

Beijing Consensus: Alternative for Africa's Development Challenges? The Case for Zimbabwe

A Dissertation
presented to

Graduate School of Business
University of Cape Town

In partial fulfilment
of the requirements for the
Master of Commerce in Development Finance Degree

by

Shepherd Nyere

Supervisor: Dr Mark Ellyne PhD

11 December 2013

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

PLAGIARISM DECLARATION

I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is one's own.

I have used American Psychological Association 6th Edition conventions for citation and referencing. Each significant contribution and quotation from the works of other people has been attributed, cited and referenced.

I certify that this submission is my own work.

I have not allowed and will not allow anyone to copy this essay with the intention of passing it off as his or her own work.

Signed _____

Signed by candidate

Shepherd Nyere

nyrshe002

Acknowledgements

I am deeply grateful to have done my research under the supervision of Dr Mark Ellyne. The fact that he could find time from his busy schedule and supervise me is highly appreciated. I am also extremely grateful for his patience and constructive criticism during the process of finding the direction of my research.

I would also like to thank my colleague Teboho Lekatse for his assistance, encouragement and support during the research period. He encouraged me to soldier on at a time when I thought I would not meet the research deadline.

Lastly I would like to thank my family for their support and patience especially my mother for being the bridge that made it possible for me to cross the river.

“It was not easy but it was worth it.”

“In every scientific adventure, the thing that comes first is vision. That is to say, before embarking upon analytic work of any kind we must first single out the set of phenomena we wish to investigate and acquire ‘intuitively’ a preliminary notion of how they hang together or, in other words of what appear from our standpoint to be their fundamental properties. This should be obvious. If it is not, this is only owing to the fact that in practise we mostly do not start from a vision of our own but from the work of our predecessors or from ideas that float in the public mind.

-Joseph Schumpeter (History of Economic Analysis)-

Abstract

The research aimed to study whether the Beijing Consensus, a Chinese development model is an alternative development model for Africa. The study used Zimbabwe's plan to collateralise its natural resources mainly minerals under the Angola Model strategy as a test case. Zimbabwe's economic revival is currently ransomed by an unsustainable debt that has blocked external financial aid from its traditional donors and the western world. This is against the background that since the 1989, economist John Williamson's economic and policy recommendations known as the Washington Consensus became generally accepted as the most effective model by which developing countries could spur growth. This model based around ten policy recommendations embracing ideals of free-market capitalism that include open trade policies, privatisation and deregulation provided a prescription for development in the less developed countries. However, its implementation had mixed results such as multiple currency crisis, stagnation and recession during the financial turmoil of the 1990s and the most recent and more severe 2007 financial crises that led to the collapse of several nations' economic systems. This further eroded the confidence in the Western neoliberal economic model leaving the world calling for an alternative development model.

By the turn of the century, a new strategy driven by China that has been defined by Joshua Cooper Ramo as the Beijing Consensus surfaced as a challenge to the Washington Consensus. This model is described as pragmatic, recognises the need for flexibility in solving multifarious problems. The model sounding warning bells for a post-Washington Consensus is inherently focused on innovation and emphasise equitable development driven by the central government has quickly gained appeal within the developing world challenging the Washington Consensus' antiquated policies.

This exploratory research case study using primarily available literature on the subject sought to determine whether the Beijing Consensus is an alternative development model for Africa. To help synthesise the subject, Zimbabwe was used as a case study through primarily the "Angola model"- a Chinese strategy for resource-rich countries that are unable to guarantee loan repayments. Apart from the "Angola model", the study looked at the overall impact of the Chinese investments in Zimbabwe and Africa in general. The findings of the study has revealed while the Angola Model may have worked for Angola and other oil producing nations, it however will not benefit Zimbabwe as it is not geared in solving the current debt crisis. The results also show that while the Beijing Consensus may not actually be a consensus, it is currently an alternative for African nations as it presents an array of choices. It however does not seem to replace the Washington Consensus as a widely accepted consensus model for development but it has the right ingredients from a starting point to develop into an alternative model

Contents

Acknowledgements	ii
Abstract.....	v
List of Acronyms.....	viii
Chapter 1 Introduction.....	1
1.1. Introduction	1
1.1 Research Problem	2
1.2 Theoretical and Conceptual Framework.....	4
1.3 Purpose of the Study	6
1.4 Motivation of Research	7
1.5 Significance of the Research	8
1.6 Research Questions	8
1.6.1 Primary Research Question.....	9
1.6.2 Secondary Research Questions	9
1.7 Structure of the Study.....	9
Chapter 2: Literature review	11
2.1 Chapter Introduction	11
2.1.1 The Sino-Africa Relationship – A Historical Perspective	11
2.1.2 Overview of the China-Africa Trade.....	14
2.1.3 Why Look East?.....	17
2.1.4 So what is the “Beijing Consensus”?.....	20
2.1.5 How does it differ from the Washington Consensus?	22
2.1.6 Is it all a Win-Win Situation?.....	24
2.2 The Dilemma for Zimbabwe	26
2.2.1 Overview of Zimbabwe’s Crisis.....	26
2.2.2 Zimbabwe-China Relationship.....	35
2.2.3 The Angola Model for Zimbabwe.....	37
2.2.4 Costs of the Beijing Consensus model to Zimbabwe	42
2.2.5 HIPC – a Substitute?	45
Chapter 3: Research Methodology and Design.....	48
3.1 Research Methodology	48
3.2 Data Collection Methodology	49
3.3 Data Analysis.....	50
3.4 Validity and Reliability	51
3.4.1 Credibility	51
3.4.2 Transferability	51
3.4.3 Confirmability	51

3.5	Theoretical and Conceptual Framework.....	52
3.6	Limitations of Case Study Methodology	52
Chapter 4:	Research Findings, Analysis and Discussion.....	53
4.2.	Findings	53
4.1.1	Is the Angola Model or the HIPC the Solution for Zimbabwe?.....	53
4.1.2.	Is Beijing Consensus an alternative to Africa’s development challenges?	56
4.2	Analysis and Discussion of Findings	60
4.2.1	The Angola Model and the HIPC as solutions for Zimbabwe.	60
4.2.2	Costs of Zimbabwe’s engagement with China	65
4.2.3	HIPC as an option.....	67
4.3.	Costs of China’s Presence in Africa.....	71
4.4	Beijing Consensus compared with the Washington Consensus.....	74
4.4.1	Is it a win-win relationship?.....	76
4.4.2	Is there any consensus?.....	79
4.5	Recommendations	82
4.5.1	Zimbabwe	82
4.5.2	Africa.....	85
Chapter 5:	Research Conclusions.....	89
Chapter 6:	Areas for future research.....	91
References	93

List of Acronyms

ADB	African Development Bank
AFRODAD	Africa Forum and Network on Debt and Development
AGOA	African Growth Opportunity Act
AU	African Union
BWI	Bretton Woods Institutions
CABC	China Africa Business Council
CADF	China Africa Development Fund
CEMEC	China National Machinery Equipment Import and Export Company
DRC	Democratic Republic of Congo
DSF	Debt Sustainability Framework
ESAP	Economic Structural Adjustment Programme
EU	European Commission
FDI	Foreign Direct Investment
FOCAC	China-Africa Cooperation Forum
GDP	Gross Domestic Product
GRA	General Resource Account
HIPC	Highly Indebted Poor Country
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	International Financial Institutions
IMF	International Monetary Fund
MDRI	Multi-lateral Debt Relief Initiative
MERP	Millennium Economic Reform Programme
MFA	Multi-Fibre Agreement
MNCs	Multi-National Corporations
MOFCOM	Ministry for Foreign and Commercial Affairs
MTP	Medium Term Plan

OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
OECD-ECA	Organisation for Economic Cooperation and Development – Economic Commission for Africa
PRGF	Poverty Reduction Growth Facility
SEZ	Special Economic Zones
SOE	State Owned Enterprises
SSA	Sub-Saharan Africa
STERP	Short Term Economic Reform Programme
UN	United Nations
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
US	United States
UZ	University of Zimbabwe
WB	World Bank
ZAADDs	Zimbabwe Accelerated Arrears Clearance, Debt and Development
ZADMO	Zimbabwe Aid and Debt management Office
ZEDS	Zimbabwe Economic Development Strategy
ZIMPREST	Zimbabwe Programme for Economic and Social Transformation
ZIMRA	Zimbabwe Revenue Authority

Chapter 1 Introduction

1.1. Introduction

Proposals to address the challenges of poverty and development in Africa has ranged from live music concerts organised by rock star Bob Geldof, the G20 summit, the United Nations (UN) and the African Union (AU) among other development agencies all with one thing in common: the eradication of poverty and finding sustainable development models for Africa.

For the past 60 years Africa has been a recipient of billions of dollars from bilateral, multilateral, private donors and other development finance institutions yet the share of Africa in global trade has remained insignificant, despite the implementation of the of the Washington Consensus-based policies that were recommended by the International Monetary Fund (IMF) and the World Bank (WB). Although these economic policies could be said to have improved macroeconomic stability in Sub-Saharan Africa (SSA), they had not facilitated the solution to development in Africa and developing countries in general (Sanusi, 2012).

On the other hand leaders in developing countries and other developed countries marvelled at China's phenomenal growth in the last three decades. The remarkable ability to bounce back after the financial crisis was a result of tightly managed, top-down policymaking machine that could avoid the delays of a messy democratic process. In response, political leaders in the developing world began to associate efficiency and capability with autocratic political systems (Birdsall and Fukuyama, 2011).

Research studies conducted by Idun-Arkurst and Laing, (2007; World Bank, 2007) identified that one of Africa's biggest challenges is building physical infrastructure to support development and to "facilitate the flow of goods and services between individuals, firms and governments."

The study reckoned that closing Africa's infrastructure deficit will require some substantial levels of sustained finance for infrastructure in the region. Infrastructure investment needs for Sub-Saharan have been estimated as at least 5 per cent of the

region's Gross Domestic Product (GDP), plus a further 4 per cent of regional GDP to cover operational and maintenance translating to US\$22 billion per year of infrastructure needs, and a further US\$17 billion for maintenance

Africa being richly endowed with natural resources has a historic opportunity to harness these resources and invest the proceeds to broaden its economic base for supporting economic growth and poverty reduction (World Bank 2007). Armed with its development model better known as the "Beijing Consensus", China with its substantial reserves has not baulked at the massive investment in infrastructure required to extract Africa's last untouched reserves. The entry of competitive Chinese construction and telecommunications firms offers Africa cheaper access to infrastructure that is essential for economic growth.

Using this strategy, the Chinese have been building roads, rehabilitating infrastructure and bringing in wireless communication systems in rural areas where landlines have not worked before bringing hope to the continent that has been described as hopeless. This relationship between Africa and China has become the subject of much speculation and controversy as to the real intention of China's motives on the continent.

1.1 Research Problem

Is this relationship with China beneficial to Africa and does it offer Africa an alternative development model? The answer to this question lies in the relationship that existed between Africa and its traditional Western donors and why Africa has decided to turn its back on the West and look toward Eastward.

The Washington Consensus of the 1980s bankrolled by the neoliberal ideas led by Margaret Thatcher of Great Britain, Ronald Reagan of the United States and Helmut Kohl of Germany coincided with the sudden collapse of the Soviet system Naim (2000). The three leaders attacked the modern welfare state and many of their critiques such as bloating state bureaucracies that resulted in inefficiency were well-taken (Birdsall and Fukuyama, 2011). The disenchantment with socialist ideas and central planning pervaded many developing countries outside the Soviet bloc, creating an urgent and widespread need for an alternative set of ideas on how to organise economic and political life.

In a strange way the Washington Consensus became an ill-suited and temporary substitute for the all-encompassing ideological frameworks that millions of people had come to depend on to shape their opinions about affairs at home and abroad. Its appeal was helped by its self-assured tone (“the consensus”), its prescriptive orientation, its directional message, and its origin in Washington, the capital of the victorious empire. Many developing countries were left with no other choice but to fall into the welcoming but stern arms of the Washington Consensus (Naim 2000).

The consequences of that decision was that at the beginning of 1982, the majority of developing countries lost substantial leverage over their economic destiny as foreign debts incurred during the preceding two decades fell due at a moment of historically high interest rates. The US government working with the governments of other rich nations pressed developing countries into free market paradigm as a condition for new loans. The IMF was assigned the role of enforcing the policies; the World Bank urged similar reforms through its “structural adjustment” loans (Broad and Cavanagh, 1999). The dependency on aid by most African states and the 1979 oil crisis meant that when the Washington Consensus attempted to impose conditions on African states as part of the Structural Adjustment Programmes (SAPs), African states were in no position to protest.

Rebol (2010) identified that the economic reforms failed to recognise that Africa needed some home-grown policies that reflect the situation on the ground, rather than ‘one-size fits all’ approach that might have worked elsewhere in the past. Reforming countries were discovering that economic growth did not matter much to people if hospitals did not have medicines in. Naim (2000) observed that what the Washington Consensus was not providing were policies that would enable newly opened economies to cope more effectively with the consequences of globalisation, especially in the financial sphere. Between 1994 and 1999 alone, 10 middle-income developing countries experienced major financial crises. These “accidents” wrought havoc in the countries financial systems, bankrupted their banks, set back some of the economic gains they had accumulated through years of painstaking reforms and in some cases unleashed severe political turmoil.

In subsequent years, the need for an alternative vision seemed to grow, particularly in the wake of financial crises, which apparently laid bare the weaknesses of market fundamentalism and highlighted the importance of government regulation.

Eventually at the turn of the 21st century, a new development model driven by China emerged challenging the assumptions of aid and development in Africa. The emergence of China with its willingness to spend its foreign currency in developing African infrastructure has altered the equation. China claims that its new re-established friendship with Africa based on the eight principles of Chinese foreign aid that is based on equality, mutual benefit and respect for the sovereignty of the host nation.

This “success” of the Chinese development model that has succeeded in moving 235 million of its citizens out of poverty has brought into question a number of fundamentals that had long been condemned by the Western world. This pragmatic approach by China that has served it so well over the past decades has begged answers on why should any other country adopt the recommendations of the Washington Consensus when the Beijing Consensus’ phenomenal success is there for the world to witness. Huang, (2010) poses the following questions: If state ownership of firms promotes economic growth, why privatise? If one-party system works well in generating growth in GDP, why democratise? If state financial controls are effective in resource mobilisation, why liberalise? Eventually the debate about the Beijing Consensus is about theory – whether it has the right economic principles that promote growth.

1.2 Theoretical and Conceptual Framework

The theoretical framework for this study emerged from the main themes and theories that were identified during the literature. These themes helped to define the main research question and the subsidiary questions. The conceptual framework that emerged from these themes has become the focus of the study.

The predominant theory about this study is the manner in which China transformed itself from a poor, underdeveloped backward country into a modern developed country. What has really astounded the world is what really propelled

this developmental success. This phenomenal success for a country that declined to adopt the framework of the Washington Consensus has attracted the attention of Africa with its economic miracle dubbed as the Beijing Consensus.

Mikheyev (2013) has undoubtedly helped to articulate the theoretical framework under which these two diametrically opposed models operate. He states that the Beijing Consensus which is presenting itself as a normative power to the Washington Consensus is rooted in neo-Confucianism with its emphasis on the harmony and communitarianism. According to this model, developing countries need a strong state that can pursue a more decisive and purposeful policy of economic and political reforms. The central government should pursue a long-term policy of elimination of illiteracy and poverty through major investments in infrastructure and education and foster strategically important sectors of the economy. Instead of the trickle-down principle of *laissez-faire* capitalism, the Beijing Consensus favours the more equitable distribution of wealth and a more generous welfare system.

On the other hand the Western neoliberal of civilization and progress is rooted in Social Darwinism. Mikheyev (2013) states that the American neoliberal capitalism rests on the belief that the state should play a minimal role in the economy, that unlimited inequality in wealth and power is natural and good, and that prosperity of the “masses” is achieved by the trickle-down effects.

The fundamental theoretical difference between these two models is hinged on the way they approach the development issues. The key dilemma resembles the chicken and egg puzzle as it begs the question of what should come first: democratisation or economic development. The Anglo-Saxon model presumes that democracy should come first and that all means and methods of establishing democracy are legitimate. The logic behind this is that once liberty, democracy and rule of law are established, the country can pursue economic development. This underlines the insistency of democratic political reforms on the continent by the West.

The China model, in contrast, stands for economic and human development first and gradual democratisation later. The logic being that: the early introduction of a fully-fledged democracy while the population remains illiterate and poor is

fraught with social strife and anarchy. Hence economic, institutional and institutional development should precede democratisation.

The question however is not just whether the state is a good owner of productive resources: the role of the state is as much broader than this. The question is also whether the state should play a more active role in the economy than it was assigned in recent years in the West. One need not believe that minimising the role of the state was implicit in the Washington Consensus in order to recognise that the thrust of policy was to enhance the role of markets (Williamson, 2012).

Government had long been viewed as the problem and markets as the solution. One of the longstanding criticisms of the Washington Consensus and the IMF was not just the failure to understand economics but it is argued that they failed to take into account adequately politics and political processes, and how they are intertwined with economics.

From the developing countries' perspective, the experience of China proves that the gradual transition produces much better results in terms of economic growth and social stability. Africa perceives the China model as an attractive alternative to the American hegemonic model of governance and development.

Ultimately the debate about the developmental challenges the world is facing especially Africa and the less-developed countries is centred on the role the government should play in the economy. The debate between the Beijing Consensus and the Washington Consensus is a debate between the market and the state. China's unprecedented success over the last thirty years has been attributed to the role the state has played in the economy.

1.3 Purpose of the Study

The main purpose of this research is to determine whether the Beijing Consensus can benefit Africa as an alternative development model. The research will challenge the universal perceived superiority of the Washington Consensus. The research will also discuss whether China's engagement with Africa is a win-win one. In an attempt to answer that question the research will examine the Beijing Consensus in the context of the Zimbabwean situation. In the process the study will also briefly discuss the Highly Indebted Poor Countries (HIPC) as a strategy

that has been proposed for Zimbabwe alongside the Angola Model. The rationale for discussing the HIPC in particular for Zimbabwe will enable the comparison with the Angola Model. The dilemma for Zimbabwe is finding a solution that can assist in reviving its economy that is seriously handicapped by a debt overhang. The Angola Model and the HIPC initiative are strategies that have been recommended as important steps for resolving Zimbabwe's economic crisis. The Angola Model has been used in other resource-rich countries and seems to be working prompting the debate of whether the same strategy can work for Zimbabwe. Overall the study is about crystalizing the Chinese development strategy and applying it to Zimbabwe debt situation to see if it could work.

1.4 Motivation of Research

The motivation to pursue this report as stated above emerged from the debate that was going on in Zimbabwe on how best it could turn around its economy which is being confronted by a debt overhang for over a decade now. As at the end of 2012, the Zimbabwean's external debt stock including arrears was estimated at US\$10.7 billion representing 113% of GDP of which about 70% is in arrears.

The debt issue which has become a major impediment to rapid economic recovery has become a development challenge to Zimbabwe and without its resolution there will be no access to development resources from the international financial institutions. Its non-resolution has undermined the country's creditworthiness making it impossible for the country to attract any new funding from the international financial institutions and the private creditors.

The divergent views that emanated from the debate prompted the researcher to pursue the subject further in an effort to understand the Beijing Consensus as an alternative development model for resource rich countries such as Zimbabwe that unsuccessfully implemented the Washington Consensus-backed reform programs could benefit from the Chinese development model. The realisation that resource-countries like Angola which was in an almost similar position managed to wriggle itself out of its debt situation and now enjoying sustainable economic growth begged for research.

1.5 Significance of the Research

The Beijing Consensus as a developmental model that can effectively challenge the Western-backed Washington Consensus is still being debated. Not much has been known as a “consensus” except that China’s phenomenal rise is attributed to this model. Its image in Africa is synonymous with counterfeit goods, imitations of products made in Europe and America and big famous stadiums built in Africa.

Along the same lines, the Angola model of resource for infrastructure is also a relatively a new phenomenon which has only been in existence in Africa at the turn of the 21st century. Its implications and impacts are still being debated by scholars, researchers, politicians as well as academic practitioners. The real impact and implications will truly be known after a number of studies that span a number of years.

This makes this subject an interesting one to pursue as many researchers and analysts have different interpretations of what the consensus embodies thus the research is of significance to scholars, policy makers, the research fraternity as well as the general public. It seeks to expand the debate on the merits or demerits of resource-backed finance deals for Africa’s resource-rich countries. It will seek to contribute to the domain of development arena as it analyses the knowledge base of development models that are emerging. To scholars, it seeks to explore the mechanics of this development model and allow critical analysis of this report and identify gaps as well as areas for future research.

The research attempted to highlight both the positive and the negatives aspects of the model so that the general public are enabled them to make an informed decision of China’s investments in Africa. Understanding accurately China’s development model has never been as important and relevant. Given the influence of China and Beijing Consensus model, it is extremely important for policy makers to get the facts right and identify the correct policy lessons about China’s growth.

1.6 Research Questions

The research questions have been developed from the review of literature.

1.6.1 Primary Research Question

There is an evolving international debate about the benefits and drawbacks for Africa on its new strategic partnership with China and questions are being posed as to whether Africa's time has finally arrived. The main research question that has emerged from the literature review which this research will attempt to answer is:

- Can the Chinese strategy for Africa be beneficial to Zimbabwe? What are the costs and benefits for Zimbabwe?

1.6.2 Secondary Research Questions

In order to answer the main question, the broader issues of the China-Africa relationship need to be addressed through the following sub-questions:

- 1.6.2.1 Is there a Beijing Consensus and how is it different from the Western approach to development (Washington Consensus)?
- 1.6.2.2 What is the Angola Model and how does it affect the relations with Africa?

