million sq km, more than 98% of which consists of ocean, the islands feature great geographical diversity. Melanesian islands are large mountainous and volcanic (with rich soils, mineral deposits and plentiful marine resources), while the Polynesian and Micronesian islands are smaller with fewer resources.

The Island states have been keen to encourage development of offshore fishing activities, to generate income and to reduce pressure on inshore resources. Most of these countries with the exception of Fiji, PNG and the Solomon islands have limited natural and human resources to stimulate sustainable development.

Annex 3: Country profile.

Source: Google maps, https://maps.google.co.ke/maps?hl=sw&q=pacific+islands&ie=UTF-8
Regional inequality in distribution of the economic development results in China

By Ewa Cieślik *

Faculty of International Business and Economics,
Poznan University of Economics, Poland

Introduction

Despite the fact that China’s economy on the whole has been developing at a fast pace for three decades this development and its positive results does not equally affect all regions of the country and social groups. The asymmetrical process of China’s economic development constitutes one of the main unfavourable consequences of the reforms introduced after 1978. The economic changes resulted in the modification of resource allocation, the improvement of economic effectiveness and partial decentralisation. However, only selected provinces and social groups benefit from these changes.

The aim of this study is to present the current stratification of the distribution of income and development results among particular provinces and regions of People’s Republic of China (PRC). An attempt is also made at pointing out the most highly developed regions of the country and such areas which lag far behind the provinces leading in the level of development. This paper adopts three taxonomic methods and statistical analysis of development indicators covering 31 of China’s administrative regions: provinces, municipalities (Beijing, Tianjin,
Shanghai, and Chongqing) and autonomous regions (Tibet, Xinjiang, Inner Mongolia, Ningxia, and Guangxi). This analysis based mostly on official data published by National Bureau of Statistics in China.

The overall picture of social and regional disparities in China

What testifies to the unequal distribution of wealth among the members of society is the recent appearance of the millionaire class in China. According to the last “World Wealth Report 2011” in China live 535,000 people with the financial assets worth at least 1 million USD. The growth of HNWIs (high net worth individuals) in 2010 amounted 12 percent and ranked Chinese millionaires fourth in the world (World Wealth Report 2011). By contrast to a number of Chinese HNWIs, nowadays, it is estimated almost 128 million people live below the international poverty line (9.5 percent of total population)\(^1\). The nation has paid for the fast economic progress with high disproportions especially evident in the distribution of household income, which is testified to by the growing value of the Gini coefficient (graph 1). Before the reforms of 1978, China was one of the most egalitarian countries in the world. Officially, China’s authorities have not published Gini coefficient since 2007, what may bear testimony that this indicator still growths.
Graph 1. China’s Gini coefficient for China in 1978-2007 (percent)

Source: Authorial study on the basis of: Human Development Reports from different years.

By introducing in 1978 the strategy called “Four Modernisations” the PRC’s reformers concentrated on small Eastern provinces – a choice which was dictated by the latter’s convenient location. These areas were supposed to conduct dynamic trade exchange and attract foreign investments. The government expenditures during the first years of transformation were directed mainly into the creation of provinces’ infrastructure where special economic zones (Shantou, Shenzhen, and Zhuhai in Guangdong; Xiamen in Fujian and the entire island province of Hainan) were established. The singled out areas were initially

* The author is researcher at Poznan University of Economics, Poland, Faculty of International Business and Economics and cooperates with Nicolaus Copernicus University in Torun, Poland, Faculty of Political Sciences and International Studies
supposed to incorporate themselves and subsequently the whole of China
to make use of the positive consequences (Huang, Kuo, Kao, 2003; Khan, Riskin, 2001). The government expected a cylinder effect – the
high dynamic of economic development might have pervaded the whole
China’s area. Unfortunately, the scale of this diffusion did not rise up to
expectations. Actually, the country was divided into three areas: Eastern
– full beneficiary of the effects of dynamic economic development,
Central – laying claim to the beneficial consequences of the economic
development, but still only participating in the actual development to a
lesser degree, and Western – backward, peripheral and to a large extent
excluded from China’s development. This paper compares China’s
provinces in terms of macroeconomic indicators which consider internal
development and foreign relations. What was also made evident was the
social stratification relating to the place of residence. The people of
China are presently divided into those inhabiting rural areas and those
who live in urbanized regions. This stratification is constituted by the
hukou system (system of household registration). The former group
makes much lesser use of the positive effects of development in contrast
to the people living in the cities. However this paper excludes
stratification problems to focus more precisely on the disproportions
among China’s provinces.