1.7 Structure of the Study

The study is structured in two main parts. The first part of the study described the Beijing Consensus and how it differs from the Washington Consensus and why African countries are being attracted to this model. It will then link the Angola Model as part of the Beijing Consensus with special focus on Zimbabwe in the second part.

The second part of the study applied the Beijing Consensus in the form of the Angola Model in the attempt to resolve the Zimbabwe economic crisis. It also discussed the Highly Indebted Poor Countries (HIPC) initiative as an available solution to Zimbabwe's economic crisis. The costs and benefits of each strategy were also being looked at.

Chapter 1 introduces the study providing the background and context of the research. It provides the research problem, the purpose of the research, motivation of the research and the objectives of the research as outlined above. The chapter

explained why it was worthy studying the case and how it will be of any significance in advancing knowledge in the research arena.

Chapter 2 (Literature Review) expanded and analysed the existing literature on the Beijing Consensus and how it has been received on the continent. The Literature review focused on the work that has been done by researchers who have researched similar questions related to the Beijing and the Washington Consensus and what their findings were before comparing them with the findings of this research. In particular the literature review discussed the feasibility, the costs as well as the benefits to Zimbabwe of adopting the Angola Model in favour of the HIPC. It is important to highlight that the Angola Model is being discussed in this study as part of the Beijing Consensus development strategy framework.

Chapter 3 provides the research methodology and research design. The chapter discussed the approach to the research in terms of data collection methods, data analysis and the validity and integrity of the data.

Chapter 4 presented the findings, analysis and discussion. The results of the study were presented by integrating the findings from the literature review in line with the primary and the secondary questions. The chapter also presented the results of the Beijing Consensus application in Zimbabwe as well as in Africa in general. The implications of the findings were also being presented in this chapter alongside the findings.

Chapter 5 concluded the research summarising the main findings and finally chapter 6 presented possible areas for future research.

Chapter 2: Literature review

2.1 Chapter Introduction

This chapter reviews the relevant literature so as to locate the research within the wider body of knowledge of which it is part of. The literature review was based on an extensive review of research papers, articles downloaded from the internet, journal articles and textbooks. This enabled the researcher to review work by other researchers who have already done research on the Chinese investments in Africa and compare the results.

The Literature Review begin by examining the origin of China-Africa relationship and what motivated Beijing's foray into the "dark continent," the reasons why Africa was attracted to this development model and whether this model is beneficial to the continent. Thereafter the Review analysed the Chinese developmental model (Beijing Consensus) as to what makes it different from the traditional Washington Consensus that Africa and the rest of less-developed countries have been implementing. The latter part of the review examined the mechanics of the Angola Model as a strategy that Beijing has been using for resource-rich countries in Africa and how this model can assist Zimbabwe in its search for a solution to its economic crisis burdened by an unsustainable debt.

2.1.1 The Sino-Africa Relationship – A Historical Perspective

This introductory part of the chapter presented the background of China's involvement in Africa. While China's initial contact with Africa was 600 years ago in the Ming Dynasty when Muslim Admiral Zheng travelled to the East Coast of Africa, the intensification of this relationship dates back to the 1950s and 1960s. The reason for this is to set and understand the historical linkages that existed between Africa and China and the reasons for China's return to the continent at the turn of the century. The early years of China's relationship with Africa was predominantly influenced by ideology when China committed itself to the frontline of struggle against colonialism.

. When Chinese Premier Zhou Enlai visited 10 independent African countries in 1963, he laid out the eight principles of Chinese foreign aid that would be based on equality, mutual benefit and respect for the sovereignty of the host country (Liu, Zhong and Thompson, 2011).

The turning point for this relationship was after the Bandung Conference in 1955 which marked the process when China began to cultivate ties and offer economic, technical and military support to African countries and liberation movements in an effort to unite them against both super powers (Adisu and Sharkey, 2010). The consolidation of this relationship

culminated in the continent helping China regain its seat in the United Nations from Taiwan, a victory that Mao Zedong, the leader of the People's Republic of China (PRC) described as, "carried into the United Nations on the should of African nations."

When Deng Xiaoping became leader of China, he faced two policy challenges with its aid policy. First, there was realisation that every turn-key project abroad was a sacrifice of China's own modernisation. Secondly there was realisation that aid projects failed after China handed them over to local African governments, signalling a huge waste of China's scares resources hence threatening to slow down China's own development and modernisation. The Chinese authorities responded by claiming that while foreign aid would remain a central part of China's foreign policy, foreign spending would become intensely cost-benefited oriented so as to maximise benefits and reduce costs and structured to benefit China's modernisation (Liu, Zhon & Thompson, 2011). The subsequent framework of this policy was the creation of three policy banks to manage financial resources overseas: China Development Bank (CDB), China Export and Import Bank (Exim) and China Agricultural Development Bank (CADB).

This relationship was further strengthened during the China-Africa Cooperation Forum (FOCAC) held in Beijing in 2000 which was attended by 44 African countries and 80 ministers. This forum is the main state-level mechanism of formal cooperation in China-Africa relations. FOCAC is a distinctively bilateral arrangement in China's relations with the now 49 African countries that recognise Beijing. The forum which is held every three years is principally grounded on the developmentally defined doctrines of a "win-win", non-interference, respect for diversity, economic development and sovereignty involved cooperation on investment, financial operations, debt relief and cancellation, agricultural, natural resources and energy, education and multi-lateral matters (Adisu and Sharkey, 2010; AFRODAD, 2010).

The relationship is also guided by the 2006 China's African Policy through what is termed as the "non-interventionist and non-ideological strategy" which calls for increased trade, more aid and more debt relief. This policy according to Alden (2005) is shaped by four factors which are: China's need for energy security, new market and investment opportunity, symbolic diplomacy and development and forging strategic partnerships.

As it did during the Cold War, China has been seeking to deepen alliances with African countries to enhance its global standing and counter Western influence in world bodies like

the United Nations and the World Trade Organisation (WTO). China seeks to build solidarity with African governments and to present itself as a reliable interlocutor between the developing countries and the developed West. Having managed to reduce poverty from 84% in 1981 to 15.9% in 2005, China regards its development model as offering the best blue print for Africa’s own economic emergence. It also views its foreign assistance as a way of promoting its economic interest and Africa’s development.

The natural resources sector, principally petroleum and to a lesser extent minerals has been the major focus for the Chinese foreign direct investment (FDI). The growth in commercial activity between China and Africa has been accompanied by a significant expansion of Chinese official economic assistance to the region, which is focused mainly on infrastructure and typically channelled through the China-Exim Bank (AFRODAD, 2010).

The Chinese trade and investment in Africa is driven by the following main actors and their motives.

Table 1: Main Chinese actors active in Africa

Main Actors	Main Motive
The Chinese government	tries to implement the government’s strategy with respect to Africa and it coordinates the activities of different actors
State-owned enterprises	Go to Africa as part of the official Go out policy to assure the supply of raw materials
Private Chinese companies	Go to Africa because they see opportunities there and fear cut-throat competition in the Chinese market
The Chinese Embassy in the country concerned	Informs Chinese firms in the country concerned and coordinates activities of different actors
Chinese people	Have different interests, but are driven by strong economic motives to go and work in Africa

Adapted from “New Presence in Africa”, 2009 edited by Meine Pieter van Dijk

These main actors drive the Chinese strategy with respect to Africa guided by the following eight different objectives:

1. Assure the supply of raw materials for China, including agricultural products
2. Create a market for Chinese products and services
3. Obtain land for agricultural purposes
4. Channel migration of Chinese people to Africa
5. Gain diplomatic support from African countries
6. Present an alternative to the Western development model
7. Provide an alternative to Western development cooperation
8. Emphasise China's status as a superpower

The Chinese profile as a donor has placed infrastructure firmly on the development agenda especially in war ravaged and resource-rich countries such as the DRC and Angola and Zimbabwe. (Sanusi Lamido Sanusi, AFRODAD, 2010). This way China has experimented with linking aid to economic development with the controversial “Angola Model” – a resource backed financing agreement where a recipient nation uses its natural resources or commodities to secure low-interest loans for projects. The recipient nation can turn resources into cash when funds are short and develop its extractive industries.

The earliest form of China's development assistance to Africa in the form of infrastructure dates back to the TanZaRa (Tanzania Zambia Railway) railway project completed and handed over to the Zambian government in 1976. This project was taken by the Chinese after the Western world declined to finance it. This was intended to provide a transport corridor to African nations that circumvented South Africa (Corkin, 2007; AFRODAD, 2010).

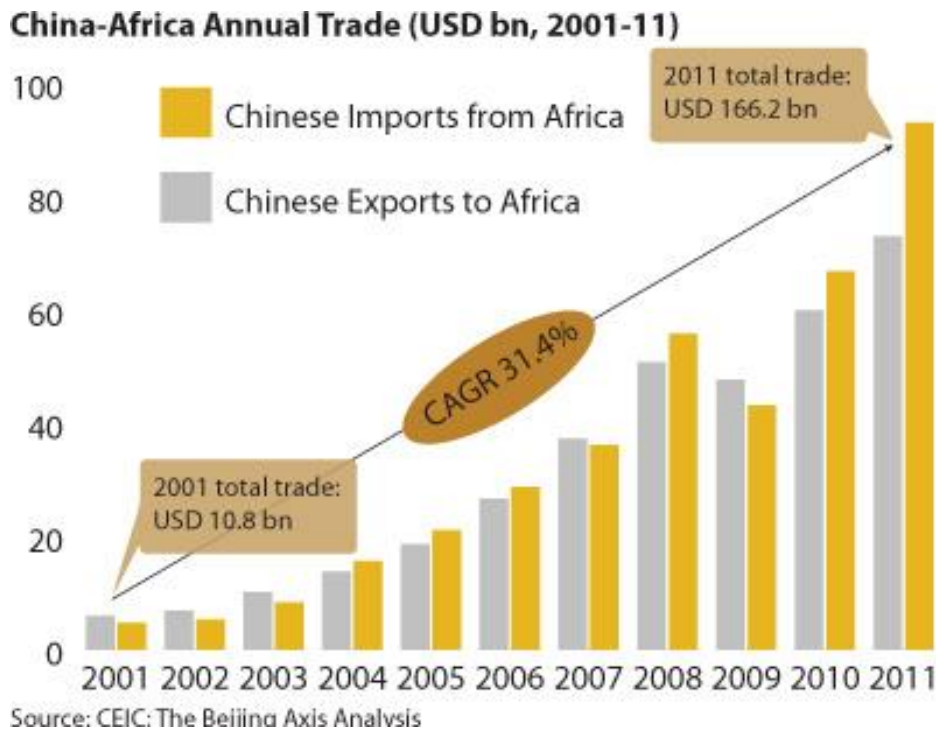
Since then China has increased its economic expansion in Sub-Saharan Africa building vital infrastructure, including dams, ports and roads and helping to renovate government buildings (Zafar, 2007).

2.1.2 Overview of the China-Africa Trade

China-Africa's trade was a paltry US\$12 million in 1950 and it grew to US\$100 million by 1960. This rose to US\$29.5 billion in 2004, nearly US\$40 billion in 2005, US\$55.5 billion in 2006 and US\$73 billion in 2007. By 2011, the China

Africa trade reached USD 166 billion (see Figure 1); an indication of the strengthened relationship between the two regions with South Africa and Angola remaining as China’s largest trading partners.

Figure 1



This was a new record high and an increase of 31 per cent year on year (The China Analyst, 2012). As reported by Zafar (2007) in 2004, real GDP in Sub-Saharan Africa accelerated to 5.1 per cent, the highest in almost a decade underpinned by the strength of the global economy and more by oil and commodity prices. This has seen China surpassing the United States as Africa’s most important bilateral trading partner. Even with this phenomenal growth trade, Africa constitutes only about 10 per cent of China’s global trade. On the other hand, more than 10 per cent of Africa’s total trade is with China (Shinn, 2011).

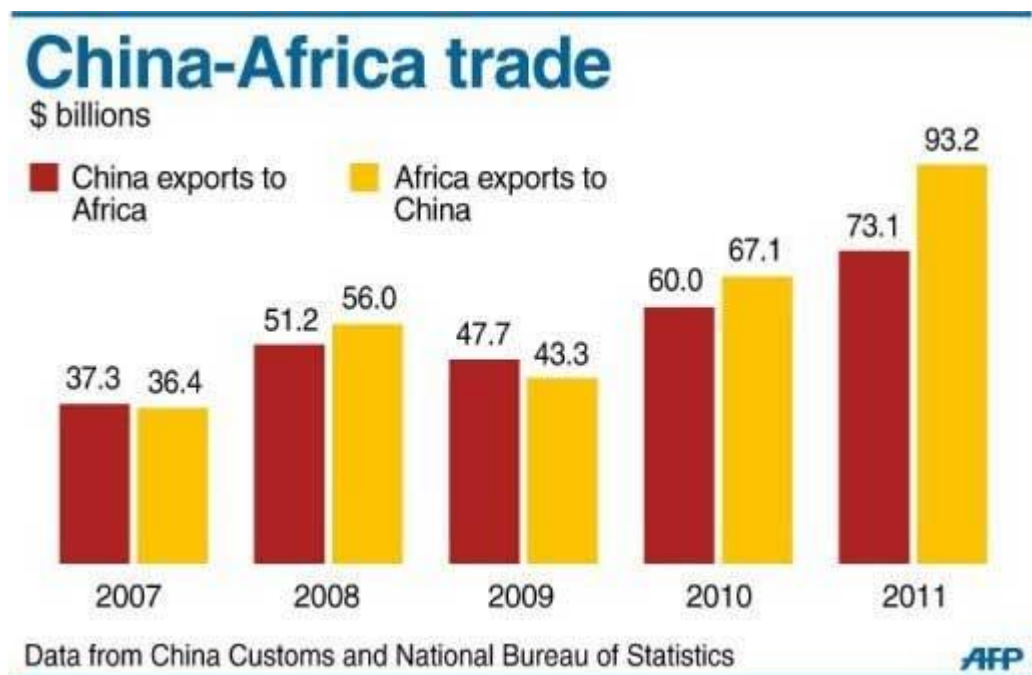
In terms of trade balances, China had a US\$10 billion trade surplus with Africa in 2009 as a result of the drop in the price of oil. About 70 per cent of Africa’s exports to China are crude oil followed by raw materials (mostly oil) at 15 per cent. About 15 African oil and mineral exporting countries have large trade surpluses with China while more than thirty others have sizeable trade deficits. For this latter group, China has taken steps such as duty free imports

from poorer African countries to rectify the situation (Shinn, 2011). Overall trade between China and Africa is led by oil exporting countries such as Angola, Sudan and Nigeria.

The region has seen a surge in a positive economic environment that has seen the region sustaining real GDP of 4 to 6 per cent for quite some time and growing above the world average and even faster than Latin America since 2002. This can be attributed to the richly endowed countries of the region which now possess opportunities to harness their natural and invest the proceeds to broaden its economic base for supporting economic growth and poverty reduction.

In 2011, China's imports from Africa totalled USD 93.2 billion (see Figure 2), up 40 per cent year on year with five-biggest African exporters to China (South Africa, Angola, Sudan, Democratic Republic of Congo (DRC) and Cong-Brazzaville accounting for nearly 80 per cent of China's imports.

Figure 2



During the same year, China's exports to Africa totalled USD 73.1 billion, up 20 per cent year on year with five-leading export destinations for Chinese goods in Africa – South Africa, Nigeria, Egypt, Liberia and Algeria accounting for 54 per cent of the continent's total imports. Between 2001 and 2006, China's exports

relative to the price of imports from China improved by 80-90 per cent as a result of rising world prices for oil and raw materials which are Africa's main exports.

While China's presence in Africa is driven by economic self-interest, both Africa and its traditional development partners stand to benefit from Sino-Africa relations. But it has also raised major policy challenges for African governments and international donors as is discussed elsewhere in this report.

2.1.3 Why Look East?

The move by African countries towards the east and the reasons forthwith is well-documented (AFRODAD, 2010; Schmitt, 2007; Rebol, 2010; Alden, Large and Oliviera, 2008; Davies, 2010 and Brautigam, 2009) just to name a few but what is lacking in the literature is the consensus as to whether this move is in the best interest of the continent.

AFRODAD (2010) established that most African countries who are threatened by natural dissent, external pressure to reform, slammed by sanctions find a safe refuge in China-Africa relations. For most, the reason is not only concerned with getting rid of Western interference in their domestic issues and preserving national sovereignty, but to them China seems to be an alternative to the Western economic prescriptions marred by aid conditionalities. China's non-interference policy in the governance and human rights issues of these countries seems to be one of the more attracting factors than anything else.

In most parts of Africa where resentment of the West prevails, China is perceived by governments as the new 'economic messiah', a new investor and a new friend in a world where there is growing uneasiness over what African governments perceive to be patronising attitudes of the West.

Kenaan (2009) provides an economic reality that China can provide the much needed funds Africa requires for development considering that the Western countries have been providing relatively less aid in ways that have been less appealing to the recipient countries. For a number of years African leaders have chaffed at the broadening range of conditions attached to aid or loans.

Kenaan (1990) went further to suggest that some African states have also partnered with China for reasons that China's deals provides more opportunities for leaders to enrich themselves than deals with the West. This is so because China does not require recipient countries to implement anti-corruption measures. Dijk, (2009)'s point is that China has a lot of goodwill in Africa based on the fact that China is a developing country itself that also helped Africa in the 1960s and 1970s and the fact that the Chinese are not lecturing the Africans on how to behave and telling them what they should do.

A World Bank (2007) research on infrastructure in Africa observed that China's approach to financial assistance is different from that of traditional donors, and forms part of the broader phenomenon of south-south economic cooperation among developing nations. The principle underlying this support is therefore one of mutual benefit, reciprocity and complementarities and are grounded in bilateral agreements among states.

Davies, (2010) reckons it is China's developmental finance approach with its higher tolerance of investment risk than traditional funding mechanisms that is increasingly appealing to African states over models that may not always cater for the developmental needs of resource rich countries but developmentally poor African economies.

This view is further reinforced by Schmitt (2007) and the World Bank (2007) stating that in most African countries, the new Chinese engagement is highly appreciated, especially at political level. It counters the perceived "post-colonial hegemony" of the West and gives additional room for manoeuvre in negotiations with donors. China's support is known to be realised fast – it does not involve tedious negotiations with a high number of conditionalities attached. The fresh approach to development assistance by China eschews any interference in domestic affairs, emphasises partnership and solidarity among developing nations and offers an alternative development model based on a more central role of the state.

Idun-Arkurst and Laing, (2007) state that China forgives the debts of borrowers that develop strong political and economic relations with it within an agreed timetable. On top of that Chinese development aid helps to finance infrastructure

projects, including road and railway rehabilitation, hydropower stations, stadia, hospitals and schools. By 2005, Chinese companies had been contracted 722 turn-key projects across Africa. By mid-2006, total China Exim bank concessional and non-concessional loans for infrastructural development in Africa excluding projects in the petroleum and mining sectors, were US\$12.5 billion.

The Chinese funded Bui Dam's Executive Secretary at Ghana's Secretariat Project Mr. G.D. Boateng was bullish about the Chinese presence:

“With Chinese assistance, old development plans that were jettisoned at the instance of development partners are now being revived and are being executed at much lower costs.” Before the Chinese came, “the Bui Dam project had been on the shelf since the 1960s. We had expressions of interest from a number of Western companies in the 1990s and in 2001, but they all fell through because those companies didn't see the project as bankable. Now with the Chinese assistance the project has gone off the shelf to the ground and this time it is an integrated project that includes the building of a new city around Bui and the idea came from the previous projects in China

In support of the above view, in *This Day* (2005) cited in Adisu and Sharkey (2010) reported that the Chinese were not imposing the neo-liberal package of reform usually required by the World Bank under its “conditionality provisions”. Chinese aid by contrast comes without strings attached and is seen as supporting initiatives by African states to address development issues not solved by Western investment.

All these views were reinforced by Brautigam (2009) when she stated that for so long Africa has been dubbed the failed continent and the only images of Africa as portrayed from abroad is that of a continent characterised by civil wars, hunger, corruption, hunger and sex crimes. She correctly pointed out that it would appear that anything that would change this perception would be welcome albeit whatever cost.

China makes no specific political demands, and allows African countries to retain complete sovereignty. China's only demand for entering into commercial

relations is a complete break of links with Taiwan (Lafargue, 2005). China, being a developing country that has succeeded has created an image that is appealing to African countries.

These sweeping calls for Africa to 'Look East' in a new, more optimistic age of economic growth and apparent political opportunity had one Kenyan newspaper posing the question: *With China calling, is it time to say goodbye to the US and Europe?* That question, according to Alden, Large & Oliviera, (2008) is important and will be considered for some time considering that there have been growing concerns that China's relations with Africa replicate and reinforce established patterns that are unfavourable to African development.

2.1.4 So what is the “Beijing Consensus”?

China's phenomenal success has given rise to the debate about what the “Beijing Consensus” is, its reasons for achievements and the implications for broader debates about what constitutes the most appropriate development strategy for developing countries generally. This idea of China as a model for prosperity as highlighted by Brautigam, (2009), Rebol (2010), Broad & Cavanagh (1999) and Williamson (2010) has captured the imagination of many ordinary Africans although others fear the threat of competition from the Chinese industrial juggernaut.

This debate is centred on what the term could mean, with each school projecting a different view. According to Rebol (2010), the US neoconservatives often reduce it to economic growth without the constraint of political institutions, others emphasise the aspects of liberal trade and finance and yet others point at state guided development with concern for stability. In examining what constitutes the Beijing Consensus, Rebol (2010) provides an analysis of how this successful Chinese development model mean. The term was coined by Goldman Sachs China advisor Joshua Cooper Ramo when he in 2004 famously wrote in an article that:

“China is making a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world

with a single massively powerful centre of gravity. I call this new centre and physics of power and development the Beijing Consensus”.