**GDP disproportions**

The provinces included in the Eastern areas of China are characterised
by a high participation in the country’s GDP and a high value of
production in the industry and tertiary sectors which testifies to the
advanced status of these economies. In 2006, Eastern provinces
generated 58.7 percent of China’s total GDP in current prices while the Western areas generated 14.1 percent of GDP. The disproportions are deepening slightly, in 2010 Eastern provinces participation in China’s GDP amounted 59.5 percent; in turn, Western territories generated 13.8 percent (graph 2, 3). The GDP generated by Guangdong was almost ninety-one times higher than the GDP of China’s poorest province – Tibet in 2010 (China Statistical Yearbook 2011). This enormous GDP gap between the most and the least developed regions increased over two last decades twenty-two times (National Bureau of Statistics in China).

Considering GDP composition, the most advanced structure characterized in 2010 Eastern regions, where share of tertiary sector in GDP accounting for 43.5 percent (more than country’s average), industry and construction sector produced 49.6 percent and the agriculture generated only 6.9 percent. In Western provinces these indicators amounted to 37.3 percent, 49.5 percent, and 13.2 percent respectively and in Central – 35 percent, 52.4 percent and 12.6 percent respectively (National Bureau of Statistics in China).

An interesting case is Sichuan, which ranked among the top ten provinces in terms of regional GDP. In the presented rank this region generated larger GDP than some wealthy Eastern provinces (e.g. Shanghai, Fujian or Beijing). However, Sichuan’s great part of its GDP is generated by extensive agriculture and this province is one of the poorest regions in terms of GDP per capita. In light of this, where should we look for the source of this high GDP level? The solution to this riddle lies in Chengdu - Sichuan’s capital. In Chengdu, economic and technological development zones were established. This area has attracted a
number of the most known transnational corporations, e.g. IBM, Microsoft, Symantec, Cisco, Intel, Siemens, Motorola, Nokia, Ericsson, Alcatel or Accenture. This high-tech park’s share in province’s GDP was significant. In 2010 only the high-tech products accounted for more than 21 percent of the province’s GDP (HKDTC Research). Sichuan is also located among the top ten provinces of China in numbers of patents application accepted and granted (National Bureau of Statistics in China).

**Graph 2. China’s GDP in current prices and its composition by regions in 2010 (billion RMB)**

Notes:

- *Eastern regions consist of:* Beijing, Tianjin, Hebei, Liaoning, Shanghai, Zhejiang, Jiangsu, Fujian, Shandong, Guangdong, Guangxi, and Hainan.
- *Central regions consist of:* Shanxi, Inner Mongolia, Jilin, Heilongjiang, Anhui, Jiangxi, Henan, Hubei, and Hunan.
- *Western regions consist of:* Chongqing, Sichuan, Guizhou, Yunnan, Tibet,
Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang.


**Graph 3. China’s GDP by provinces and sector in 2010 in current prices (billion RMB)**


With respect to provinces, one observes significant diversification of fundamental economic development measures per capita. In 2006 the highest GDP per capita in current prices was generated by Eastern provinces – 23,858 RMB. In the Central regions’ GDP per head amounted to around 13,231 RMB and the lowest value of GDP per capita was generated by Western provinces – 10,298 RMB. Until 2010, the disproportion...
in GDP per capita has not diminished noticeably – the indicator in the Eastern provinces amounted 46,741 RMB and in Western ones – 21,338 RMB. Comparing the value of this indicator for each province to the average China’s GDP per capita, only eleven provinces exceed country’s average GDP per capita (five years ago there were twelve provinces). Between the province with the highest level of GDP per capita – Shanghai and the province that generated the lowest GDP per capita – Guizhou was almost six-times gap in 2010 (graph 4.).