The “Beijing consensus’ is crafted along three principles of innovation, chaos management promotion and theory of self-determination against the Washington Consensus’ ten rules namely fiscal discipline, tax reform, public expenditure priorities, competitive exchange rates, privatisation, trade liberalisation, liberalising interest rates, deregulation, liberalising of inward FDI and property rights. Ramo (2004: 12) cited in Turin (2010) states that in order to outpace the “friction losses of reform,” government must actively innovate in order to address the challenges introduced by the changing economic and social environment.

The theory of self-determination emphasises the need for developing countries to actively seek independence from outside pressure that is imposed by “hegemonic” powers such as the United States. This is evidenced in the fact that China stubbornly refused to submit to outside pressure and instead pursued its own priorities. This according to Gresh (2010) cited in Turin (2010) emphasises that developing countries can plan their own development without having to accept the unfavourable terms of the Washington Consensus. This is particularly true for African countries where western countries have had a long history of incursion and exploitation, this proposition of self-determination is highly appealing.

In expanding the three principles mentioned above, William (2012) has identified five policies that China has pursued. These policies are incremental reform, innovation and experimentation, export-led growth, state capitalism and authoritarianism. In terms of incremental reform, Williamson (2012) quotes the often repeated Deng’s phrase about “*grouping for stones to cross the river.*” He emphasised that it is better to seek modernity by incremental change than through committing all on a “big bang” designed in abstract and imposed from the above. This certainly fits with the way that China has introduced many reforms first in a particular province rather than springing unproven on the whole society at one time. A good example is how China established the Special Economic Zones (SEZs).

On the subject of innovation and experimentation as a derivative policy, Ramo emphasised that there is great value in constant innovation and experimentation. China's rise as an economic power house has been attributed to the way China experimented with different models and its innovativeness. The export-led growth China has pursued is obviously a product of the SEZs Beijing introduced in the early years of its economic and policy reforms.

While China has never explicitly announced its abandonment of socialism, there is no longer any pretence of central planning. Resources are now obtained via the thoroughly capitalist means of buying them at market prices. But many companies remain state-owned-enterprises (SOE) and maintain an advantage in bidding for resources in the so-called free market by virtue of the fact that many banks are also state-owned and prefer lending to SOEs. Davies (2010) highlighted that the state capitalist approach applied by Beijing is unique in that the government is able to make sweeping pronouncements, often on behalf of its business sector, to invest and commit capital to Africa.

A hallmark of Chinese policy in the international arena has been the support of national sovereignty irrespective of the content of the decisions implemented or the characteristics of the regime power. This cheerleading for democratic ideals under the umbrella of national sovereignty especially towards less-developed countries has been one of the attractiveness to the China model. At the same time, while the ideal may be collective good of the community rather a summation of individual well-being, the Chinese leadership accepts that it has responsibilities rather than aiming for its own satisfaction. Williamson (2010) believes these development policies are the content of the phrase "Beijing Consensus."

2.1.5 How does it differ from the Washington Consensus?

The issue of what makes the Beijing Consensus unique in comparison to the Washington Consensus is at the core of this study and has been a subject of interest by researchers, academics, scholars, policy-makers and even politicians. The difference between these models is summarised in table 2.

Table 2: Washington versus Beijing consensus for achieving economic development

Washington consensus versus	Beijing consensus
In economic terms	
1. Free markets and an important role for government in the private sector	1. Important role for the economy
2. Loans, but under strict conditions	2. No conditions for soft loans
3. Projects: use local companies to create employment	3. Use Chinese companies, employment and technology
4. Transfer of technology, knowledge and experience (capacity building)	4. No transfer of knowledge and experience
In political terms	
1. Democracy	1. No recognition of Taiwan
2. Liberalisation	2. Political support for China in the United Nations and other fora
3. Limited time for political functions (2 times five years for example)	

The Washington Consensus as a phrase was coined by John Williamson in 1989 in response to the inadequacy of Latin American reforms. He identified areas that needed further improvement embodying ten rules namely, fiscal discipline, tax reform, re-ordering public expenditure priorities, competitive exchange rate, privatisation, trade liberalisation, liberalising interest rates, deregulation, liberalising of inward FDI and property rights.

According to Ramo in Dijk (2009), both the Washington and the Beijing Consensus pursue the same goals but in a different order of priority, with Beijing giving priority to stability and development while the Washington consensus views reforms as a pre-condition for stability and development. While the Washington consensus favours privatisation, the Beijing consensus encourages the use public money and a push to protect public property.

Corkin (2007) and Idun-Arkhurst and Laing (2007) in their discussion found out that the fundamental difference inherent in China's overseas development

assistance to Africa as compared to Western donors is that Chinese aid comes without political or economic preconditions, such as transparency and good governance, as insisted upon by most aid organisations and IFIs. Unlike the Paris Club of donors and the international financial institutions, China exerts no political pressure on African governments for political and economic reforms. China is only declared condition as stated above is the recognition of its “one-China” policy, by which African governments are expected to break off diplomatic relations with Taiwan Chinese diplomats repeatedly emphasise that this is in order to uphold the “non-interference” principle one of the cornerstones of China’s foreign policy.

Corkin (2007) emphasised that the apparent Chinese interest in the needs of African states, as opposed to the West’s dictatorial approach that told developing states what was needed, encouraged a positive view of Chinese donors that furthered a belief that the Beijing Consensus had more to offer than the Washington Consensus. Another clear message from the Chinese stakeholders is that whenever African countries raise concerns, China is willing to adopt those changes as opposed to the dogmatic and rigidity approach by the Westerners.

Another striking feature about China as a donor to Africa is that the former is also a developing country, suffering many of the socio-economic challenges as the latter. This has arguably informed China’s approach to foreign aid in its rhetorical emphasis on a development partnership, as opposed to donor-recipient relationship as well as a consciousness of the sensitiveness of sovereignty and self-determination, as reflected in the policy of non-interference (Corkin, 2007).

China’s loans to Africa have more favourable terms and give the African governments more ownership over their expenditures. Western aid is more prescriptive and makes the fundamental error of bruising a country’s sense of sovereignty.

2.1.6 Is it all a Win-Win Situation?

One of the most contentious issues in China-Africa relations is how to evaluate China’s rapidly expanding role in the continent especially in the area of energy and resource extraction. The economic and strategic consequences of China’s

increased focus on Africa have been a subject of much debate locally and international but it appears less attention has been paid to the likely social consequences of China's increased interest in Africa (Kenaar, 2009).

The intensification of the economic ties between the two regions has led some to question China's motives. While the China-Africa Policy is understood to be based on a win-win situation, not every African is singing a lyrical ballad to the Chinese presence. Concerns have been raised as the situation on the ground appears to be in favour of the Chinese. One side argues that Africa has never been better off than it is now as it now has the opportunity to fulfil its development aspirations. On the other side are those who equate China with the Western world whose only interest in the continent is to plunder the resources and leave it poorer.

A number of studies (Adisu and Sharkey, 2010; Lafargue, 2005; Jiang, 2009; Kenaar, 2009) have formed a good base for further debates and analysis on this subject. There is a growing trend to view China's rapidly evolving presence in Africa as a force of good for the continent after its stagnation in the post-independent decades. Senior Chinese policy makers and diplomats have confidently expressed the view that Western colonial powers had their chance to deliver development to Africa in the second half of the 20th century but they failed miserably. Now it's China's turn to provide an alternative development path, one that is primarily based on the Chinese development lessons (Jiang, 2009).

Some have described the Sino-Africa partnership that has been marked by China's rising power in geopolitical and economic spheres as a new form of colonisation where African countries supply their raw materials to China while the latter sends back finished goods to Africa under the paradigm of free trade. The alarm bells being sounded emanate from what appears to be China's duplication of the same social and environmentally destructive economic model already being followed by the West (AFRODAD, 2010).

Adisu and Sharkey (2010) and Chatelard (2012) believe the main motive for Chinese relationship with Africa is to gain access to the abundant raw materials that Africa offers. Chatelard (2012) reports that while some argue that China is a

21st Century partner for development and a unique catalyst for growth, critics fear that China is a new colonial power, plundering Africa's natural resources and exacerbating existing patterns of corruption and inequality.

Wang and Bio-Tchane (2008) raises concerns on how China's growing presence might affect Africa's development. They state that many African nations worry about its possible impact on local industries and employment while major industrial nations worry about the lack of donor coordination and rebuilding of debt burdens in poor countries that have benefitted from their recent debt write-offs,

While China's entry into Africa has been welcomed by a number of African countries as a less intrusive source of finance, traditional donors and civil society groups argue that it could frustrate efforts to develop international consensus on reform, accountability and transparency, and regulate export credit agency projects that may slide Africa into a new debt trap and environmental degradation (AFRODAD, 2010).

2.2 The Dilemma for Zimbabwe

This part of the research attempt to link the Chinese investments in the continent with what is taking place in Zimbabwe. When the subject of China in Africa is mentioned especially from the international arena, the Zimbabwe and China story is inescapable as Zimbabwe believes that China will be able to solve its economic challenges as will be debated later in this study. The focus of this part is to establish the feasibility of applying the Angola Model to the Zimbabwean situation and determine if this strategy can be beneficial to the country. The Chinese have applied the model in Angola after which it was named and the strategy seems to have helped the Angolans in reviving its economy that had been ravaged by a 27 year-old civil war.

2.2.1 Overview of Zimbabwe's Crisis

The Zimbabwean government inherited a US\$700 million debt at independence in 1980 from the Rhodesian government (Jubilee Debt Campaign, 2011), a debt which the country wanted to repudiate. The short-term high interest debt placed a

huge strain on the resources which were geared towards the reconstruction and rehabilitation of infrastructure that was destroyed during the liberation war.

In order to finance these projects, the government had to borrow from foreign governments, private banks and the international financial institutions such as the World Bank (WB) and the International Monetary Fund (IMF). Fundamental policy differences between the country's policy makers and the Bretton Woods institutions led to the deterioration of the economic situation. By 1987 the debt-export ratio had spiralled to 35%. However, common ground was struck and the two agreed to implement a series of economic reform programmes.

In came the period of the SAP which resulted in a 'gold rush' for new credit and marked a new structure, composition and magnitude of the country's debt profile. The new loans were costly with nearly US\$3.5 billion new loans over a period of three years. According to the Jubilee Debt Campaign (2011) most of the loans were given with little transparency and accountability, driven by the interests of the lenders on one end and the political elite rather than the needs of the Zimbabwean people on the other end. While these funds from the IMF and World Bank came with conditions that were meant to place the country on a sustainable growth path, the reform programmes did not produce the desired outcomes. The conditions of the loan was that the country had to follow a World Bank Economic Structural Adjustment Programme (ESAP) that included devaluation of the currency, restrictions on government spending that included investment in infrastructure and wage freeze while the private lender's debt attracted high interest rates which eventually became difficult to repay.

The economy began to tumble. There was a 14 percent contraction in manufacturing output, 5.8 percent decline in per capita GDP. The external debt exposure jumped from 175 percent before ESAP to about 250 percent of debt stock to exports post ESAP (ZDDI, 2010). Prior to this, the economic growth was high averaging 4.5 per cent compared to elsewhere in Africa. The devaluation of the currency led the economy shrink by 20 per cent between 1981 and 1990 leaving the country with relatively fewer resources to pay foreign debt.

In an effort to slow down the economy from bleeding, a series of negotiated debt restructuring arrangements that often included new credit lines were negotiated

albeit on more stringent conditions. Failure to service the debt resulted in withdrawal and suspension of new credit. This resulted in the isolation of the country further constraining its ability to access any future donor funding (ZDDI, 2010).

The debt situation was further aggravated by a period of economic ineptness and unsustainable borrowing on the domestic markets, disruptive political environment and a series of misguided macroeconomic policies that were in some instances well intended but poorly implemented (ZDDI, 2010). Between 1986 and 2007 Zimbabwe has gone through more than five economic blueprints as shown on Appendix A.

Meanwhile the country was witnessing a very deeply entrenched economic crisis, the worst in its modern history. According to the World Bank (2013), while Zimbabwe was on the path to middle income status in the 1980s and much of the 1990s, it has since suffered from protracted fragility induced by recurrent cycles of political and economic crisis. In the last decade and a half, Zimbabwe reversed the social and economic strides it had made since independence. Between 1998 and 2008, GDP declined by an estimated 96.5 percent and the hyperinflation due to poor macroeconomic management that emerged in 2006 caused critical services to fail. A large number of skilled workers in both Government and the private sector left the country, and commercial farming which had been the backbone of the economy collapsed as the government forcefully expropriated land under the Fast Track Land Reform Programme.

The economic crisis peaked in late 2008 when extreme hyperinflation resulted in de facto abandonment of the domestic currency. Official year-on-year inflation reached 231 million percent in July 2008, although estimates by independent economists put the figure at the end of October 2008 at above 2 quintillion percent and unemployment at 80 percent. The government filled the gap by printing money that further induced spiralling hyper-inflation. According to John Hopkins University economist Steve Hanke's calculation, Zimbabwe's annual inflation was by November 2008 the second highest in history at 79.6 sextillion percent, meaning that prices were doubling every 24.7 hours (Richardson, 2013). In 2008, 24 new currency denominations were introduced. The IMF had

estimated that real GDP in 2008 fell by 14 per cent over and above the cumulative decline of 40 per cent between 2000 and 2007 (ZDDI, 2010). The same year witnessed real income per head dropped to its lowest since 1960 as shown in Table 3.

Table 3: Real Income per head (1963-2013)

<u>Year</u>	<u>US\$</u>
1960	390
1970	515
1974	580
1980	500
1990	537
1991	552
2000	535
2008	280
2013	370

Source: World Bank Database

The Short Term Economic Reform Program (STERP) implemented by the inclusive government between 2009 and 2012 witnessed a remarkable recovery of the economy as shown by the economic indicators (see Table 4). Policies such as cash-based budgeting introduced by the Ministry of Finance ended the distortionary quasi-fiscal policies and the dollarization of the economy managed to set the appropriate platform towards economic stability (Leo and Moss, 2009). These efforts according to Richardson (2013) witnessed Zimbabwe's GDP growth averaging an impressive 7.3 percent making it one of the world's fastest growing countries surpassing Hong Kong, a territory with a stable currency and one of the freest economies in the world.

The Zimbabwe's economy growth recovery trajectory witnessed the country taking off at a growth rate of 6 percent in 2009, 9 percent in 2010, and 9.3 percent in 2011 before coming down to 5 percent in 2012. The inflation rate began at -7.7

percent in 2009, 3 percent in 2010, 4.9 percent in 2011 and 3.7 percent in 2012 managing to keep inflation below its target of 5 percent during the period.

Table 4: Zimbabwe: Economic Indicators					
	2009	2010	2011	2012 Est	2013 Proj
Real GDP growth (%)	6.0	9.0	9.3	5.0	5.0
Fiscal overall balance, inc. quasi-fiscal (% of GDP)	-2.9	-2.6	-3.1	-10.4	-3.8
Fiscal primary balance, inc quasi-fiscal (% of GDP)	0.5	-0.1	-1.1	-8.4	-1.9
CPI inflation (% , annual average)	-7.7	3.2	4.9	3.7	5.6
Broad money (M3, % of GDP) *	31.0	28.4	34.4	39.0	38
Domestic credit (% of GDP) *	56.5	21.0	29.3	40.1	40
Private credit/domestic credit (%)	105.4	105.6	101.0	100.8	8.5
Exports (% of GDP)	27.7	43.1	44.6	47.8	46
Imports (% of GDP)	55.1	68.5	63.7	66.3	63
Current account balance (% of GDP)	-24.4	-21.1	-35.5	-20.1	20
External debt (% of GDP)	124.0	121.3	111.1	116.3	116
Official foreign reserves (months of imports) *	1.0	0.4	0.3	0.2	0.2

Source: World Bank (2013) Interim Strategy Note for Zimbabwe FY 13-15; * IMF estimates

In June 2011 the inclusive announced the launching of another economic blueprint expected to chart the way forward for the economy during the medium term amid fears that the document, like its predecessors, would be consigned to desk-drawers. The Medium Term Plan (MTP), a successor to the Short Term Emergency Recovery Programme (STERP) was expected to calm the nerves of investors would run up to 2015. Unlike previous documents such as the Economic Structural Adjustment Programme (ESAP) which according to the permanent secretary for Economic Planning and Investment Promotions Dr Desire Sibanda, was foisted on to the country, the new plan was home-grown.

The recovery of the Zimbabwe economy during this period was as a result of off-budget support from the United States and Europe (see table 5) and a one-time hardship grant of US\$500 million from the IMF in special drawing rights (SDRs), while China was advancing loans. Apart from this, the Zimbabwean government

continues to find it difficult to borrow from the outside to pay for its deficit spending.

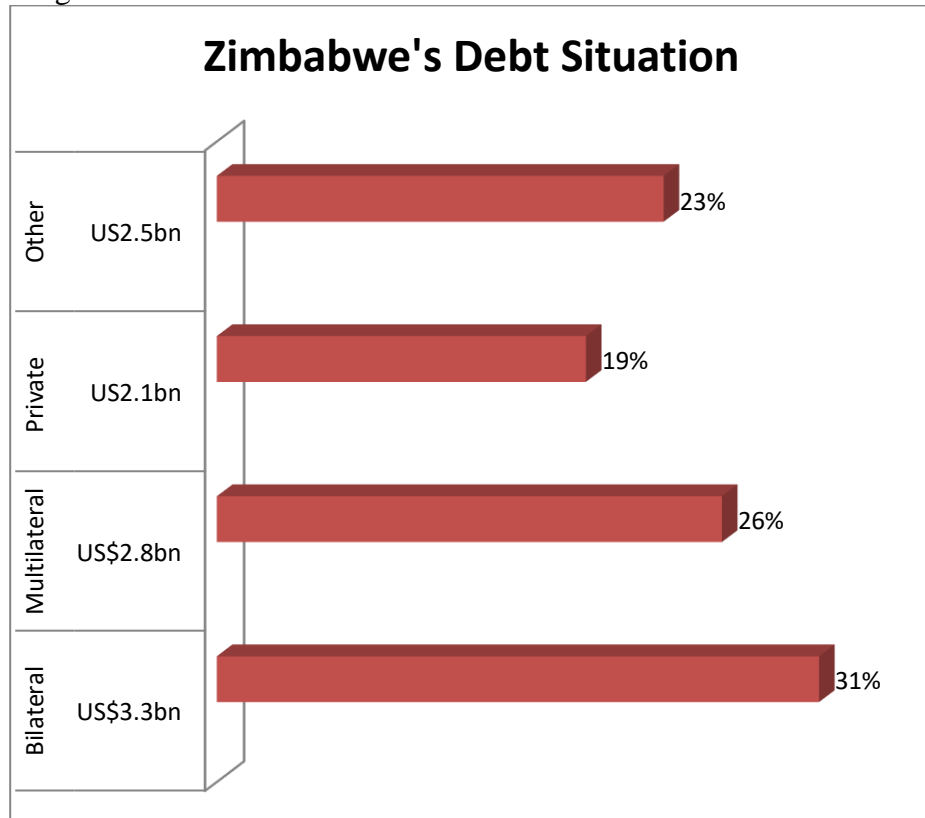
Table 5: Zimbabwe: Sources of off-budget support, 2011

Bilateral partners	2011 Projected expenditure (US\$ millions)	Percentage share %
Australia	50.0	9.31
Canada	15.0	2.79
Denmark	18.1	3.37
European union	5.9	16.00
Finland	8.2	1.53
France	TBA	TBA
Germany	38.9	7.25
Ireland	6.0	1.12
Japan	15.8	2.94
Netherlands	22.2	4.14
Norway	13.6	2.53
Sweden	32.3	6.02
Switzerland	11.8	2.20
UKAID	85.9	16.00
USAID	133.1	24.80
Total	536.80	100.00

Source: Richardson (2013)

Apart from this impressive growth, the Zimbabwean's external debt stock including arrears was at the end of 2012 estimated at US\$10.7 billion, representing 116% of Gross Domestic Product (GDP) of which about 70% is in arrears. The bulk of the debt is owed to the bilateral creditors amounting to US\$3.3 billion or 31% of the debt, followed by multilateral creditors at US\$2.8 billion or 26% of the debt, other debt at US\$2.5 billion or 23% of the debt and private debt at US\$2.1 billion or 19% of the debt (Figure 3).

Figure 3



Source: Author's own calculations from UNDP Brown Bag Dialogue Series

After a long spell of neglected infrastructure, the recovery of the Zimbabwean economy hinges on rehabilitation as well as new infrastructure to drive the economy to a sustainable growth path. It is estimated that the country needs about US\$15 billion for the next three years to cover the resource gap and US\$45 billion for the next 10 years for it to recover to the 1997 GDP levels.

Strategic policy response discussions and debates to the debt overhang have been going on amid a number of options. The country's prominent economist and University of Zimbabwe (UZ) Business School Head Antony Hawkins consider that Zimbabwe must declare itself for HIPC debt relief mechanism. He has been emphatic about what he considers to be the only solution when he said, *"We will, however, have to bite the bullet sooner rather than later. But our politicians say we are not poor because we are rich with lots of mineral wealth such as diamonds,"* he was quoted (Chanakira, 2013).

The country is currently facing a severe liquidity crunch which is causing the country fail to get liquidity both locally and international due to the debt overhang and bad credit rating. The situation is worsened by a balance of payment account which currently does not appear to be stabilising as the country continues to import more than it is exporting as shown on table 6.

Table 6: Zimbabwe: Balance of Payments (US\$ m unless otherwise stated)

				Est.	Projected	
	2009	2010	2011	2012	2013	2014
Current account	-1.339	-1.913	-3.249	-2.262	-2.373	-2.201
Trade balance	-1.600	-1.844	-3.066	-2.656	-2.673	-2.492
Exports (f.o.b)	1.613	3.317	4.496	4.054	4.189	4.515
Imports (f.o.b)	-3.213	-5.162	-7.562	-6.710	-6.862	-7.007
Nominal GDP	6.133	7.433	8.865	9.802	10.978	12.280
Current acc bal (% of GDP)	-21.8	-25.7	-36.7	-23.1	-21.6	-17.9
Usable int. reserves	312	197	182	143	171	270
Months of imports/exports	1.0	0.4	0.3	0.2	0.3	0.4

Source: Author's compilation from IMF (SMP) Zimbabwe Country Report: 13/29 (2013)

Zimbabwe urgently needs lines of credit to enable it to reopen industries and boost capacity. The once opened lines of credit are getting dry including the once promising support from China as Zimbabwe defaulted on a 2003 Chinese US\$200 million advanced to procure farming equipment. The Chinese are now reluctant to offer more funds without any collateral to which Zimbabwe has considered obtaining more loans pledging its natural resources as collateral. Zimbabwe has failed to attract foreign investment, especially from the Western world who demand more political reforms and are also anxious about the indigenous law that requires that 51 percent of firms worth over \$500 000 should be owned by black Zimbabweans.

As reported in the Financial Mail, Hawkins (2013) maintained that the Zimbabwean government does not seem to embrace the idea of debt relief route seeking to go it alone – backed as expected by its all-weather friend China and other friendly nations. However, the go-it alone option is increasingly getting unattractive, not least because, having borrowed offshore since and with an accumulated arrears of US\$7 billion, foreign lenders are not exactly queuing up to make loans. Even with China, after having defaulted on a US\$200 million loan advanced to procure farming equipment, the taps are drying. Similarly, with the indigenisation law restricting foreign investors to 49 percent of the equity, inflows of FDI have been disappointingly low.

“This debt issue according to Andrew Bvumbe, head of the Zimbabwe Aid Debt and Management Office (ZADMO) is a development challenge to Zimbabwe and without its resolution there shall be no access to development resources from the international financial institutions,” The former Finance Minister, Tendayi Biti concurred that the non-resolution of the debt issue has become a major impediment to Zimbabwe’s rapid economic recovery undermining the country’s creditworthiness making it impossible for the country to attract any new funding from the IFIs and the private creditors. The consequence of the debt overhang has caused adverse effects in an effort to steer the economy on a sustainable recovery growth path.

Bravely enough, some government officials speak of ‘leveraging’ the country’s mineral reserves by mortgaging to offshore lenders at very high interest rates to repay the debt, but this is an expensive, not to say unnecessary option when given political flexibility on Zimbabwe’s part, donors would be prepared to sign a debt forgiveness deal (Hawkings, 2013).

In view of the above scenario, Zimbabwe has decided to collateralise its natural resources for lines of credit along the Angola Model. The strategy is premised on the undertaking that the country is endowed with vast amounts of natural resources that it can utilise (ZDDI, 2010). Will according to the Zimbabwean President, Robert Mugabe “*turning to the East where the sun rises and giving our backs to the West, where the sun sets*” be the alternative solution (Karumbidza, 2013).

2.2.2 Zimbabwe-China Relationship

The relationship between Zimbabwe and China is driven by the Look East Policy adopted in the early 2000s at a time when the relations with Western countries turned sour due to the country's failure to service its debt. International isolation and a bad credit record left Zimbabwe desperate for a shoulder to lean on (Machadu, 2012). The policy adopted in 2003 sought to expand bilateral and trade relations between the two countries. The general decline in Zimbabwe's socio-economic structures forced the country to approach the East Asian block in particular China for salvation. As a result of the Look East Policy thousands of Chinese nationals have 'invested' in the country (Radiovop, 2012). While the Look East Policy was never ratified in the legislature, it has nevertheless remained the guiding policy for engagement with the Asian tigers as emphasised by the Zimbabwean President Robert Gabriel Mugabe when he said,

"Let us not forget that the material assistance that helped us liberate this country came from China It is very important to develop the Look East Policy because that is where people who think like us are, same history of colonialism as ourselves (and) people who have started developing their economies,"

The motives for Zimbabwe adopting the policy have been varied and controversial as scholars proffered diverse reasons. According to Chingono (2010), it is difficult to ascertain if Zimbabwe would have adopted the Look East Policy had sanctions not been imposed on the country judging from what one government minister was quoted saying,

"And now that we are in the situation where the West has abandoned us, and they want to see Zimbabwe go under, go down the drain, our leadership, our government, our party decided that we go back to our old time friends, our all-weather friends and those friends are the Chinese."

Beijing's relations with Zimbabwe include diplomatic support, economic and trade deals and close military ties. For a country tagged as a pariah state, China

remains its only major international supporter and a patron for its neo-communist land reform policies and resource exploitation (Eisenman, 2013).

According to Miller (2012) China has become increasingly central to the Look East policy. In the first nine months of 2011 alone, Sino-Zimbabwean trade increased 62 per cent, totalling US\$171 million. However, the trade is tilted in favour of China, a price to pay for desperation. According to Machadu (2012), the Zimbabwe 2010 exports to China were valued at \$237 million, while imports were \$557 million, a trade deficit of \$ 320 million. During the period 2006-2010, exports to China grew in value by an average 31 percent per annum and imports by some 32 percent. The top exports are unmanufactured tobacco, ferro-chromium, chromium ores and concentrates, cotton, edible nuts, nickel sulphates and granite – all unprocessed commodities. Zimbabwe in turn imports all finished goods ranging from cheap clothing, electrical apparatus, exercise books, bicycles, generators and engines.

China has also made investments in a host of industries including telecommunications, construction and most importantly mining. China supplies Zimbabwe with expertise, technical assistance, and agricultural equipment that include tractors and agro-processing. The Chinese state –owned firm, China International Water and Electric, has been contracted to farm 250 000 acres in southern Zimbabwe. Chinese and Zimbabwe developers believe the project will yield 2.1 million tons of maize every year, and require the building of massive irrigation system (Eisenman, 2005).

The interest of China in Zimbabwe as in any other African country has raised a number of questions. One of the questions that have been raised elsewhere is whether China is indeed a loyal friend and a business partner. While the answer to this question is a mixed bag as will be shown elsewhere in this report, China is important to Zimbabwe for a number of reasons.

First as a member of the Security Council with veto power, China demonstrated its true friendship with Zimbabwe when the country was threatened with further sanctions after the United Nations condemned “Operation Clean-up” or “*Murambatsvina*” in Zimbabwe’s vernacular language saw hundreds of Harare residents left homeless and also after the 2008 disputed elections. It has been

argued in some circles that the main aim of the so-called clean-up was to make way for the Chinese informal traders as most of the displaced citizens were engaged in informal trade which has ironically become an off-shoot of the Chinese presence in the country. On both occasions China with the help of the Soviet Union vetoed the resolution.

Secondly the meteoric rise of China as an economic power house is an important factor for Zimbabwe. China has become one of the largest trading country in the world and is poised to replace the United States as the largest economy in the world as early as 2020. China has not only become the manufacturing factory of the world, but it has returned to the centre of the world. So no country would afford to ignore the soon to be the largest economy in the world, Zimbabwe included.

The Chinese have managed to secure contracts to develop Zimbabwe's agricultural, mineral and hydroelectric resources. The Look East Policy provides Beijing with opportunities to unearth Zimbabwe's valuable natural resource which the country is unable to do due to its vast poverty and estrangement from the West thereby securing lucrative deals for Chinese state-owned firms. Zimbabwe has the second largest deposits of platinum in the world, estimated at over \$500 billion, but due to resource limitations that wealth remains untapped. All in all Zimbabwe has over 40 minerals that include the ferrochrome, gold, silver, copper and the controversial diamonds.

The trade relations is also underpinned by the Joint Committee on China-Zimbabwe Economy and Trade which plays a role in bolstering personal ties among elites and underscores' Beijing's commitment to Harare.

2.2.3 The Angola Model for Zimbabwe

The vision of growing the Zimbabwean economy to US\$100 billion in 40 years is only attainable if the economy could grow at a compound rate of 10 percent per year for 40 years. Achieving such a feat for a country that contracted by over 40 percent in the last decade requires rebalancing of the economy (Chipendo, 2012).

For a country endowed with massive natural resources and in need of infrastructure to support economic growth but lack the resources to unearth it, Zimbabwe has turned to China for support. China's grand plan for resource-rich countries like Zimbabwe is through the Angola model – a resource-backed strategy modelled along the Angolan experience whereby low-interest loans are secured with commodities as collateral in a barter agreement. This has become China's preferred structure of concessional loans to Africa (Corkin, 2007).

The origin of this model is not clear as there have been different versions of where and when it started. The World Bank (2007) and Brautigam (2009) present different versions of its origin of the Angola Model. The World Bank (2007) believes the model began in the Congo with the Congo River (Imboulou) as the first resource for infrastructure deal in Africa as shown on Appendix C. However, Brautigam (2009) link the resource for infrastructure deal to the period when in 1958 Japan granted India a three year concessional loan to develop an iron ore mining in exchange for 10 million tons of iron ore annually for ten years. Years later in 1978, Japan repeated the resource-backed concessional loan with China for financing a US\$10 billion plant, industrial technology and materials in exchange for crude oil and coal supplied by China. No independent verification of the two versions has been done as it is beyond the scope of this research It appears that China decided to pursue this line of investment with Africa starting with The Republic of Congo and Sudan in 2001. Both projects were paid for using oil as shown in Appendix C.

The organisation of this model is relatively complex owing to the need to coordinate with two Chinese firms involved, each of which must carry out its own due diligence. The arrangement allows countries with abundant resources but limited creditworthiness to package the exploitation of natural resources with the development of infrastructure assets.

As soon as a decision has been made to pursue the resource for infrastructure deal, project proposals which are identified as priorities by the host country are put forward to a joint committee comprising the debtor country's Ministry of Finance and the Chinese Ministry for Foreign and Commercial Affairs (MOFCOM). For each project under consideration, the Chinese government

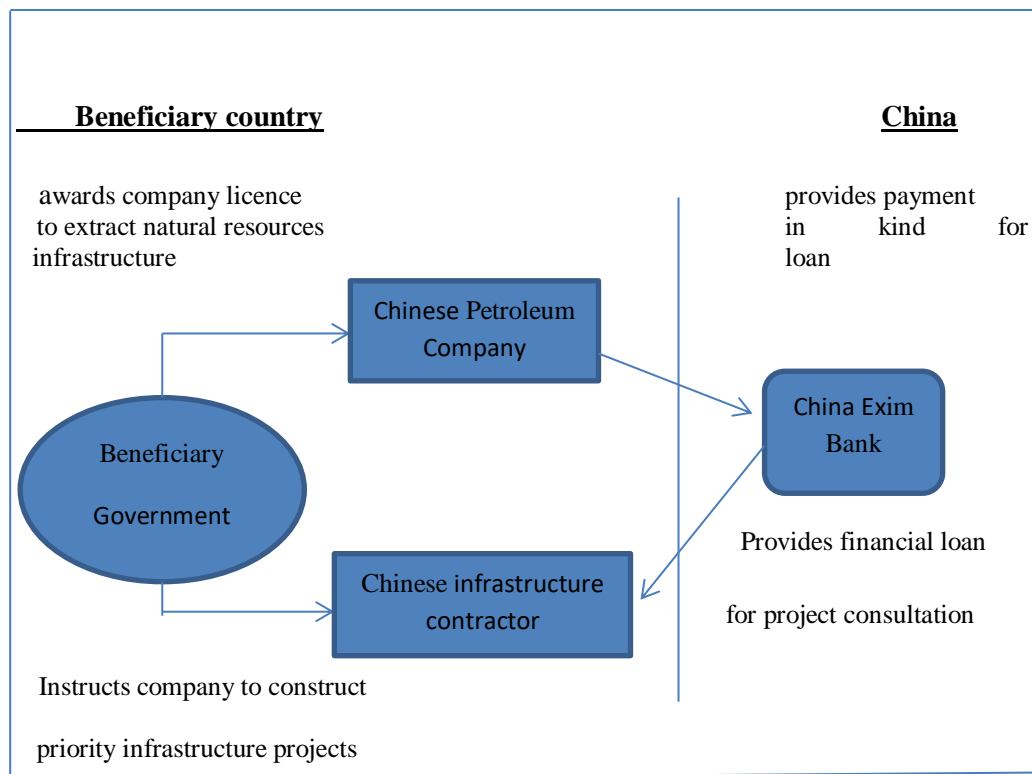
proposes three to four Chinese companies to undertake the project. All the projects are inspected by third parties not funded by the credit line. A multi-sector technical group oversees the implementation of projects financed by the Exim-Bank credit line, ensuring fast and efficient completion of the project.

Essentially the debtor country represented by its Finance Minister will negotiate a loan, which is at least 20 million RMBY (US\$2.4 million). The loan interest rate and grace period are separately negotiated with repayment due bi-annually, following loan negotiation. The loans must be used for infrastructure, social or industrial projects (Corkin, 2007).

Under this arrangement, the money is never directly transferred to the government as shown in figure 4. Instead a framework agreement is signed with the government outlining the infrastructure investments. The project construction is contracted to a Chinese construction firm. Where the deal involves oil as what happened in Angola, a petroleum company is awarded rights to begin production. The government of the beneficiary country instructs the Chinese contractor to undertake infrastructure works, supported by a credit from China Exim Bank. Repayment is in the form of oil, minerals or other commodities produced directly by the Chinese company (World Bank, 2007).

The loan operates like a current account. With instruction from the Ministry of Finance, disbursements are then made by the Exim-Bank directly into the accounts of the contractors. The repayment starts as soon as the project is finished. If a project is not undertaken, no repayment is done. The revenue from the oil and/or the commodities sold under this arrangement is deposited into an escrow account from which the exact amount toward servicing the debt is then deducted. The difference can be used by the debtor government at its discretion (Campos and Vines, 2007).

Figure 4: Structure of “Angola Model” arrangement



Source: World Bank (2007)

While there have been resource-backed loan deals before, the China Exim Bank’s first such major deal was concluded with Angola’s Ministry of Finance in March 2004 when the first USD 2 billion financing package was agreed to. This financed the construction of Angolan infrastructure in the areas of energy, water, health, education, fisheries, roads, railways and airport public works projects. This was as a result of Angola’s difficulties in securing capital from western-aligned international financial institutions, such as the Paris Club and the IMF due to their concerns over financial governance of the oil revenues and political accountability.

The World Bank (2007) reports that since the landmark oil-backed deal with Angola in 2004, the mechanism has become more popular and the resources used to back deals have diversified to include bauxite, chromium, iron ore and even cocoa as shown in Appendix B. This was confirmed by Davies (2010) when he observed that other African governments, fatigued by the continuing but

apparently developmentally ineffective aid disbursements from traditional actors, are starting to incline toward China's concessional finance model deals.

An example of the barter system involving a non-oil commodity is evident in Gabon where the Gabonese government awarded the China National Machinery Equipment Import and Export Company (CEMEC) the sole rights to exploit the iron deposits in the Belinga region in September 2006. This project represented a substantial investment, estimated to bring in approximately 30 percent of Gabon's current GDP at a value of US\$3.5 billion. In return, CEMEC committed to constructing a special purpose deep-water port at Santa Clara, a railway track running 560 km from Belinga to the coast and a hydro-electric power plant to facilitate the energy required for the operations. It is a long-term project, intended to endure for 15-20 years, and involve, not only the extraction of iron ore but the development of auxiliary-products. This deal followed the 'Angola Model' closely as the iron ore reserves was to be used as collateral, and Gabon would use it to pay for the substantial infrastructural investment (Corkin, 2007).

Another development along the 'Angola Model' was the US\$5 billion loan China Exim Bank announced with the DRC in September 2007. US\$3 billion of this package was to be directed towards a 3200 km railway link between Sakania in resource rich Katanga Province, near the Zambian border, to Matadi. Part of the financing was also to fund a road link of 3500 km linking Kisangani, north-east of Lubumbashi. The balance of US\$2 billion was to be used to revitalise DRC's mining sectors. It was announced that the DRC would repay this loan through tolls to be imposed along the newly constructed roads once they were finished, but also more importantly, through mining concessions. The arrangement thus mirrored closely those negotiated in Angola and Gabon, whereby infrastructure is paid for by the fruits of these countries' extractive industries (Corkin, 2007).

As stated in this report, Zimbabwe has decided to collateralise its natural resources for new lines of credit along the Angola model. As expected, not everyone is in agreement with the strategy as the commodities-for-infrastructure concessional finance deals and the financing model employed is under a great deal of scrutiny and suspicion by domestic and external stakeholders.

Since the beginning of the century, Zimbabwe has increasingly become dependent on the Chinese foreign direct investments at the back of the “look east” policy. The motive for China’s investments in Africa is well documented, but what is not well understood is whether this is the best solution for Zimbabwe’s socio-economic challenges. Zimbabwe and China entered into a US\$5 billion deal involving the mortgaging of the Zimbabwe’s platinum resources, that have an estimated worth of US\$40 billion. This controversial deal was signed between the former finance minister, Tendayi Biti and the China Exim Bank.

While getting accurate figures for Chinese financials deals of this nature and investments in Africa in general is difficult, sources close to this deal said that the facility benefits China far more than Zimbabwe. In the deal China would get a 50 per cent stake in the US\$40 billion concession in return for US\$5 billion loan to the country. China would make a US\$15 billion profit, which translate to 300 per cent from a mere US\$5 billion. Reuters (2011) report that in exchange China would help Zimbabwe’s economic revival wrecked by what many see as mismanagement. Apart from mortgaging the platinum resources, the stringent conditions include ceding Chiadzwa (state) diamond revenues and tollgate fees.

2.2.4 Costs of the Beijing Consensus model to Zimbabwe

The resurgence of the global economic landscape from the financial crisis can undoubtedly be credited to China which played a critical role as a key driver of economic growth at a time when the western economic markets were subdued. Zimbabwe’s recovery after a decade in the doldrums has also largely been attributed to China. When the Western-backed sanctions began to bite, China stepped in and helped turn around the economy benefitting from this partnership through development of agriculture, infrastructure and FDI.

As collateralised loans continue pouring in, a number of concerns have been raised as to the consequences of the financial deals entered between the two countries. As Muresan (2013) put it, what Zimbabwean leaders ignore is that they accept this interest from China now, but how much will they have to pay for it in the future? Fortunately or unfortunately, Zimbabweans do not have to wait long enough for that question to be answered.

The Zimbabwean industrial body, the Confederation of Zimbabwe Industries (CZI) has already castigated Anjin Investments, a Chinese mining company exploiting diamonds in the eastern part of the country of doing a disservice to the country by failing to buy local products as well as recruiting Chinese citizens instead of Zimbabweans in their mines (Matimaire, 2013).

The vice president of CZI Henry Nemaire addressing a Transparency International Zimbabwe seminar said there was a need to ask the minister of mines to demand a local procurement graph from Anjin showing how much they were buying from Zimbabwe. The CZI suggested that if Anjin were buying from outside Zimbabwe then they were sponsoring foreign banks and if they were buying outside commodities then they were sending money to foreign banks.

This utterance by the CZI is testimony that most people especially key industrial personnel and policy makers are aware of the nature of the Chinese deals especially those that attached to resources. In addition to employing Chinese personnel, one of the conditions of resources deal is that not less 50 percent of procurement should be sourced from China.

Muresan (2012) submitted that while the Chinese economic power house may be polite to its close business partners, it should be realised that China like all other states will work to suit its own style of expansion. While Chinese foreign economic interests have long been criticised for being brutal and self-serving, it is possible that the Chinese are taking full advantage of Zimbabwe's pariah status.

The sentiments of the Zimbabwean community towards the Chinese assistance was echoed by the former prime minister in the inclusive government, Morgan Tsvangirai when he reminded the Zimbabwean government that the Chinese are not altruistic in their business intentions, as they "are not missionaries, they have their own business interests, they have their own national interests especially when it comes to resources" (Muresan, 2013).

The introduction of the controversial economic indigenisation and empowerment law has dented investor confidence causing some companies to relocate or halting some expansionary projects leaving Chinese companies to fill the gap. It might seem that China may have been given guarantees that investments from the Asian

growing economy would be protected from expropriation under the indigenisation and empowerment laws. As a result Chinese companies now command a significant presence in mining, retail, manufacturing, construction and other sectors of the economy where they have become the new employers in town where workers employed by Chinese companies complain of ill-treatment and poor remuneration. There is no labour law practised in Chinese-run projects. For example, in Zambia, the Chinese have been accused of employing people on short-term contracts and in some cases workers were being forced to sign forms before going underground to declare that they are working at their own risk so that there would be no compensation in case of an accident (AFRODAD, 2010).

Thirty years of reform has transformed China into a cut-throat, competitive capitalist market economy featuring severe exploitation of workers, especially migrant workers with sustained low wages. It is thus difficult to imagine that Chinese entrepreneurs and companies used to such domestic conditions would go to Africa and treat workers there any differently.

Local businesses in Zimbabwe have been threatened by the aggressiveness of Chinese companies which is unparalleled to Zimbabwean capabilities that has often seen small indigenous business owners relinquishing their businesses to Chinese developers. Chinese companies have been entering the property sector pushing rentals of office and other rentals up. This has caused China to become a major importer of goods and products ranging from sanitary ware, detergents, electrical goods and appliances, power generators, telecommunication equipment. Concerns have been expressed over the durability and poor quality of the products, prompting debate over China's genuine interest in its investment into Zimbabwe. There is a general feeling that China is a neo-colonial power bent on exploiting African natural resources, dumping cheap manufactured goods onto African markets and leaving little of value behind.