Graph 4. Diversification of the average annual income per capita by provinces in 2010 in current prices (thousand RMB)


Disproportions in expenditure on consumption
Chinese society can be described as the ascetic in terms of consumption, which derives from its tradition and cultural factors. Chinese gather unprecedented savings (financing rapid capital accumulation) at consumption’s expense. The savings rate in 2009 amounted to 48 percent, while the consumption rate reaches only 36 percent. These indicators are higher than Japanese national savings and investment rates in the peak of county’s development patch (N’Diaye, 2010). What is worth noticing is that a tendency of consumption stratification is becoming evident as a result of the widening of the income gap. The disproportions in GDP are accompanied by the differentiation of the overall expenditure on consumption in particular provinces calculated with respect to one inhabitant. The highest overall consumption expenditure in 2010 was generated by the Eastern provinces (39.5 percent of all expenditures), especially Guangdong (graph 5). This is related to this region’s high foreign trade activity and the inflow of the foreign direct investments. In addition, the provinces generating the highest GDP and GDP per capita are in the lead in relation to the consumption expenditures made. In all the provinces the urban household expenditures dominate. Consider government consumption: there were two provinces where this type of expenditures dominated over the rest. In Tibet and Xinjiang most of the expenditures in 2010 were carried out by the government (central and local), 59 percent and 45 percent respectively. It is the result of intensive government investment programmes, under the banner of the “Great Western Development” campaign - directed to the least developed regions of the country (especially Western provinces). The consumption expenditures, calculated with respect to one inhabitant of a particular province, show the evident domination of the expenses made by people living in Shanghai and Beijing (40,921 RMB and 40,303 RMB
respectively). The expenditure gap between Shanghai and Guizhou (the last region in the rank below) was almost five (graph 6.). However, an improvement has been evident. In 1999 the gap between the region with the highest expenditure on consumption and the province where people spent the least on consumption goods was six times (National Bureau of Statistics in China).

Graph 5. Overall consumption expenditure of rural and urban household by province in current prices in 2010 (billion RMB)

Graph 6. Average annual consumption expenditure per capita by province in current prices in 2010 (thousand RMB)

Disproportions in investment and R&D expenditure

The disparate amount of GDP generated in particular provinces is accompanied by the appearance of the disproportions in the total investment in fixed assets. The fixed assets investment expenditures are close to the distribution of GDP among the provinces. The largest total investment in fixed assets were made in 2010 by the Eastern provinces (especially Shandong, Jiangsu, Henan, Liaoning, and Guangdong), but the rate of investment accounted for the largest share in Tibet, Anhui and Jiangxi (graph 7, 8). The appearance of Sichuan in the top ten provinces in terms of largest investment spending is related with establishing special economic zones mentioned earlier, building appropriate infrastructure, and reconstruction process after earthquake in 2008. The high rates of investment in fixed assets in underdeveloped Western regions of China can be explained by the government’s strategy of developing Western and Central provinces. These regions are beneficiaries of the central and local government spending programmes focused on development inequality reduction. The investments project in these regions are mostly implemented by state-owned enterprises, the private capital has not been employed notably.
Graph 7. Total investment in fixed assets by region in 2010 in current prices (billion RMB)

Graph 8. Total investment in fixed assets rate by region in 2010 (percent of GDP)


The amount of regional GDP is followed by the resources dedicated to research and development (R&D). China’s share in world R&D expenditures accounted 13.1 percent in 2011 (www.rdmag.com). China is the world’s second in R&D expenditure after the United States. In terms of R&D spending share in GDP, China ranked below the world average (2 percent). In 2011, 1.5 percent of China’s GDP was directed to R&D sector. It is not a high participation rate in comparison to the U.S. or Japan, in which R&D expenditure as percent of GDP amounted to 2.8 percent and 3.5 percent respectively. However, China’s authorities plan to boost R&D spending to 2.2 percent of GDP by 2015. There is a large gap in R&D spending among Eastern provinces and the rest of the area. The largest number of funds was dedicated to this activity in 2011 in the Eastern
The high value of the R&D expenses in Eastern provinces is the result of two factors. First, the foreign capital’s presence which is very lively as far as research and development activity is concerned. Second, such value can be attributed to the appearance and cooperation among science institutes, universities and business in high-tech zones. These determinants have accelerated China's economic development in Eastern regions for three decades. The R&D expenses also influence other indices, e.g. the number of patent applications made, the high-tech product share in overall production, or the number of scientists and specialists employed. The above-mentioned measure-points reach their highest values in the provinces with the highest overall GDP and the highest expenses on R&D as well as in the ones most open to foreign contacts.