Machadu (2012) observed that generally the trade between Zimbabwe and China is skewed in favour of China as it creates a trade deficit. Zimbabweans seem to do very well as they get to consume products without producing them and money for capital investment without having to save. In turn, the Chinese get to process those raw materials into products they don't consume, but sell them for a fortune

to the world. The Chinese' capital investments, technology, skills and money to Zimbabwe are not earmarked for processing commodities, but to expedite the extraction of commodities at low cost leaving many to wonder where the benefit is. It is known very well that commodity exports do not result in sustained economic growth as they are vulnerable to international prices which are beyond our control. China is not doing enough, if anything to promote value addition in Zimbabwe.

It is arguable whether the relationship becomes what the Chinese described as a 'win-win' relationship is not entirely dependent on China, rather on whether Zimbabwe has the institutional and bureaucratic capacity to turn Chinese funds and investment to benefit the country. There are reasonable doubts about the possibility of widespread and long-term economic benefits to Zimbabwe (Karumbidza, 2006). Could the failure of this strategy suggest that Zimbabwe declare itself as an HIPC candidate?

2.2.5 HIPC – a Substitute?

One of the proposed policy strategies that have been proposed for the Zimbabwean debt problem is applying for debt relief under the HIPC Initiative framework as a solution to its staggering US\$10.7 billion debt. The World Bank and other creditors suspended its lending program in 2000 at the time when the country went into arrears on loan repayments. Since then the World Bank's role has been limited to technical assistance and analytical work (Leo & Moss, 2009).

The re-engagement of Zimbabwe with the international financial institutions (IFIs) and the private creditors will require the arrears clearance. Currently Zimbabwe does not qualify under the HIPC Initiative and Zimbabwe has not been grandfathered for eligibility since it was classified as an IDA-blend country. If Zimbabwe is to declare as an HIPC candidate, the World Bank and IMF Board of Directors will need to formally decide to re-open HIPC eligibility for Zimbabwe (Leo & Moss, 2009) a process that is likely to take a very long time. The WB country director for Zimbabwe, Zambia and Malawi, Kundavhi Kadiresan admitted that while Zimbabwe is not on the HIPC country list, it could qualify depending on the outcome of discussions with the WB (Nyakazeya, 2011).

For Zimbabwe, the idea of paying its debt is a noble one, but its problem is that it is cash strapped and is not willing to declare itself as an HIPC so that its debt can be forgiven as this comes with conditions. Instead it intends to implement a hybrid option under the cabinet approved Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy (ZAADDs) (Gono, 2012). The policies enunciated in ZAADDs are at variance with the HIPC initiatives as it leverages on the country's natural resources for sustainable economic development. Under this the country intends to take the best parts of the HIPC initiative and using revenue from the diamond sales to pay off the debt. However, for the creditors which run the HIPC scheme, there is at the moment no option for a country to choose which bits it wants to take part in (Jubilee Debt Campaign, 2011). The creditors require a wholesome implementation of the HIPC process.

The eligibility requirement under the HIPC Initiative is that the country has to meet certain criteria. First Zimbabwe has to be classified as an "IDA-only" country. This means that the country is not eligible to receive market-based loans from the IBRD. On the other hand, the country must only be eligible to receive loans from the IMF's Poverty Reduction and Growth Facility (PRGF) and not from the IMF's General Resource Account (GRA).

The country must face an unsustainable debt burden which fortunately is the case. Added to this is that only the external debt incurred by end-2004 is eligible for HIPC Initiative and debt relief. Meanwhile the country has agreed to an IMF staff monitored programme (SMP) as a step towards a future Fund supporting programme. The SMP is an important step on the road towards normalisation of the country's relationship with its creditors and could help in mobilisation of valuable donor-support for the arrears clearance strategy. The country must also begin to establish a track record of reform. The SMP will play a crucial role in re-engaging with the international community and donors and helping in establishing a track record of corporation with the IMF on policies and payments that can signal to creditors and donors the country's commitment to a credible and sound policy framework (IMF, 2013).

According to the former World Bank President James D. Wolfensohn, “this initiative (HIPC) is a breakthrough It deals with debt in a comprehensive way to give countries the possibility of exiting from unsustainable debt. It is very good for the poor of the world” Arslanalp and Henry (2006).

However this strategy has been met with mixed views from the government, academics, civil society organisations (CSO) and the public deeply divided over the way forward with some government officials determined to block the move on the grounds that the process would “open floodgates to foreign interference in the economy as well as at political level.

Chapter 3: Research Methodology and Design

3.1 Research Methodology

This thesis is an exploratory qualitative case study with the purpose of understanding the Chinese development model now commonly referred to as the Beijing Consensus and extracting evidence on the mechanics of the resource for infrastructure model – the Angola Model. Yin's (1994a: 92) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. It relies on multiple sources of evidence with data having the need to converge in a triangulating manner.

Qualitative research serves the following purposes:

- Description – to reveal the nature of certain situations, settings, processes, relationships, systems within the context of the Chinese engagement with Africa.
- Interpretation – allows the research to gain either insights or to develop new concepts or theoretical phenomenon and to discover problems or challenges within the phenomenon of the modalities of the ‘Angolan Model’.
- Verification – allows the researcher to test the validity of assumptions made within the real world.
- Evaluation – provides a means through which the effectiveness of policies or practises can be judged. The Angola Model will be evaluated on its effects on the citizens of the host country.

The case study methodology has been chosen because of its suitability in exploring new phenomenon (Yin, 1994). And its ability to compare the various experiences of Chinese investments in Africa and perhaps, depending on the findings allows generalizability of the findings. The method is flexible as once the researcher identifies a topic will be able to define the boundaries. Instead of a controlled environment, a case study probes events that occur in natural settings. . For this study, the researcher chose Zimbabwe as a test case and generally the African experience with China with examples of a few countries that were relevant to test the phenomenon to assist in the analysis of findings. The

researcher selected examples from those countries where China has been deeply involved in natural resources extraction.

The use of case study methodology provides tools for researchers to study complex phenomenon within their context. According to Yin (1994) a case should be considered when among other things you want to cover contextual conditions because one believes it's relevant to the phenomenon under study and the boundaries are not clear between the phenomenon and context.

The case study will focus from the period of 2000 after the China-Africa Forum on Co-operation in 2000. The boundary is there to indicate what will and what will not be studied in the scope of the research method (Baxter and Jack, 2008).

According to Baxter and Jack (2008), one of the common pitfalls associated with case study is that there is a tendency for researchers to attempt to answer a question that is too broad or a topic that has too many objectives. Cognisant of this fact, the study will take a single case study approach which will allow analysis within each setting and across settings. As the intention is to determine, if new found resource-rich countries like Zimbabwe can adopt the Angola model, the experience of other countries will be examined to understand the similarities and differences between cases and consider generalizability.

This approach according to Yin (2003) can be used to either predict similar results or predict contrasting results and whether the findings can be generalised. Generalizability refers to the degree to which research findings are applicable to other populations or samples. It involves the usefulness of one set of findings in explaining other similar situations. A degree of generalizability can be achieved by ensuring that the research report is sufficiently detailed for the reader to be able to judge whether or not the findings apply in similar settings. The evidence produced from this type of study is generally considered to be robust and reliable but can be time-consuming.

3.2 Data Collection Methodology

The main method for conducting the exploratory research will be based mainly on literature review. An extensive literature review will be conducted using the internet with material being sourced from journals, e-books, journals, articles and

publications with a view to find usable and relevant material for the research. All the data will be critically reviewed and only the material that is relevant was used. Additional material will also be sourced to substantiate the analysis and findings.

A hall mark of case study research is the use of multiple data source, a strategy which also enhances data credibility (Baxter & Jack, 2008). The use of multiple data sources enables readers to assess the validity or credibility of the research. The data credibility is achieved through the strategy of triangulation. The triangulation of data sources supports the principle in case study research that the phenomenon be viewed and explored from multiple perspectives

3.3 Data Analysis

The process of data analysis in a case study does not usually take a lineal progression as data analysis usually takes place at the same time at the point data collection. This then often results in analytical statements being criticised as being descriptive rather than critical. In an attempt to overcome this problem the report has been structured in a manner that separates the main literature review and the analysis through a separate analysis and discussion section. The intention was to highlight only under the literature the main themes and then expand these themes under the analysis section. Barritt (1986) cites the primary task of data analysis as being the identification of common themes. The process of data analysis will enable the researcher to relate the qualitative analysis findings to the central themes that have emerged from the literature.

The data analysis according to Kumar (2011) will involve the following steps

- Organisation of the details about the case arranged in a logical order.
- The categorisation of data or themes into meaningful groups
- Interpretation of single instances or themes with specific occurrences examined for specific meanings.
- Identification of patterns and interpretations scrutinised for underlying themes and other patterns that characterise the case more broadly
- Synthesis and generalisations: drawing conclusions that may have implications beyond the specific case.

There are a number of reasons for adopting an inductive approach, one of which when the researcher seeks to generate a direction for further walk. In this

instance, it is the intention of the researcher that further research can be conducted from the findings of this report.

3.4 Validity and Reliability

Kumar (2011), states that the broad sense of validity refers to the ability of a research instrument to demonstrate that it is finding out what it was designed to and reliability refers to consistency in its finding when used repeatedly. In qualitative research, where answers to research questions are explored through multiple methods and procedures which are both flexible and evolving, these concepts are difficult to apply. Attempts to establish validity and reliability in qualitative research according to Guba and Lincoln as edited by Denzin and Lincoln (1994) are based on two sets of criteria of trustworthiness and authenticity. This criterion is determined by four parallel indicators of credibility, transferability, dependability and confirmability.

3.4.1 Credibility

One of the weaknesses of using a qualitative study approach is that results could be influenced by personal bias. In order to avoid this, the research will attempt to include triangulation in as far as the behaviour of Chinese presence in other countries with a view of verifying the results. Since the research will explore perceptions and myths of the Chinese investments, the credibility (validity) will be tested by the convergence or divergence of the findings.

2.4.2 Transferability

The transferability or external validity refers to the degree to which the results of the research can be generalised or transferred to other contexts (Saunders, et al, 2009; Kumar, 2011). It is generally difficult to establish generalizability of the findings primarily because of the approach of unstructured and unstandardized procedures that is generally taken in qualitative research. An attempt will be made to generalise the findings in terms of similarities and differences of particular countries selected in the case study.

3.4.3. Confirmability

Confirmability which is similar to reliability in quantitative research which refers to the degree to which the results could be confirmed or corroborated by others

will be possible in this research. It tests whether similar outcomes would be found if the same methodology was used. There is a sizeable quantity of literature on the subject of China's investments in Africa. An evaluation and analysis of this literature will be conducted to confirm or reject findings on the subject. It is expected that the findings of the research will be reliable enough to make an appropriate conclusion.

3.5 Theoretical and Conceptual Framework

The themes that will emerge from the literature review will make the conceptual framework of the research. These themes and theories will highlight agreements and disagreements and identifying unanswered questions or gaps. The success of the Chinese model of investment in Africa has puzzled many people. The conceptual framework will describe those aspects selected from the theoretical framework which then becomes the basis of my inquiry.

3.6 Limitations of Case Study Methodology

The nature of this study being a case study means that sampling is biased hence the research will use purposeful and judgemental sampling. The researcher has deliberately chosen Zimbabwe as a case because of its peculiarity and more-so because it embraces the different characteristics found in many African countries. The non-random sampling of the case can be construed as non-representative, a development that can affect the outcome of the study.

Since the techniques for data collection in case studies range from observations, interviews, documents records, questionnaire, this study is unfortunately based on documents search. The nature of the study would have naturally required interviewing a range of key personnel involved with the Chinese mode of development. The absence of such interview data may affect the outcome of the study as regards some readers' expectations. While having a variety of data collection methods could have been an advantage, the use of secondary data would not in a way affect the research's expected outcome. The researcher attempted to use the publicly available data to establish whether the Beijing Consensus is what Africa need to solve its developmental challenges.

Chapter 4: Research Findings, Analysis and Discussion

4.2. Findings

The research study's main objective was to determine if the Beijing Consensus is an alternative to Africa's development challenges with particular focus on Zimbabwe. The findings to this question were analysed from three angles which are: is the Beijing Consensus an alternative, is there a consensus and what impact does it have on Africa's development challenges. The findings showed what both Africa and China stand to gain from this engagement. For Zimbabwe, the findings showed that the Angola model is not the answer to Zimbabwe's economic situation.

4.1.1 Is the Angola Model or the HIPC the Solution for Zimbabwe?

The overall objective of this study was to determine whether the Chinese model of development referred in this study as the Beijing Consensus is suitable for Africa and in particular helping Zimbabwe solve its economic challenges characterised by an unsustainable debt. The Chinese model in resource-rich countries, the Angola Model has been the test case for Zimbabwe

Since the Chinese investment criteria in Africa is guided by a China-Africa framework, the general approach in each and every country especially the resource-rich countries is similar. But what differs from each country is the nature of concessions especially from the debtor country. In view of this and the fact that case study methodology is not scientific, the findings of the study showed that it is not possible to generalise the findings of Zimbabwe's experience elsewhere on the continent as it was not possible to generalise the Angolan experience to the Zimbabwean situation.

4.1.1.1 The Angola Model

The Angola Model has become the preferred solution for resource-rich countries that cannot provide financial guarantees and Zimbabwe fits in this category. While the strategy may have worked for Angola, the same cannot be said for Zimbabwe as the funds from China are not directly transferred to a host country as they are indirectly linked to infrastructural development. This way, Zimbabwe cannot use the loan from China to pay off its debt towards the international

financial institutions and other creditors. The model can only pay off loans from China. Angola was able to use any revenue over and above the daily agreed oil barrels to pay off its debt to their creditors.

The implication of this strategy is the effect it might have on the already staggering Zimbabwean debt due to the complexity of determining stable prices for debt repayment. As a result of the dramatic drop in commodity prices following the onset of the financial crisis, the question over sustainability of the sovereign-backed debt arises. This has come to fore in the case of China's Exim Bank's deal with the DRC (Davies, 2010; Jaen, n.d). The DRC just like Zimbabwe is heavily indebted with USD11 billion external debts but has entered into a resource for infrastructure deal with China worth US\$11 billion, the same value as its debt. The DRC currently has interim status in the HIPC programme and for it to qualify it has to start a new three-year Poverty Reduction and Growth Facility (PRGF). According to the IMF, while the financial deal with China has the potential to strengthen the country's prospects for growth; it is likely to hamper the DRC's chances of reaching the HIPC completion point to alleviate sustainably the debt burden. The pressure exerted by the IMF has caused the restructuring of the deal to USD 6 million with no government guarantee. Zimbabwe's current deals may also scupper the current negotiations over its debt resolution.

The resource-backed deals that Zimbabwe and China have entered into are skewed in favour of China. This could be attributed to the absence of negotiating skills. Zimbabwe either does not seem to be well equipped in negotiating deals of this magnitude or it could be an act of desperation. This however does not make mortgaging resources futile but the issue is about delivering an appropriate policy sequence that resonates with economic circumstances.

The unfortunate aspect of the model is that by mortgaging the country's natural resource for debts incurred by the current generation at the expense of future generations is in violation of the intergeneration equity principle. This seems to be what has happened to Zimbabwe with the US\$ 5 billion platinum deal.

While the strategy allows these countries to improve their infrastructure, the experience for Zimbabwe paints a gloomy picture. Zimbabwe's infrastructure is

still dilapidated. The state of roads is in terrible state as they are frequently being blamed for high accidents. There is frequent power shortage resulting in loss of industrial production. The water and sanitation situation is terrible and is likely to cause another cholera epidemic.

The presence of China in Zimbabwe has not benefited the long-term sustenance of the economy apart from the availability of affordable cheap products, clothing and textiles. The impact of these products has seen the closure of textile and retail shops throwing hundreds of workers in the street. The Chinese mining ventures have seen the displacement of villagers making way for mines without adequate compensation; exploitation of workers by disregarding labour laws; environmental degradation caused by the mining activities. The overall impact is that the Chinese are taking over the key retail business sectors reserved for the indigenous businesses by use of financial muscles.

4.1.1.2 The HIPC

While the HIPC debt relief option could have been the preferred solution for Zimbabwe because of the impact the debt is having on the revival of the economy, it has been found that the strategy could have major repercussions on the sustainability of debt in the long term. The argument has been that it simply provides a temporary relief summed up as “robbing Peter to pay Paul.” The findings of the study showed that if Zimbabwe opts for HIPC debt relief, this could open new lines of credit. The disadvantage is that it might have to get new loans to pay off old debts thereby increasing its debt and making it more unsustainable. On the other hand, the non-resolution of the debt will prevent any new borrowings.

A study by Stanford Business School (Rigoglioso, 2003) found that debt relief is not beneficial to most of Sub-Saharan African countries Zimbabwe included as they lack the necessary social infrastructure that can facilitate economic growth. The findings of the Stanford Business School seem to give credence to the Chinese preferred approach to Africa’s development challenges. China’s focus in Africa is targeted on infrastructural development. The “Beijing Consensus” view is that the central government should pursue a long-term policy of elimination of

illiteracy and poverty through major investments in infrastructure and education and foster strategically important sectors of the economy.

4.1.2. Is Beijing Consensus an alternative to Africa's development challenges?

The general feeling among the African leaders and some researchers is that the Beijing Consensus is an alternative development model to the Washington Consensus and could not have come at a better time. Its emergency as an alternative source of funding has been particularly welcome, considering the paucity of options available to the African governments and the urgency with which such funds are required.

However some analysts have concluded that while engagement may have brought some relief to African countries that in itself does not make it an alternative model as will be shown in the analysis and discussion section of this report.

As to the issue of consensus, it is important to note that Beijing has never officially proclaimed its development model as a consensus. However, there has been overwhelming consensus from the developing world especially African countries that the Beijing Consensus is not only an alternative but a better alternative. China's status as a developing country has become one of the key attractiveness in partnering with Africa under the umbrella of the "South-South" cooperation.

In terms of development, this research study has not gone as far as determining the statistical impact of Chinese investments on the development index of the African states, but what this research has been able to report on is the magnitude of infrastructural projects undertaken by China in Africa.

China's investments in infrastructural developments have been welcomed by African states as it has helped in the recent improvement in the economic growth of the continent. In support of this, the former President of Senegal, Abdoulaye Wade writing in the Financial Times said

"China's approach to our needs is simply better adapted than the slow and sometimes patronising post-colonial approach of European investors, donor organisations and non-government organisations. With direct aid,

credit lines and reasonable contracts China has helped African nations build infrastructure projects in less time – bridges, roads, schools, hospitals, dams, legislative buildings, stadiums and airports. I have found that a contract that would take five years to discuss, negotiate and sign with the WB takes three months when we have dealt with Chinese authorities..... But when bureaucracy and senseless, red tape impede our ability to act and when poverty persist while international functionaries drag their feet – African leaders have an obligation to opt for swifter solutions” (Strange et al, 2013).

However Chinese’s infrastructural developments especially those in transport and energy seem to be driven their interest in facilitating resource extraction.

4.1.2.1 Is China-Africa Relationship a “Win-Win” one?

Aligned to the issue of whether the Beijing Consensus is an alternative is the questions whether the relationship between the two parties is a win-win one. The finding of this research has shown that the relationship between China and Africa is a symbiotic one – well suited partners. The continent is cash hungry, infrastructure deficient and resource rich while China is flush with cash, seeks investment for its burgeoning private sector and requires massive natural resources to feed its economy.

4.1.2.2 So What Does Africa Gain?

The rapid growth of China and its investments in Africa in recent years has generated great impact on Africa’s development (Wenping, 2013). In spite of the skewedness of the deals, Africa has also much to gain from this burgeoning relationship. Africa’s expectations from this relationship are centred at six core interests.

First Africa desperately needs infrastructural development. Finding the US\$20 billion to finance this desperately needed infrastructure has not been an easy task making China’s desire to invest in African infrastructure a welcome opportunity.

Secondly, China foreign direct investment in Africa has helped the continent to record sustainable economic growth. Statistics has shown that between 2002 and 2009, Africa's average annual FDI was about US\$24 billion.

Thirdly the continent has gained from the more favourable loan terms offered by Chinese banks for a continent that lack good credit rating.

Fourthly, while the West has helped Africa with debt relief under the HIPC and MDRI umbrella, China has also cancelled debt of more than 31 African countries estimated at 3.83 billion.

Fifth, trade between Africa and China increased from US\$18.5 billion in 2002 to US\$108 billion by 2008 making China the second largest trading partner after the United States. This has helped Africa sustain high economic growth with 2007 having registered Africa's highest growth rate at 5.8 percent.

Sixth, Africa's quest for technology transfer and training has found China's willingness in this area as a welcome gesture. This has seen China building factories to process raw materials and training more than 20 000 professionals between 2010 and 2012 (Haroz, 2011).

4.1.2.3 And what doe Africa lose?

While many African countries are inspired by China's fast modernisation process and hope they can bring such prosperity to their own land there are also negative elements of China's development paradigm in the past three decades that could be harmful to local development once they are exported to Africa especially in the area in the of energy and resource extractive operations.

Firstly there is fear that while China's financing even on concessional terms has the potential of triggering an African debt crisis.

Secondly the cheap Chinese exports and migrant labour have put strain on the weight of foreign competition. It is reported that in 2008 Africa imported more than US\$50 billion (Haroz, 2011) worth of Chinese goods, the majority of which could have been produced by African firms.

Thirdly there is danger that Africa risks relinquishing its natural resource wealth without any leverage that can offset risks. While in need of foreign direct

investment, African countries are engaged in a relentless race to the bottom to attract the largest FDI projects. In the process, this competition has led countries to offer more than generous incentives to woo the Chinese making the most sacrificial concessions

4.1.2.4 And what does China Gain from this Relationship?

The findings seem to suggest that China has much to gain from its relationship with Africa. First China's appetite for resources has seen it becoming the world's largest consumer of energy with one third of that now coming from Africa. Armed with the Angola model, China manages to structure favourable oil deals by locking in agreed daily oil barrels. As China's economy expands, Africa has become the ideal partner in that expansion.