**Disproportions in labour productivity**

There is also the diversification between the provinces in the scope of labour productivity. The most productive workers at the end of 2010 were employed in the Eastern provinces: Shanghai, where average employee generated 185,635 RMB, Tianjin (177,126 RMB), and Beijing (107,111 RMB). It is a result of accelerated development supported by foreign and domestic capital, and technology spill-overs that these regions have attracted for three decades. The country’s average labour productivity amounted to 57,426. Low worker efficiency of an average worker is characteristic for the poorest Western provinces in which the productivity was several times
lower than the average employee from the Eastern provinces. For example, worker productivity was almost ten times higher between Shanghai and Guizhou (graph 9). Fortunately, we can observe the slow convergence among regional labour productivity. For instance, in 2006 the labour efficiency gap between the most and the least productive provinces differed by a ratio of twelve (National Bureau of Statistics in China). China ranked among countries achieving the highest growth of labour productivity. In 2000-2010 the dynamic of labour productivity amounted to around 14 percent (*The Economist*, 2011).

While the labour efficiency divergence has improved for last years, the remuneration gap is also shrinking if we consider the official data. Official average wage statistics represents the earnings of a specific group of employed people in China known as “staff and workers”, including layers of public employees from upper-ranking cadres down to workers in state-owned enterprises and public utilities. They essentially represent top-level labour and excluded a number of migrant or rural employees. In result, the statistics are distorted. In 2010, the difference between Shanghai and Heilongjiang was a ratio gap a little over two. Only eight regions exceed China’s average monthly wage (449.77 USD) (graph 10), which is much less than world’s average wage that amounted 1.480 USD in 2010, according to International Labour Organization (ILO). However, the average real wage in China has risen over the last decade constantly. In 2000-2010 the growth of China’s real wages was estimated to be around 16 percent (*The Economist*, 2011b).

Included among the provinces with above-average wages is Tibet. Though the average wages in this province are ones of the highest, it does not bear testimony to the high life quality of the province’s society. Urban enterpris-
es in Tibet usually hire employees from other regions. They are usually high-skilled employees and high wages compensate them the difficult work conditions (e.g. the Tibetan climate). Most of native Tibetans are excluded from vacancies in enterprises.

**Graph 9. Labor productivity by region in 2010 in current prices (thousand RMB)**

Graph 10. Average monthly wage of employed person in urban units by region in 2010 in current prices (USD)


Disproportions in foreign trade and foreign direct investment

During the introduction of the post-1978 transformations, the Chinese authorities were putting substantial emphasis on foreign exchange and the inflow of foreign direct investments. The singling out of privileged areas (special economic zones) at the beginning of the 1980s for trade exchange and the inflow of foreign direct investments resulted in the still visible division of the country into two zones based on their world economy connections: Eastern, which is developing predominantly owing to the globalization processes, and the rest of the country, which participates in the foreign trade on a minor scale and which virtually
does not benefit from foreign capital. At the end of 2010 the Eastern provinces completed around 90 percent of China’s trade turnover. The four most active regions - Guangdong, Jiangsu, Shanghai, and Zhejiang – accounted for 65 percent of China’s foreign trade (graph 11). From the beginning of the China’s turn to a market economy, transformations in the Eastern provinces are also active in outward investments. The same provinces are also the most important beneficiaries of the foreign investments flowing into China. The biggest number of foreign companies is located in the Eastern regions of PRC. Hence, the fact of a much higher value of foreign direct investments made in the Eastern provinces than in the remaining regions is not surprising.