Secondly Chinese companies facing stiff competition at home needs new investment and markets abroad and Africa's untapped consumer market has become a new investment opportunity for its cheap consumer goods. This has seen the transformation of SOEs facilitating their entry into Africa. With infrastructural requirement of up to US\$20 billion, these Chinese firms financed by the China Exim Bank, have managed to lock in on contracts tied to the firms providing machinery and employment to its citizens.

Finally the Chinese has used its One China policy campaign to gain diplomatic recognition. The shift by African countries owing their allegiance to China has demonstrated that the lot is best placed with emergent superpower (Haroz, 2011).

4.1.2.5 And what has China to lose?

Although China faces some certain level of risk in its engagement with Africa, it nevertheless is in the driving seat. As an emerging global superpower, boasting a strong economy with the world's largest foreign reserves, the risks China faces is relatively minimal. But as in any business transaction, there are bound to be costs to any transaction and China's presence in Africa has borne its costs as well.

Corruption and mismanagement that has been prevalent in Africa has been embraced by China as merely an added cost of doing business on the continent. The more China does business with Africa, the more it is exposed to these hazards.

Finally China faces a significant cultural barrier despite Chinese feelings of kinship towards Africa. While from an economic front, both parties speak the same language, there are very few cultural, linguistic or spiritual areas of commonality on which to base their emergent partnership other than being subjects of colonialism. The barrage of criticism arising out of China's presence has been blamed on the failure by Chinese in understanding the culture of doing business in Africa and equally likewise, failure by Africa to understand the Chinese way of doing business.

4.2 Analysis and Discussion of Findings

This section analysed and discussed the findings of the study. The analysis and discussion began with Zimbabwe and the Angola Model and the costs of this strategy. The latter part of the analysis discussed whether the Beijing is indeed an alternative to the Washington and its costs for Africa in general.

4.2.1 The Angola Model and the HIPC as solutions for Zimbabwe.

The success of the Chinese foray in Africa has been attributed to the Chinese model of development that put the state at the forefront of everything. For a country that snubbed the Washington Consensus and managed to sustain positive economic growth for over three decades, China feels it has the moral authority to provide an alternative. On the other hand, the Washington Consensus which believes that the markets should have a pronounced role at the expense of the state still believes its model is still the best options for less developed countries.

For countries like Zimbabwe that went through the experience of the Washington Consensus, the message from China appears to be more appealing. The current macroeconomic environment of Zimbabwe demands decisive leadership for it to extricate itself from further economic meltdown. For Zimbabwe this is not the time to let the market forces determine the direction of the country, but to provide framework for the market forces to deliver. But until that happens, Zimbabwe has an immediate challenge to solve – its staggering debt and how to solve it but unfortunately for this, does not need the markets forces to solve.

In determining whether the “Angola Model” is the appropriate solution for Zimbabwe’s economic challenges, the Zimbabwe Diaspora Development Interface (ZDDI) (2010) analysed the nature of the Angola model as far as it was implemented in Angola by comparing it in the Zimbabwean context. While the comparison was done with statistics of 2006 when the Zimbabwean economy was still in the doldrums, the fundamental principles guiding the comparison have not changed much.

- Firstly, the Angolan deal’s repayment at the time of implementation was based on oil flows and was benefitting from high oil prices and high export volumes. Angola utilised future oil revenues to secure long-term Chinese loans and fixed a price into the future to service the debt. Zimbabwe does not have oil and finding value for underground mineral resources has always proved difficult.
- Secondly, while Angola’s debt was not unsustainable with outstanding and penalty interest of only US\$1.5 billion, the Zimbabwe’s debt situation is unsustainable at US\$10.7 billion. The Angolan deal structure allowed it to utilise any revenue over and above the 10,000 barrels of oil to settle off other debts. Thirdly, the Angolan economy was riding on a healthy economy with real growth reaching 18.6 percent in 2006 while the Zimbabwe’s economy is showing signs of slowing down. This is against the continued isolation of Zimbabwe by the IFIs and an economic climate characterised by policy inconsistency in attracting investments.

The ZDDI (2010) emphasised that Zimbabwe will find it difficult to emulate the Angolan experience for two reasons: First Zimbabwe does not have the natural resource flows but has resource reserves and the amount of these reserves and future prices are uncertain. Secondly, no reputable creditors are willing to extend credit to Zimbabwe given its repayment track record. Testimony of the second reason is corroborated by China’s loans to Zimbabwe between 2002 and 2006 when Zimbabwe’s loans were on substantially harder than those of other countries as shown on Table...

Before Zimbabweans start celebrating its earth’s bounty, they need to be reminded of the consequences of its natural resources, and how that may be more

of an economic curse than a blessing. Theoretically, having natural resources could produce great wealth for the country, but history is littered with tales of missed opportunities as most of the countries were unable to use the wealth to boost their economies.

On a broader level, Zimbabwe has found itself trapped in the paradox of the plenty commonly known as the resource curse or the “Dutch disease”. This refers to the paradox that countries and regions with an abundance of natural resources especially non-renewable resources like minerals and fuels tend to have less economic growth and worse development outcomes than countries with fewer resources. The relationship between China and Zimbabwe as any other resource-rich country has brought into question the relationship between wealth, the conditions associated with wealth and the behaviour of the state. Kennan (2009) argues that the Chinese investment in Africa amounts to unconditioned wealth and that these investments may reduce rather than enhance social welfare. There is a well developed economic literature that suggest that rapid influxes of wealth from natural resources can have a profound effect on the domestic economy of a state.

Economists argue that resource-rich countries especially oil do far less to help the poor than do countries without resources. While Zimbabwe does not have oil, the analogy is no different. As Karl (2006) put it, the resource curse is a political/institutional and not an economic problem, what Zimbabwe need is a fiscal social. A contract that is based on transparency – one that creates incentives to change the rent seeking behaviour of all actors, both international and domestic involved in *the natural resources game*.

Similarly, the former Minister of Finance in the just ended inclusive government, Tendayi Biti described the move to securitise the natural resources as immoral. The immoral aspect of this according to Biti is that “what is underground, to be used by future generations as well is now being squandered by the present generation.” According to Biti, as reported by Machadu (2013) securitisation can on paper work as it has been tried in Angola and Sudan with hydrocarbons, which are more easily quantifiable and price discovery is easier. For countries without oil, it has hardly been tried and has not worked. The truth is any other resources is

extremely difficult to quantify and to give a monetary value can on paper work as it has been tried in Angola and Sudan with hydrocarbons, which are more easily quantifiable and price discovery is easier. How does one quantify gold or platinum that is still underground especially as in Zimbabwe's case where there has been not been any geological survey. Placing value on underground resources is extremely difficult especially in the context of the present sphere of price volatility.

Tendayi Biti's argument seems to be supported by the nature of the deals reflected on Appendix B. Interestingly the first four (Republic of Congo (2001), Sudan (2001), Angola (2004) and Nigeria (2005) financed infrastructure projects backed by natural resources as shown on this table were backed on oil, suggesting that oil-backed infrastructure projects are easily quantifiable as opposed to the deals for Guinea (2006), Gabon (2006) and Zimbabwe (2006). An analysis of the status these deals showed that the agreements were either pending or under reconsideration. The reason being that either the mode of payment which in these case were minerals could not be easily quantifiable as shown by unavailable financing figures or the certainty of stable commodity prices could not be guaranteed as explained below.

It therefore suggests as reported by the World Bank (2007) that the financial terms of the "Angola Mode" are particularly difficult to pinpoint, given that they depend to a significant extent on the implicit price agreed upon for the commodity traded, and its relation to current and future market prices, so that any discount provided with respect to the future prices of oil effectively contributes to a hardening of lending terms (or vice versa). Using the Angola mode method of finance, China is able to gain physical security over oil resources, normally at a slightly discounted price.

Although the detailed terms of these Chinese oil-backed loans are not known, according to oil specialists at the World Bank the wider experience with deals of this kind suggests that they do not typically entail fixing the price of oil over the term of the loan. In fact, as oil prices rise and fall over the period, the term of the loan is usually adjusted accordingly; for example, a shortening of the repayment period as the price of oil rises. In this sense, credit deals tied to repayment in oil

are not really a hedge against the future price of oil, but rather provide a way of securing a steady supply into the medium term. There is risk that, since servicing of these loans depends on sustained global market prices for the collateralised commodities;-African countries have become vulnerable to price shocks, natural disasters, poor harvest and other variables beyond their control.

Negotiating deals of this magnitude requires a great deal of skill and expertise which currently Zimbabwe does not seem to possess. This absence of capacity in government due to the brain drain may result in Zimbabwe being exploited by potential investors (if any apart from China) as found in platinum deal. Biti believes that under the current environment, securitisation is literally selling the country (Machadu, 2013)

The Jubilee Debt Campaign (2011) agrees with the ZDDI (2010) in that using mineral resources on debt repayments would be a waste; perpetuating the de-development cycle where wealth earned from mineral exports is taken out of the country by local elites and multi-national companies. The argument is that using revenue from minerals such as diamonds to repay debt risks locking Zimbabwe into a resource-cursed future and shuts the door on a genuine alternative source of investment.

The benefits of this option to the country were also doubted by the former Deputy Prime Minister in the inclusive government, Arthur Mutambara who accused Chinese diamond miners who are currently exploiting the Marange Diamond fields of ripping off the country. Mutambara said that the dream of a \$100 billion economy by 2030 will only be a pipe dream if what is happening in the mining sector is allowed to continue. (Mangudhla, 2012) reported that the Chinese companies are raising money to start mining our resources based on our claims we cannot even put value on. He was quoted claiming that the country was being savaged by the miners in signing foolish claims that are worth billions of dollars;

“I don’t know how much minerals under the ground are worth, but I am sure they are not worth nothing. They come here (the Chinese) to mine our resources after investing only \$30 million and they will pay off their investments in just two sales,”

As reported elsewhere in this report, contrary to the claim that the infrastructure proposal derive from the host country, evidence seem to suggest that most of the infrastructure benefits the Chinese most. Corkin (2007) establishes that the development of transport infrastructure assist with a wider market distribution of Chinese imported goods. Heavy investment by Chinese companies in the telecommunications infrastructure in countries as Angola and Uganda, oil pipelines from southern Sudan to Port Sudan on the Red Sea coast, electric power lines, massive irrigation and hydroelectric power systems, along with procurement, supply and distribution networks across the continent can be expected to have a significant impact in reducing the cost of producing and transporting products. The Chinese investment in road and railway systems such as the Benguela, Tanzara and Belinga railways is of strategic importance in providing Chinese products market access.

In the case of Zimbabwe, it would appear that resource collateralisation as a home-grown solution is unlikely to address the debt challenge. The agreement do not appear to provide an immediate integrated approach that can be pursued relentlessly to manage external debt as it does not take cognisant of the country's economic capacity and immediate credit constraints ZDDI (2010)

4.2.2 Costs of Zimbabwe's engagement with China

While the idea for Zimbabwe going East-wards seemed to be a wise decision at the time as it was calculated to compensate for the withdrawal of the Western support, serious reservations are beginning to emerge about the behaviour of the Chinese investors in Zimbabwe. Zimbabwean of all walks of life from analysts, politicians and the "man" in the street have now come to terms of the consequences of the Look East Policy.

In a similar development, the Chinese have been accused of displacing the locals who for years had survived on panning gold and diamonds (known as *chikorokoza* in vernacular Shona language) for survival. The introduction of a new fee structure that was too high prohibited local people from regularising their mining activities giving way to Chinese who use heavy equipment that can even divert rivers and causing environmental degradation. A local Member of Parliament for Maramba-Pfungwe, one of the areas operated by the Chinese

wanted to know if they (Chinese) were licensed, paying anything to the ministry of mines or remitting anything to the Reserve Bank of Zimbabwe (RBZ) (Mushava, 2012).

On the other hand the Chinese companies operating in Zimbabwe have been accused (Radiovop, 2012) of not paying taxes. One of the senior Zimbabwe Revenue Authority officers (ZIMRA) Chief Investigation Officer Siyathemba Muremba acknowledged that they have a challenge in collecting taxes from some Chinese companies operating in the country.

“There (sic) are also our friends from the East who are investing in this country – but if you ask for tax, their Ambassadors of say, China will come to our offices saying you are harassing our people and its unfortunate,” he was quoted saying”.

The Zimbabwe economic model crafted along the Chinese model and relying on Chinese FDI seems to be working for now, but this model is simply not sustainable. The growth of China is increasingly being threatened by a number of factors such as its decline in working age population, somewhat attributed to its “one-child” policy meaning that this economic bubble may be starting to burst. The implication is that once the Chinese start scaling down its outward FDI flows, Zimbabwe would be exposed economically as it would be susceptible to external shocks presented by a downturn in China’s economy.

With the nascent signs of a slowdown in China becoming evident, African countries Zimbabwe included that have been riding on China’s craving for resources ought to rethink their economic growth models. As is expected, China’s economic growth is also slowing down from its historic average of 9 percent to 7.5 percent

As reported by Chipendo (2012) muted commodity demand is the inevitable consequence of this slowdown leaving countries like Zimbabwe needing to rebalance their economies. With two external demand shocks affecting China in the last three years, the Chinese is now anxiously looking at a growth model driven much more by internal private consumption than by investment and exports.

While China will not stop importing commodities in the short to medium term, developments at home indicate signs of a waning appetite for commodities, a sign for mineral resource-based countries such as Zimbabwe to start planning ways of diversifying their economies in the next twenty years. As reported by the New York Times in May 2011, “The timing for when China’s growth model will run out of steam is probably the most critical question facing the world economy

4.2.3 HIPC as an option

The dilemma for Zimbabwe is that HIPC or not it still has to clear its arrears so that it can be accepted back into the financial circles. And the only way is to go through the IMF which gives the stamp of approval for re-engagement with the IFIs and private creditors. In support of this strategy, Gideon Gono, the Governor of the Zimbabwean Reserve Bank emphasised that the IMF is not an enemy of Zimbabwe but a major stakeholder in reviving the country’s ailing economy (Chiripasi, 2013).

The argument for those in favour of the HIPC is that by entering the HIPC, Zimbabwe would be eligible for new loans from the IMF, World Bank, African Development Bank, including other bilateral and creditors.

An economist Blessing Sakupwanaya is of the view that there is merit in Zimbabwe adopting the HIPC as it could provide a window to access funding required for rehabilitation and reconstruction of the country’s dilapidated infrastructure. The step can be considered as part of the initial process towards a long road to restoration of sustainable economic growth (Nyakazeya, 2011).

The initiative provides an opportunity for the country to re-channel the funds initially earmarked for debt repayment into capacity enhancing investments that will serve as poverty reduction programmes. According to Farai Dzirakumunda an economist, the reality of the HIPC initiative is more of a Faustian bargain, in which future debt relief comes at a price of complying with several years of IMF and World Bank programmes with a patchy record of success in Africa (Nyakazeya, 2011). However, the experience Zimbabweans went through during the ESAP era is not one they would want to endure again.

The argument for those against HIPC is that new loans would threaten the country to repeat the same mistakes in the past. Most of the new loans would be used to pay off the old debt leaving inadequate funds for investment in productive sectors. The new loans on top of the old debts have the potential of exposing the country to another catastrophic debt burden especially in the adventure of an economic shock.

Debt relief campaigners such as Jubilee Debt Campaign (2009; 2011) on the other hand do not believe Zimbabwe should take the HIPC route. They believe that this will essentially increase the detrimental effects on the economy by creating simply more debt through new ones which are supposed to help pay for old ones.

The idea of putting new loans on top of the old debts which have not been cancelled would potentially leave Zimbabwe with another catastrophic debt burden, especially in the event of another economic shock. The new loans would likely threaten a repeat of the same mistakes. Finally, the qualification for this process means the country has to meet economic conditions set by the IMF and the WB and these seem to be the same liberalisation and adjustment conditions the country went through during the 1990s. The Jubilee Debt Campaign (2011) argues that rather than making lenders more accountable for their actions, HIPC continues to give power to creditors, whilst making it more difficult to empower local democratic control over economic decisions.

The argument for not taking the HIPC route was supported by Abdul Rahman Babu, a former Tanzanian Minister who argues that the HIPC Initiative comes with its own terms of engagement and these terms are usually not the terms that Zimbabwe wants. He also claims that the IMF cure is worse than the disease and the monetarist solutions of the IMF and the World Bank are not for reactivating the basic sectors of the economy, but for pushing countries deeper into the world market that continues to operate according to its predetermined order of priorities (The IMF is no Father Christmas, 2013).

However the challenge for Zimbabwe in HIPC initiative debt relief mechanism is that:

- Establishing a good track record of reform could prove difficult given its history of reforms.
- Ensuring full participation by all creditors to support the country's efforts towards debt sustainability. Having all the creditors agree to support the debt relief cause is likely to prove challenging given the current relationship that exist between Zimbabwe and some of the Paris Club members.

The other aspect of the debt relief happens to touch the subject of moral hazards. The moral hazard effect of the debt relief is that it might induce debtors to believe that creditors have taken a softer stance and that they will be more willing to forgive any future debt, when the likelihood to obtain a repayment decreases substantially. The debtor's moral hazard is based on the fact that countries could pursue over expansionary domestic policies recurring to external debt, on the expectations of a future debt cancellation by multilateral institutions.

On the other hand creditor moral hazard is due to the fact that the expectation of debt reduction, "encourages private international capital markets to underestimate the risks associated with lending to individual countries or group of countries and therefore to overlend" (Bird, 2007). In the event of the being debt cancelled, the country could find itself exposed to vulture funders. Vulture funders who buy debt owed by countries in default at a cheap price may sue the countries for the full amounts including interest as there is no requirement for vulture fund owners to reduce the level of their claimed debt.

For Zimbabwe, is debt relief a viable solution or a waste of time and money? According to Rigoglioso (2003) arguments from both sides of the coin have appeared to be theoretically plausible and persuasive, making the debate particularly prolonged and acrimonious. Peter Henry, an associate professor of economics at Stanford Graduate School of Business acknowledged that while both sides hold strong views, they have not bothered to look at the facts.

In a study titled "Debt Relief: What Do the Markets Think? Funded by the National Science Foundation and the Stanford Institute for Economic Policy Research, Professor Henry and Stanford graduate student Serkan Arslanalp analysed data that may have settled the question. They examined how the stock

markets of the 16 developing countries that reached debt relief agreements under the Brady Plan between 1989 and 1995 responded to news of their own Brady agreement. The researchers found that the local stock markets of these countries appreciated by an average of 60 percent in real dollar terms in the year prior to the announcement-the period in which each country was outlining its debt relief strategy with the anticipation of being accepted under the Brady Plan.

For these countries, evidence showed that debt relief was beneficial because market participants expected it to have a positive economic effect. There was a greater influx of foreign investment capital and higher levels of economic growth in these countries. As would be expected, the Brady Plan countries ran into temporary difficulty servicing their debt resulting in creditors rushing to collect their loans all at once.

According to Rigoglioso (2003), while the research confirmed the benefits of debt relief for the Brady Plan countries, it surprisingly revealed that debt relief is not the best use of funds across the board. In particular, the study found that debt relief for the HIPC mostly from Sub-Saharan Africa will not produce the salutary effects that it did for the Brady countries. This is so because the HIPC countries are very different patients in that while the Brady countries suffered from temporary inability to service their debt exacerbated by creditors demanding payment all at once, the poor countries from Africa suffer from a more fundamental problem. They lack basic social infrastructure that forms the basis for profitable economic activity – things like well-defined property rights, roads, schools, hospitals and clean water.

Professor Henry explained that since the HIPC group's principal problem is lack of social infrastructure, "there is little to no scope for profitable lending to them in the first place." To them Henry believes there is no reason to believe that debt relief will stimulate a sudden rush of foreign capital that leads to higher investment growth. The implication of the study is that HIPC should be targeted not for debt relief but for direct aid that would assist such governments in building social infrastructure as this is what will make them attractive places for both domestic and foreign investments.

Zimbabwe could follow in the footsteps of Zambia and the DRC in resolving the unsustainable debt overhang. Zambia with a debt of US\$4 billion opted for the HIPC initiative and under difficult circumstances that included failing to meet debt relief circumstances managed to secure debt write off. The WB recently approved the largest debt write-off for the DRC, which saw the IMF follow suit. The DRC debt relief was expected to generate total debt savings of US\$12.3 billion including US\$11.1 billion under the enhanced HIPC and US\$1.2 billion under the MDRI.

4.3. Costs of China's Presence in Africa

There is a trap of a good versus evil dichotomy when it comes to evaluating Chinese energy and resource activities in Africa. To simply argue that the Chinese presence in Africa is mostly good or mostly bad for African development is missing the dynamics and the complexities of the relationship. It is important to study China-Africa energy and resource relations by focusing on the external dimensions of the two-way interaction, but that alone is inadequate to get a more in-depth view of the ways the Chinese do things in Africa. (Jiang, 2009). The Chinese may bring benefits to the hosting countries but they are not primarily in those places to serve local interests.

China's "miracle" growth of GDP has come with heavy price tags on wages, workers' welfare, the eco-system and political reforms. Many have realised the negative impact of the Chinese development model on the country itself but few have examined what it means to Chinese foreign policy, especially the behaviour of Chinese enterprises abroad. Its engagement with Africa has raised a number of policy issues and implications. Economically, China's relationship with Africa could be classified as, at best, schizophrenic – "the rising prices of commodities have benefitted African exporting countries, but conversely this has negative impacts on countries dependent on imports of the same commodities such as oil.

Similarly imports of Chinese manufactured goods have, on the one hand, provided low income consumers in Africa with much cheaper alternatives to

more expensive goods. On the other hand evidence shows that imports from China have displaced African producers, which has resulted in job losses.

The major implications of China's investment in fragile states have witnessed the encouragement of authoritarian rule, high military expenditure, corruption, suppression of opposition. The danger has been that large Chinese financial assistance has managed to forestall meaningful political and economic reforms especially in those resource-rich countries with considerable natural resources to collateralise huge loans. The danger according to Horaz (2011) is that the windfall from Chinese engagement has created complacency and arrest progress towards needed reform. As one critic noted, "revenue from trade (and taxes), development assistance and other means of support (from China) widen margins of manoeuvre for Africa's autocrats and help them to rein in domestic demands for democracy and the respect for human rights.

Idun-Arkurst and Laing, (2007) raises concerns that China's success in lifting millions of its population out of poverty in the last three decades without electoral democracy and a free press may offer an irresistible model of development for African governments who are chafed by donor pressure for Western-styled political reforms. China's increasing role as a donor and financier for Africa has implications for the donor community and the diminishing leverage they have on enforcing policies of governmental transparency. While having many potential positive effects on African development, if not sanitised Chinese aid and investments could create what one scholar has described as the "Dos Santos effect": the entrenchment of non-democratic regimes and increasing political assertiveness against Western donors and their reform demands.

The key concern to western donors is that the offers of ready money from Beijing allows poor-country governments to turn down aid that comes with demands that they work to improve good governance and incorporate adequate environmental and social protections within development projects. The most pervasive views is that China is wrecking international efforts to bring economic and political sanity to impoverished and conflict-ridden communities in Africa by bankrolling corrupt and repressive regimes as shown by the following examples:

- China is said to have pushed aside the World Bank and its efforts to tackle corruption by stepping in with a “no-strings attached” loan to fund railways in Nigeria.
- In Sudan China supplied weapons to the country and vetoed attempts by the Security Council to censor Sudan for the civil war in Darfur (Kaplinsky, McCormick and Morris, 2007).
- In Angola Beijing scuttled the Western donor attempts to bring transparency to Angola’s oil financial management by offering a US\$2 billion, 1.5% 17 year soft loan in exchange of 10 000 barrels of oil per day.
- In Zimbabwe, China helped rehabilitate roads, build power stations and provide other infrastructural assistance worth US\$1 billion in exchange of chrome and supplying arms at a time when the West had imposed arms embargo on the country.

China has remained unapologetic of the fact that its aid and investment are not tied to demands for political or economic reforms

Schmitt (2007) is concerned about the impact of the resource curse syndrome in developing countries. While the phenomenon of the resource curse is well known in Africa, he is worried the resource rich countries of Africa still risk staying trapped in extracting and exporting their resources without benefiting from spill over effects to the entire economy. The countries that benefit today from a rapid increase of world market prices of oil and other raw materials need to prepare their future economies and strategically invest in diversifying them.

Haroz (2011) concurs that African countries have failed to negotiate better deals that can better transform their economies The implication of this is that even the resource-rich countries with greater leverage in their dealings with China have not converted this advantage to their advantage. On a broader level, the AU has also failed to coordinate African engagement with China.

China’s modernisation efforts not only feature a heavy industrial structure and a fast-growing auto industry but also attract the relocation of many polluting industries by American and other Western multinationals to China. They have caused severe damage to China’s environment and the overall eco-system and in

the process have made China one of the worst polluters on earth. This has transcended to Africa where Chinese enterprises have little environmental consciousness, and do not possess much expertise in environmental assessment or protection. Thus when they go to Africa and other parts of the world with primarily the extraction of energy and resources in mind, they are not natural promoters of the environment of the host countries.

Haroz (2011) suggests that if China's cut-throat capitalism continues to externalise its negative aspects to Chinese practises in Africa, only corrupt regimes in some of the African countries will benefit instead of the ordinary people. He believes there will certainly be more backlashes of local resentment against the Chinese presence. Most of China's major investments are in countries that are either embroiled in domestic political conflicts or have just emerged from prolonged internal conflicts exposing the investments to disruption. The implication of this is that China's foreign policy of non-interference in domestic affairs of host countries, a likely unsustainable one in the long future. At some point in time, China may need to protect its long-term interests.

4.4 Beijing Consensus compared with the Washington Consensus

The Washington consensus advocates for a free market economy driven by the private sector while the Beijing consensus emphasise that the importance of the government role in the economy. This dichotomy between the Western "regulatory state" and the Eastern "developmental state" has according to Turin (2010) has become acute as in the Western version, the government refrained from interfering in the market place whereas China intervened actively in the economy in order to guide or promote particular substantive goals. As a result of this policy thrust China has managed to cut by 235 million the number of its citizens living in absolute poverty while the World Bank confirmed that China contributed to 67 percent of the total reduction of global poverty during the last 25 years.

While the Washington consensus has strict condition on its loans, there is no absolute truth in the fact that the Beijing Consensus does not require conditions apart from recognising the "One China" policy. In theory, it might sound so but in practise the Beijing consensus requires both political and economic conditions.

The West is demonised for its political conditions on its loan yet China is also guilty of the same sin. The fact that China requires that borrowing countries cease to recognise Taiwan and provide political support in the world bodies like the United Nations is in itself a conditional leverage.

It sounds as though China's conditions are far worse than those of the West, as the Beijing consensus use their own companies for projects in Africa in addition to employing its own citizens in high skilled jobs compromising any prospects of technology and skills transfer.

On the other hand it is argued that what the Beijing Consensus offers Africa isn't limited to just money. Under the auspices of the China-Africa Cooperation Forum, China has committed to contributing to the development of human resources in Africa by establishing a fund that is jointly administered and used by various Chinese ministries in order to train African personnel and as a result has managed to ingrate itself with both African governments and the general population. China's recognition that African development centres on more than on just economic growth has led to a rising contribution of more substantial requirements. Historically, China deployed its first medical team in 1964 at the invitation of the Algerian government. Since then, China has cumulatively sent over 15 000 doctors to more than 47 African countries and treated approximately 180 million African patients.

Williamson (2004: 6) in Turin (2010) described the Washington Consensus as being interpreted to mean bashing the state, a new imperialism creating a *laissez-faire* global economy based on GDP as the only thing that matters. The Beijing Consensus rejects this notion instead suggesting an increased focus on measures such as quality of life and individual equity. This is in line with UN Development Program's (UNDP) Human Development Index (HDI) whose standard provide an alternative to the view of development equated exclusively with economic growth.

Most of the criticism is linked to the adoption of these principles that were detrimental to a number of developing countries by the IMF and the World Bank. Where the Washington was prescribing the same strict and homogeneous reforms

to all developing countries, the Beijing Consensus recognises the need for a unique approach according to each nation's unique challenges.

In his comparison of the two consensus, McKinnon, (2010) found that it is hard to define the Beijing Consensus as a set of rules because of its pragmatism involving "commitment to innovation and constant experimentation" and is also tainted with Chinese specific commercial interest such as extraction of minerals. In contrast he views that the Washington Consensus' agencies' principles while selfless in their aim to raise per capita incomes and welfare in recipient countries ran the risk that aid recipients became permanent supplicants.

4.4.1 Is it a win-win relationship?

The fact that Chinese companies use mainly Chinese labour is a disadvantage for the African country concerned. The preference to hire Chinese nationals and long hours of work expected by Chinese managers is causing conflict with local labour and cultures. It also means no local employment is created and that no knowledge and experience are transferred (Adisu and Sharkey, 2010; Van Dijk, 2009).

While Zafar (2007) recognises the positive impact the Chinese investment has had on the continent, his concerns are that most of China's investments are based on capital-intensive natural resource extraction and will not contribute to local employment generation and the long-term economic development. Secondly he observed that China's influence on global energy demand and on oil markets will lead to increased energy prices for net oil importers in Africa worsening their terms of trade. Finally he feared that issues like corruption and governance which had moved to the forefront of the development agenda may slide back.

Most political commentators agree that the Beijing Consensus recipe has become quite toxic for many countries. There are fears that the emerging donors like China are encouraging poor policies, lowering standards and increasing debt burdens in countries to which they are offering aid.

The first area of concern is the level of finance being advanced to African states. The Chinese lending to Africa has prompted a renewed discussion about debt sustainability. The deals that China is negotiating with Africa according to traditional donors and civil society have the possibility of re-indebting especially

those countries that have just benefitted from debt relief under the highly indebted poor countries (HIPC) and the multi-lateral debt relief initiative (MDRI). China is accused of not respecting the debt sustainability framework (DSF) and other financial sector standards as well as not being transparent regarding the volume and the conditions of Chinese credits to African governments.

However the World Bank (2007) noted that a comparison of recent debt relief figures with estimates of potential indebtedness to China suggests that some of the major beneficiaries of Chinese finance, accounting for more than one third of the total, were countries that did not benefit from Western debt relief initiative. Wood (2008) claim that there is no clear evidence that China is re-indebting the HIPC en masse.

Apart from the debt sustainability some analysts have identified that the financing arrangement especially for those cash strapped resource rich countries in need of major infrastructure need is skewed towards China. According to Corkin (2007) and Davies (2010), the financing arrangement is also meant to addresses China's domestic challenge of structural unemployment. According to the China Exim Bank's concessional loan requirements, Chinese contractors must be awarded the infrastructure contract financed by the loan. Furthermore, in principle no less than 50 per cent of the contract's procurement in terms of equipment, materials, technology or services must come from China.

The other area of serious concern is the influx of cheap goods into the continent. While Chinese exports provide cheaper access to more goods and services for the well-being of the people, in the long-term this is bad for Africa because it destroys local manufacturing capabilities and competitiveness. There is growing resentment that cheap Chinese imports are killing local manufacturing possibilities. The 'China Price' has hit manufacturers worldwide. For example in Zimbabwe and South Africa, there have been protests against cheap clothing imported from China. In countries like Ghana, South Africa and Zambia, there is a growing Chinese population of small traders who sell cheap Chinese wares (Idun-Arkurst and Laing, 2007).

On the subject of dumping cheap low quality products to Africa, Van Dijk (2009) argues that China is just using product differentiation to promote its exports by

exporting cheap products to Africa for low-income consumers. It is not only the quality, he explains, but the price is also adjusted to the market

As identified above, the implication of the cheap clothing to Africa had serious repercussions on the economy and employment situation of some of the nations. Alden, Large and Oliviera (2008) and Tull (2006) describe the impact of Chinese competition on the African textile industry beginning 2005 as a result of the non-renewal of the Multi-Fibre Agreement (MFA).

At the expiry of the MFA in January 2005, Africa's intermittent textile boom witnessed a meltdown, American demand for textiles plunged in favour of even cheaper garments made in China, and African-based Chinese companies were already relocating their production back to China. The impact of this was considerable for African clothing and textile exporters benefitting from the US AGOA.

Overall African clothing exports under AGOA declined by 17 per cent in 2005. Lesotho and Madagascar's exports fell by 14 per cent. The main casualty was South Africa, with a 45 per cent decrease in exports. The impact on employment in 2004-5 was tangible: employment in the clothing sector in Lesotho declined by 28.9 per cent, 6000 textile workers lost jobs in Lesotho in January 2005 alone; in Swaziland employment in this industry fell by 56.2 per cent and in South Africa by 12 per cent.

The move by China to locate their clothing and textile companies in Africa had two closely related objectives: first, to exploit the preferential access to the US market that AGOA had conceded to certain African products, including clothing and textile. Second, shifting parts of the production to Africa enabled Chinese firms to circumvent the trade barriers that the Agreement on Textiles and Clothing of the Uruguay Round had imposed on them to protect markets in Europe and the US from cheap Asian imports.

In order to show the political tension that has been caused by the Chinese presence in Africa, the China card was playing in local politics. In Zambia, the then opposition leader Michael Sata had promised to drive out the Chinese if he won the 2006 presidential election accusing the Chinese of exploitation and

turning Zambia into a dumping ground. The former opposition leader likened aid and investment as Trojan horses when quoted saying:

“You recruit Chinese doctors and they end up having Chinese restaurants in town. They are just flooding the country with human beings instead of investments and the government is jumping. We have to be very careful because if we leave them unchecked, we will regret it. China is sucking from us. We are becoming poorer because they are getting our wealth. Instead of creating jobs for the local workforce, they bring in Chinese workers to cut wood and carry water. We don’t want Zambia to be a dumping ground for their human beings” (Idun-Arkhurst and Laing, 2007; Brautigam, 2009).

The late Zambian President Levy Mwanawasa countered that, *“The Chinese government has brought a lot of development to this country and these are the people you are demonstrating against.”*

On the other hand others argue that China is only presenting itself as a developing country that has not come to exploit Africa, but rather wants to create win-win situations, while following a different approach than the European model. Their argument is that China’s energy expansion in Africa, as fast as it has been in recent years, is still relatively small by all major measurements, and charge that Western media has blown things out of proportion.

By offering their African counterparts a mix of political and economic incentives, the Chinese government is successfully driving home the message that increased Sino-African cooperation will inevitably result in a “win-win” situation for both sides. The power of this argument is enhanced by a subtle discourse which posits China not only as an appealing alternative partner to the West, but also as a better choice for Africa (Tull, 2006).

4.4.2 Is there any consensus?

According to Williamson (2012), finding a definition of exactly what is meant by the Beijing Consensus is no easy task. Williamson the architect of the Washington Consensus argues that many discussions of the “Beijing Consensus”

define it as an alternative to the Washington Consensus without explaining the essence of the alternative. Ramo explained that the Beijing Consensus is “this new physics of power and development” and “is flexible enough that it is barely classifiable as a doctrine”.

The model is as much as about social change as economic change. Ramo defines the consensus as simply three theorems of which the first concerns using innovations that offer the best bargain, the second promotes working through chaos management and the third is that the concept of consensus contains a theory of self-determination. The lack of any sort of list of what the Beijing Consensus involves is disappointing according to Williamson (2012) who is forced to conclude that the term is being used to describe the development policies pursued by China.

Rebol (2010) concurs with Williamson (2010) mentioning that this term, has created a lot of confusion as it implies to be an alternative to the Washington Consensus. While the Washington Consensus describes a set of recommended specific economic policies which were popularised by the IMF and World Bank, the term implies that there is a certain agreement coming out of Beijing, which in fact is not the case.

Kennedy (2010) suggest that Cooper obviously chose the term “Beijing Consensus” as a provocative response to the Washington Consensus, but the Beijing Consensus’s three theorems above do not parallel those of the Washington Consensus.

According to Ramo, the Beijing Consensus rejects several key Washington Consensus market liberalisation concepts. It approaches privatisation and free trade with caution rather by pursuing them with zeal as demanded by Washington’s neo-liberal leaders. China is defined by innovation and testing of new ideas such as the Special Economic Zones. The Consensus allowed Beijing to create an environment where testing and failure is acceptable (Kennedy, 2010).

The ability of the Beijing Consensus to ensure a sustainable economic development in Africa has also been questioned. Williamson (2012) in Sanusi (2012) argues that the Beijing Consensus could best be described as protecting

China's "self-interest" rather than a genuine concern for Africa's developmental needs.

One of the hallmarks of the Beijing Consensus is that it does not dictate finite policy to those who may seek to use it as a model unlike the Washington Consensus which clearly delineates their ten recommendations. This fact alone has challenged the Beijing Consensus as to whether it is useful as a development model as the basis of its broad nature lacks specificity. Dirlik (2006) a China specialist cited in (Turin, 2010) calls the Beijing Consensus, a "notion, rather than a concept or an idea, because it does not have any of the coherence that we associate with either of those terms." Dirlik attributes this to marginalisation of the population by these new development policies, the environmental challenge China is facing concluding that the implementation of China's development ideals has obviously not been without its flaws.

Other scholars (Lai-Hai, Lee & Chan, 2008: 12) echoes Dirlik that while the Beijing Consensus have legitimate value, calling it a "consensus" may be overly flamboyant but instead they prefer to refer to these ideas as preferably as a "China model." They claim that there should not be any universal blueprint for development imposed by external actors from the above. While some analysts may disagree with the terminology that sums up China's experience, the majority by and large resonates with the claim that the state should play a predominant role in reform and development.

According to Turin, (2010), the feasibility of implementing the Beijing Consensus as a development model outside of China is twofold. Firstly the Beijing Consensus is limited by China's own unique experience with its long experiment with socialism accompanied with a Confucian tradition and its united national identity which makes everything distinctly Chinese. Secondly, the Beijing Consensus serves as a convenient starting point for identifying a mode for development that is independent from the currently accepted model. In a sense, the Beijing Consensus is highly valuable to the developing world by it serving to enhance the voice of developing nations in global affairs. The fact that it does not dictate any specific policy that adherents must undertake makes it thus less

outwardly recognisable as a “model” but the ideas behind it create a base upon which policy can be shaped.

Ultimately while the Beijing Consensus may not be actually a “consensus” in the same way that the Washington Consensus has come to be known, its most important aspect is that it may be an approach to global relationships that seeks, in multinational relationships, a new global order not only founded on economic relationship, but which also recognises political and cultural differences as well as differences in regional and national practises within a common global framework. It would certainly appear that the Beijing Consensus will continue to play a growing and increasingly important role in shaping future development initiatives throughout the world. Its role is realised both as an alternative development philosophy and as a gauge to the changing global environment.

4.5 Recommendations

4.5.1 Zimbabwe

Zimbabwe needs to swallow its pride and admit that it has a huge problem that requires urgent action. The resolution of the debt issue should be a priority for Zimbabwe. China’s involvement in Zimbabwe’s resource sector, while welcome, will not solve the Zimbabwean problem. It is actually creating more debt for the country.

While the resource-for-loan backed strategy is a noble one, it is currently not the best option as it will not solve the debt problem. The country possesses enormous natural resources which if used appropriately will lift the country out of its debt trap. One reasonable but controversial way is utilising diamond revenues to clear the IMF arrears so that it can open up new lines of credit which can help in debt resolution. Zimbabwe should use its leverage on resources such as platinum and diamonds to negotiate deals that are in the interest of the country. This requires putting in place institutions that can guarantee maximisation of natural resources by the citizens.

The country could also request assistance from the ADB Fragile States Facility to regularise its debt as outlined under section 3.1.11 of the Operations Guidelines of the Fragile State Facility. Under this facility, the country has to show

commitment in addressing its arrears (ADB, 2013). The current piece-meal assistance from mostly off-budget support and China is not sustainable in the long-term.

While China seem to have found its comparative advantage of exploiting natural resources in Africa, it is time Zimbabwe take reasonable steps to ensure that robust economic fundamentals are established within the economy to ensure that this recovery translate into sustainable growth going forward. With the anticipated slowdown of the Chinese economy, it is imperative that containing the risk of contagion while difficult in an era of global interconnectedness, Zimbabwe is being advised to put robust economic fundamentals that will ensure sustainable growth recovery.

In the interim the country should work on key reforms aimed at addressing external indebtedness and improving the investment climate especially in the area of property rights, indigenisation and land reform will be vital if the country is to continue to make progress. The improvement of the investment climate is of paramount importance if the country is to attract the much needed FDI. The country continues to be one of the least competitive economies in the World. The World Bank 2011 “Doing Business Survey” ranked the country 157 out of 183 countries in the world well below South Africa at 34, Namibia at 69 and Botswana at 52.

There is a need for policy consistency and political will to continue with the reforms especially those directly associated with the implementation of the ZAADDs. These include the reconciliation and validation of debt; re-engagement with creditors and the international community for the removal of the restrictive measures; negotiating for arrears clearance; new financing and comprehensive debt relief and strengthening of the Debt Management Office (ADB, 2011).

The collapse of the economy by 2008 resulted in a collapse of social services especially in the areas of health, education and access to water and sanitation and also increased the levels of unemployment and poverty. This has heavily impacted on the country’s ability to meet its Millennium Development Goals.

The short-term recovery measures pursued to date have helped to revive the economy, but they cannot sustain growth over a long time horizon. This is because short-run output fluctuations are determined primarily by aggregate demand, while long-run growth reflects the combined effects of accumulation of capital, labour and productivity improvements and involves structural supply-side strategies that enable individuals, firms, industries and the entire economy to become more productive on a sustained basis (ADB, 2011)

There is need to resolve the issue of diamond revenues accounting, a rising wage bill which currently account for almost 70 percent of government revenue leaving barely nothing for infrastructure and other key government expenditure targets.

On the whole it would be unfair to blame China for acting to further their interests. It is incumbent for the Zimbabwean leadership to put in place programmes and strategies that will enable global direct investments to contribute to growth instead of ‘pawning’ the country and submitting its citizens to exploitation.

As mentioned elsewhere in this report, Zimbabwe can take lessons from what other resource-rich countries have tried, such as using stabilisation policies where for example when resource prices are high, revenues are set aside so that when prices fall, the government can use the funds to cushion the blow. It could also park part of the proceeds from resources in offshore “funds for future” in the form of Sovereign Wealth Fund (Economist, 2005). Theoretically what these funds do is not only spreading the wealth over several generations, but helps avoid over-appreciation of the local currency. A more contentious idea is disbursing revenues directly to every household as a way of ensuring that tangible benefits are realised. I say contentious because this idea seems to be well-received in stable economies but for Zimbabwe, it could be perceived as wasteful expenditure and could also open doors for cronyism and corrupt tendencies. Norway has an offshore oil fund that has been touted as a model for developing countries like Zimbabwe but virtuous as it may be; Norwegians have been raiding it for politically popular causes. Just across the Zambezi River, Zambia had a stabilisation scheme that managed its mineral exports but when prices soared in the 1970s, they dropped it.