**Graph 11. Export and import value by region in 2010 in current prices (billion USD)**

Chinese province rankings

Classifying Chinese provinces drew on the multi-dimensional index (taxonomy method). The result of this analysis shows that the higher regional GDP per capita the province generated, the higher positions in the rank it occupied. Employing three taxonomic methods of classification, the ranking of provinces has been formulated. This classification is based on 17 economic development indicators (the correlated ones have been excluded). The range of indicators applied to this method consists of:

1. Regional GDP to China’s total GDP with respect to the surface of the region;
2. Regional GDP per capita;
3. Participation of primary industry production in total regional production;
4. Average work efficiency;
5. Total investment in fixed assets per capita;
6. Foreign trade per capita;
7. Foreign direct investment of foreign funded enterprises per capita;
8. Annual disposable income per capita;
9. Average earnings;
10. Consumption expenditure per capita;
11. Science and technology (S&T) expenditure per capita;
12. Participation of S&T expenditure in regional GDP;
13. Education expenditure per capita;
14. Number of higher education teachers per 10,000 inhabitants of province;
15. Number of students per 10,000 inhabitants of province;
16. Greenhouse gas emission per regional GDP unit;
17. Number of hospitals and health centers per 10,000 inhabitants of province.

During the standardization of chosen parameters and rejecting of correlated measures, the outcome confirms the earlier thesis that the Coastal (Eastern) provinces located on the highest positions in the rank. In turn, the lowest positions ranked were in the Western regions. The results of three applied methods were almost identical (table 1). The classification is similar to regions’ rank in terms of average annual income per capita (graph 4).
### Table 1. Chinese provinces rank in 2010

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Notes:

- **Standardized by average:** \( x'_i = \frac{x_i}{\bar{x}} \), where \( x'_i \) – standardized value of “i” element’s attribute \( X \); \( x_i \) – value of “i” element’s attribute \( X \) before standardization process.

- **Standardized by range \([0;1]\):** \( x'_i = \frac{x_i - x_{\text{min}}}{x_{\text{max}} - x_{\text{min}}} \), where \( x'_i \) – standardized value of “i” element’s attribute \( X \); \( x_i \) – value of “i” element’s attribute \( X \) before standardization process; \( x_{\text{max}} \) – maximum value of attribute \( X \); \( x_{\text{min}} \) – minimum value of attribute \( X \).

- **Classical standardization:** \( x'_i = \frac{x_i - \bar{x}}{s_x} \), where \( x'_i \) – standardized value of “i” element’s attribute \( X \); \( x_i \) – value of “i” element’s attribute \( X \) before standardization process; \( s_x \) – standard deviation.
Conclusions

By developing dynamically, China has not avoided a number of negative consequences. The negative aspects of the vehement socio-economic changes in the Middle Kingdom do not exhaust the long list of unfavourable results of China’s transformations. The choice of discrepancies in the distribution of China’s rapid development effects was made subjectively following the belief that the negative phenomena which were pointed out might most severely hinder further development of the country. If one wants to eliminate the negative phenomena related to the lack of an egalitarian distribution of the results of PRC’s economic development, then the problems mentioned should be taken into account in a comprehensive manner. This is because there exists a feedback between the negative consequences of China’s development. The programme of the development of Western regions, introduced by the government in 1999, is not resulting in any satisfactory benefits. The underdevelopment of infrastructure, insufficient human capital, the problems in the flow of information, corruption, domination of the state sector and modest share in taking part in the opening-to-the-world strategy constitute some of the main problems of China’s interior, especially the Western provinces (Lai, 2002).
End Notes

1 It is worth notice that in 2011 China raised its poverty line to 1 USD per person per day (6.3 RMB per day). Earlier the poverty line adopted in Middle Kingdom was one of the lowest lines in the developing world. (The Economist, http://www.economist.com/blogs/freeexchange/2011/12/chinas-poverty-line).

2 Before the reform in 1978 there were not so significant disparities. (Woo, 2007)

3 Guangdong Province shared 10.5 percent of total China’s GDP, while estimation of Tibet’s participation in GDP amounted 0.13 percent. (National Bureau of Statistics in China)

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Editorial Team
Sven Grimm
Ross Anthony
Matthew McDonald

Design & Layout
Centre for Chinese Studies

Contact Us
Centre for Chinese Studies
Stellenbosch University
Tel: +27 21 808 2840
Fax: +27 21 808 2841
Email: ccsinfo@sun.ac.za
www.sun.ac.za/ccs
@ccs_stell