Finally as reported by Karumbidza (2006) it would be naïve to think that China is motivated by the need to salvage the Zimbabwean economy from its economic abyss. For the Chinese, the investment in Zimbabwe is nothing different from Chinese ventures elsewhere on the continent. What Zimbabwe should guard against is opening up to a new form of imperialism by Chinese, cognisant of the fact that at the end of the day, like any other investor, China is competitively driven by the profit and will ultimately look out for their interests. China is in Africa to pursue expansion, consistent with its search for global dominance and to avoid being out-competed by the US. In order to achieve this, it requires resources, raw materials, markets and above all support from the continent.

The HIPC and the Angola Model should not compete but rather complement each other in finding a solution, hence Zimbabwe is advised not to shun its traditional partners but rather find ways of resolving the debt issue with both the East and the West.

As Angola had offered to bail Portugal, maybe as the Reserve Bank Governor of Zimbabwe, Dr Gideon Gono suggested, Zimbabwe might one day find itself in a similar situation, volunteering to bail out Britain from her 1.2 trillion pound debt debts (Miller, 2012) but for now it remains a pipe dream.

4.5.2 Africa

It is evident that China follows a clear political and economic strategy with regard to Africa but has Africa developed a China policy? How can African countries assure to benefit from the expanding relations with China not only in the short, but also in the long run? What options do they have? What is their room for manoeuvre (Schmitt, 2007)?

While the advent of China represents an encouraging trend for Africa, given the magnitude of its infrastructure deficit, the key challenge for African governments is how to make the best strategic use of all external sources of infrastructure funding to promote growth and reduce poverty on the continent. The key lies in the hands of African policy makers to take advantage of this opportunity to boost economic growth. There is need to re-examine the conditions under which foreign

companies enter African markets in order to cultivate and harness the development of local companies while Africa can still play the resource card. In order to level the playing field and have a plan for win-win relationship, African leaders and in particular the African Union through its various sectors should harness growing commercial and political ties with China in order to leverage them for sustainable domestic growth by seriously looking at the following key issues:

- There is need for African governments need to lay claim to ownership of their development process. This can be done by using the leverage afforded by rising commodity prices to negotiate more participation by the African private sector in these construction deals. This should see the formulation of legislation and regulatory framework that enforces joint-ventures and the employment of the local labour in order to help technology transfer and facilitate economic knock-on effects in related industries.
- The need to guard against the resource curse especially for resource rich countries through channelling windfall revenue from export commodities into developing local capacity for infrastructural and economic rejuvenation. This way African governments need to design policies that equip domestic industries to collaborate with Chinese and other foreign investors. The large windfalls from resource rents should encourage African governments to pursue aggressive national development goals, including strategically consolidating their local firms and positioning them as a matter of policy to partner and learn from Chinese companies in major contracts. A fundamental understanding of Chinese domestic development dynamics will help African countries to maximise their resource fortunes and avoid the “resource curse.
- Crafting of policy frameworks that facilitate the emergence of a vibrant private sector that can stimulate economic diversification as opposed to maintaining a state-led economy reliant on single export commodity.
- Engaging on issues of human rights, environmental protection and impacts on communities of joint development projects. China should be pushed to follow international conventions and universal standards. The involvement of civil society organisations in the Sino-China relations as a crucial step

for increasing public awareness of the threats and opportunities presented by China's engagement with Africa should form part of this engagement.

- There is need to push African governments to be more responsive to citizens' needs and uphold their interests and avoid the exploitative problems that Africa experienced with many institutions of global governance like the WB and the IMF. At the same time, the historical relationship of China with Africa must be well-understood, owned and driven by citizens (AFRODAD, 2010).

For Africa's sake, the US should push for the post Washington Consensus, but in a way that recognises their own obligations towards developing states. For this purpose, both the US and China should rethink the way they pump money into African states. For Africa's traditional donors, it is time to engage China as a major player in designing the rules of global economic governance and to review aid conditions to identify what does and does not work for African development in order to continue to remain influential and credible in Africa (Idun-Arkhurst and Laing, 2007).

To avoid a blame-game and potential conflict which surely would not be beneficial for African recipient countries, Wenping (2013) recommends a two-way street mind-set and practise are needed. On the one hand, China's foreign aid should become more transparent and seek collaboration with other donors. On the other hand, OECD donors should also understand more about China's aid model from the angle of history and culture, make sure they avoid politicisation and seek active partnership with key aid institutions in China. In terms of understanding Africa, for many years traditional donors have tended to see Africa "as a place for charity" rather than as a "growth market", new actors like China on the contrary, see a land of opportunities. The new discourse has shifted from aid effectiveness to development effectiveness meaning that there is more focus on results on the ground and less on procedures or process.

It is in Beijing's interests to forge a truly "win-win" situation in its relations with Africa, while exploring a cooperative framework with the United States and the EU countries to ensure that the major powers do not engage in hostile policies that harm both the African people and their own interests. The lessons for Africa

is that they should learn to negotiate on their own terms, identify priorities, and leverage opportunities to further their own interests.

Chapter 5: Research Conclusions

The research study set out to explore whether the Chinese strategy commonly referred as the Beijing Consensus can be beneficial to Zimbabwe. The study also looked at the costs of the Chinese presence in the country. The determination of the benefits was tested using the Angola model, the resource-backed loan facility China has been using in resource-rich countries as an option against the much favoured HIPC initiative. The findings have shown that while the Chinese strategy has offered more opportunities for African countries, it is not beneficial for Zimbabwe under its current status. The conclusion is that the Chinese development strategy cannot be generalised. The fact that the Angola Model worked for Angola does not necessarily mean it can work for Zimbabwe. In the same, the fact that the strategy is not benefitting Zimbabwe does not mean it will not benefit Mozambique.

Overall, the research aimed to determine if the Beijing Consensus is an alternative development strategy for Africa. The research provided the background of Africa and China's relationship and why African states prefer to deal with China than before. The conclusion is that the Beijing Consensus currently gives African states much needed breathing space but this does not conclude that the model is an alternative in the same as the Washington Consensus is viewed. The significance economic miracle of China under the Beijing Consensus has challenged the Washington Consensus, but this remarkable success, is arguably argued that it might not be sustainable in the long run due to its maintenance of large SOEs and authoritarianism which runs contra to people's aspirations. Secondly, the success of this model is based on China's experience that span over 60 years of trial; hence the policies it used may not be applicable to other countries.

While the option provided an alternative route for African countries in particular for those countries that can no longer get unconditional support from Western countries or the Bretton Woods institutions, there is need to fashion a new development strategy that is focused towards harnessing the continent's rich natural resources.

The study has shown that the post-Washington Consensus cannot be arrived at simply within the confines of Washington. The development of a successful development strategy will have to involve those in the developing world in an important and meaningful way. China with its development model has taken the first step as it embarks on a journey to show that the one-size-fits-all policies promoted by the IMF/WB are doomed to fail. Policies that worked in one

country may not work in others. This is also a warning signal to African nations to heed that what has worked for China may not work for Africa.

It is also important to note that while the Beijing consensus can be embraced as an alternative, some components of the Washington Consensus could still have a positive impact on developing African states. Although the SAPs could have failed in their purpose, which was to help African states take their place in the international financial system, the fact is that some aspects of economic reform programmes are still important components of stabilisation and reform.

It is widely believed in some quarters that the US and in particular the Washington Consensus has much to offer Africa, despite its chequered history. African states could benefit from the stability that democracy often brings. What Africa can learn from this is that different states require different approaches. Whether they choose the Washington Consensus or the Beijing Consensus, it is entirely up to African governments to make whatever internal changes are necessary to ensure development and to make decisions as to which consensus would best serve African interests. It is by finding a balance between the two Consensuses that African states can best promote development.

Chapter 6: Areas for future research

This research was focused on establishing whether the Beijing Consensus is an alternative to the Washington Consensus and in particular how resource-rich countries like Zimbabwe could benefit from the Chinese development strategy. This pitted the Beijing Consensus against the Washington Consensus as to which of the two models would lift Africa out of its misery that has plagued it for over six decades.

To some the battle between the Beijing Consensus and the Washington Consensus is the best thing that could have happened for the continent while the other school of thought believes this has seriously affected Africa's chance of developing its economy the way the Asian economy have done. Either way the emergency of the Beijing Consensus provided Africa with a missed opportunity to negotiate better deals. Apart from the controversial ill-structured Angola Model, China has also introduced its model of SEZs in Africa. At the 2006 FOCAC China agreed to share with African countries its experience in the field of investment promotion relating to the establishment and management of SEZs. This commitment led to the establishment of six SEZs in six African countries which were being marketed as a "model" for future collaboration between China and the continent. Some of these SEZs projects are either a partnership with the host government or are 100 percent owned by China.

Special Economic Zones have been in existence for over three centuries and Africa has had its share of experience with them. With the exception of Mauritius (Giannecchini, 2011), evidence seem to suggest that SEZs have not succeeded in Africa begging the question of whether SEZs work in African context. Zimbabwe established Export Processing Zones in 1994 but the concept failed to make any meaningful contribution to the economy despite the array of incentives that was accorded to the companies involved. The initiative had been launched with the hope that it would revive the export sector and contribute to the national economic growth. In 2000 South Africa introduced Industrial Development Zones (IDZ) at Coega, East London and Richards Bay but evidence suggests that they have not been as successful as anticipated (Altbeker, McKeown & Bernstein, 2011). As Jiang (2009) stated, the research agenda is still wide open, many issues

are yet to be explored, and patterns of behaviour to be established. Considering that SEZs are long-term oriented projects taking over a decade to mature, it would be an interesting and valuable for future research to explore the impact the six SEZs has had on the economies and standard of living for the people in areas hosting the SEZs.

The findings of this study has shown that Africa still lack the skills of crafting and negotiating deals that truly benefit the larger populations. This was evident in most of the resource for infrastructure deals that were negotiated between China and Africa which were skewed in favour of China. Considering that SEZs are contained geographic regions characterised by relaxed laws and economic policies designed to attract foreign investment, it would be interesting to establish what special concessions the SEZs in Africa were granted considering that some countries were over-generous. Further research could also be undertaken to establish the uniqueness of the Chinese SEZs models in comparison with the failed SEZs in Africa.

References

- Adisu, K., & Sharkey, T. (2010). The Impact of Chinese Investment in Africa. *International Journal of Business and Management*.
- African Development Bank. (2011). *Zimbabwe: Country Brief 2011-2013*.
- AFRODAD. (2010). *Assessing the growing role and developmental impact of China in Africa: An African perspective*. Harare: AFRODAD Publications.
- Alden, C., Large, D., & Oliviera, R. S. (2008). *China Returns to Africa: Anatomy of an Expansive Engagement*.
- Altbeker, A., McKeown, K., & Bernstein, A. (2011). Special Economic Zones Lessons for South Africa from international evidence and local experience. *The Round Table*. Johannesburg: Centre for Development and Enterprise.
- Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *The Qualitative Report*, 13(4), 544-559.
- Bird, G. (2004). The IMF and Poor Countries: Towards a More Fulfilling Relationship. *Developing Countries, Global Finance and the Role of the IMF: Towards a New Relationship*. The Hague: Forum on and Development.
- Birdsall, N., & Fukuyama, F. (2011). The Post-Washington Consensus. *Foreign Affairs - March/April Volume 90 Number 2*, 45-53.
- Broad, R. (2004). The Washington Consensus Meets the Global Backlash: Shifting Debates and Policies. *Globalisations*, pp. 129-154.
- Broad, R., & Cavanagh, J. (1999). The Death of the Washington Consensus? *World Policy Journal*, 79-88.
- Campos, I., & Vines, A. (2007). ANGOLA AND CHINA: A Pragmatic Partnership. *Working Paper Presented at a CSIS Conference, "Prospects for Improving U.S.-China-Africa Cooperation," December 5, 2007*. Washington: Center for Strategic & International Studies.
- Chanakira, N. (2013, June 10). *Zimbabwe must declare HIPC status, recommends Tony Hawkins*. Retrieved from The Zimbabwean: <http://www.thezimbabwean.co/news/zimbabwe/5788>
- Chatelard, S. G. (2013, May 25). Africa must do more to profit from China. *Africa News Report*. Retrieved from Ghanalink.
- Chingono, H. (2010, November 01). Zimbabwe's Look East Ploicy. *The China Monoitor Issue 57*, pp. 4-8.
- Chipendo, R. (2012, April 12). Preparing for China's economic slowdown. *The Independent*.
- Chiripasi, T. (2013, June 7). *IMF Accepts Zimbabwe's Debt Clearing Strategy*. Retrieved from Voice of America: <http://origin.voazimbabwe.org/articleprintview/1677348.html>

- Corkin, L. (2007). China's Contribution to the Development of African Infrastructure through Investment in the Extractive Industries. *AFRODAD Occasional Papers Issue#8*.
- Davies, M. (2010). *How China is Influencing Africa's Development*. Pretoria: OECD.
- Dijk, M. P. (2009). *The New Presence of China in Africa*. Amsterdam: Amsterdam University Press.
- Eisenman, J. (2005, July 5). Zimbabwe: China's Africa Ally. *China Brief Vol 5. Issue 15*.
- Gadzala, A., & Hanusch, M. (2010). *African Perspectives on China-Africa: Gauging Popular Perceptions and Their Economic and Political Determinants*. Oxford: AfroBarometer Working Papers.
- Gono, G. (2012). *Commentary on the Zimbabwe Accelerated Arrears Clearance, Debt and Development*. Harare: Reserve Bank of Zimbabwe.
- Haroz, D. (2011). China in Africa: Symbiosis or Exploitation. *Summer Vol 35:2*, 65-88.
- Hawkins, A. (2013, September 6). Zimbabwe: Time running out. *The Financial Mail*, pp. 42-43.
- Huang, Y. (2010). Debating China's Economic Growth: The Beijing Consensus or The Washington Consensus. *Academy of Management*, 31-47.
- Idun-Arkhurst, I., & Laing, J. (2007). *The Impact of the Chinese Presence in Africa*. London: Africa Practise.
- IMF. (2013). *Zimbabwe - Staff-Monitored Program - Country Report No. 13/193*. IMF.
- Jaen, A. C. (undated). *New roads to development: China in Africa*.
- Jiang, W. (2009). Fuelling the Dragon: China's Rise and Its Energy and Resources Extraction in Africa. *The China Quarterly*, 199, 585-609.
- Jubilee Debt Campaign. (2009, November 19). *Zimbabwe: A HIPC?* Retrieved from Jubilee Debt Campaign: <http://www.jubileedebtcampaign.org.uk/?lid=5222&tmpl=jdcmainprint>
- Jubilee Debt Campaign. (2011). *Uncovering Zimbabwe's Debt: The Case for a democratic solution to the unjust debt burden*. London.
- Kaplinsky, R., McCormick, D., & Morris, M. (2007). *The Impact of China on Sub-Saharan Africa*.
- Karl, T. L. (2006). *Ensuring Fairness: The Case for a Transparent Fiscal Social Contract*. Initiative for Policy Dialogue Working Paper Series.
- Karumbidza, J. B. (2013, August 5). *Can China Save Zimbabwe's Economy?* Retrieved from Pambazuka News: <http://pambazuka.org/en/category/comment/38894/print>
- Keenan, P. J. (2008). *Curse or Cure? China's Investments In Africa and Their Effect on Human Rights*.
- Keenan, P. J. (2009). Curse or Cure - China, Africa, and the Effects of Unconditional Wealth. *Berkeley Journal of International Law - Volume 27 Issue 1*, 84-125.

- Kennedy, S. (2010, June 1). The Myth of the Beijing Consensus. *Journal of Contemporary China*, pp. 461-477.
- Lafargue, F. (2005). *China's Presence in Africa*.
- Lai-Ha, C., Lee, P. K., & Chan, G. (2008). Rethinking global governance: a China model in the making? *Contemporary Politics Vol 14, No1*, 3-19.
- Leo, B., & Moss, T. (2009). *Moving Mugabe's Mountain: Zimbabwe's Path to Arrears Clearance and Debt Relief*. Center for Global Development.
- Liu, Y., Zhong, L., & Thompson, T. (2011). Assistance of Chinese Characteristics - China's Aid Program in Africa and its Consequences. *China's Role in Global and Regional Governance*. Nanyang Technology University: S. Rajaratnam School of International Studies.
- Machadu, C. (2012, April 19). *Look East Policy Bears No Fruit For Zimbabwe*. Retrieved from The Sino-Africa: <http://www.sinoafrica.org/en/node/2016>
- Machadu, C. (2013, September 25). *Chinamasa's finance plan immoral: Biti*. Retrieved from The Zimbabwe Situation: http://www.zimbabwesituation.com/news/zimsit_chinamasa_finance_plan_immoral_biti/
- Mangudhla, T. (2012, February 20). *China ripping off Zim: Mutambara*. Retrieved from The Daily News: http://www.zimbabwesituation.com/feb21_2012/html...21/02/2012
- Matimair, K. (2013, November 5). *CZI castigates Anjin Operations*. Retrieved from The Zimbabwean: http://www.zimbabwesituation.com/news/zimsi_czi-castigates-anjin-operations/
- McKinnon, R. I. (2010). *China in Africa: the Washington Consensus versus the Beijing Consensus*.
- Mikheyev, D. (2013, April 2). *BRICS and US models: "Beijing Consensus" and "Washington Consensus"*. Retrieved from The Voice of Russia: http://voiceofrussia.com/2013_04_02/BRICS-and-US-models-Beijing-Consensus-and-Washington...25/09/2013
- Muresan, A. (2012, March 16). *China in Zimbabwe, an unsatisfactory alliance?* Retrieved from Consultancy Africa: http://www.consultancyafrica.com/index.php?option=com_content&view=article&id..05/11/2013
- Mushava, E. (2012, March 6). *Chinese firms panning for gold in UMP*. Retrieved from The Daily News: <http://www.dailynews.co.zw>
- Naim, M. (2000). *"Washington Consensus or Washington Confusion"*. Foreign Policy.
- Nyakazeya, P. (2011, September 8). *Zimbabwe: HIPC Status Best Option for Zimbabwe*. Retrieved from Zimbabwe Independent: <http://allafrica.com/stories/201109091102.html?viewall=1>
- Radiovop. (2012, February 17). *Chinese Companies Evade Tax*. Retrieved from The Zimbabwe Situation: http://www.zimbabwesituation.com/feb17_2012.html

- Rebol, M. (2010). Why the Beijing Consensus is a Non-Consensus: Implications for Contemporary China-Africa Relations. *Culture Mandala: Bulletin of the Centre for East-West Cultural & Economic Studies*, 7-20.
- Reuters. (2011, February 4). *China offers Zimbabwe \$3 bln for platinum*. Retrieved from The Reuters: <http://www.reuters.com/article/2011/02/04/ozatp-zimbabwe-china-platinum-idAFJOE713..30/07/2013>
- Richardson, C. J. (2013). *Zimbabwe - Why Is One of the World's Least-Free Economies Growing So Fast?* Cato Institute .
- Rigoglioso, M. (2003, March 15). *Debt Relief Doesn't Help Small Countries* . Retrieved from Stanford Graduate School of Business: http://www.gsb.stanford.edu/news/research/econ_debtrelief.shtml
- Sanusi, L. S. (2012). Neither the Washington nor Beijing Consensus- developmental models to fit African realities and cultures. *Eirenicon Africa Public Lecture Series (EAPLS) held at The Royal School of Medicine*. London.
- Schmitt, G. (2007). *Is Africa Turning East? China's new engagement in Africa and its implications on the macro-economic situation, the business environment and the private sector in Africa*. Eschborn: Germany Technical Corporation.
- Shinn, D. (2011). The impact of China's Growing Influence in Africa . *The European Financial Review*, 16-19.
- Smith, D. (2011, February 1). *China posed to pour \$10bn into Zimbabwe's ailing economy*. Retrieved from The Guardian: <http://www.theguardian.com/world/2011/feb/01/zimbabwe-china-10-billion-economy/print> 28/08/2013
- Strange, A., Parks, B., Tierney, M. J., Fuchs, A., Dreher, A., & Ramachandran, V. (2013). *China's Development Finance to Africa: A media-Based Approach to Data Collection*. Center for Global Development - Working Paper 323.
- The China Analyst*. (2012, April). Retrieved from The Beijing Axis: <http://www.thebeijingaxis.com/tca/editions/the-china-analyst-apr-2012/123-regional-focu>
- The Economist. (2005, December 20). *The curse of oil - The Paradox of the plenty*. Retrieved from The Economist: <http://www.economist.com/node/5323394/print>
- The IMF is no Father Christmas* . (2013, June 23). Retrieved from Insiderzim: <http://www.insiderzim.com/stories/5798>
- Tull, D. M. (2006). China's engagement in Africa: scope, significance and consequences. *Journal of Modern African Studies*, 459-479.
- Turin, D. R. (2010). *"The Beijing Consensus: China's Alternative Development Model."* . Retrieved from Student Pulse Volume 2, No 1: <http://www.studentpulse.com/articles/134/the-beijing-consensus-chinas-alternative-devel...> 25/09/2013

- Wang, J. (2009). *The Economic Impact of Special Economic Zones: Evidence from Chinese Municipalities*. London.
- Wang, J.-Y., & Bio-Tchane, A. (2008, Month). *Africa's Burgeoning Ties with China*. Retrieved from Finance and Development: <http://www.imf.org/external/pubs/ft/fandd/2008/03/wang.htm>
- Williamson, J. (2000). What Should the World Bank Think about the Washington Consensus? *The World Bank Research Observer*, vol 15, no 2, 251-264.
- Williamson, J. (2012). Is the "Beijing Consensus" Now Dominant? *Asia Policy*, Number 13, 1-16.
- Woo, K. (n.d.). Beijing Consensus: model for sustainable development? *Asia Pacific Housing Journal* , 50-59.
- Woods, N. (2006). *Bretton Woods Institutions*. Oxford: Oxford University Press.
- World Bank. (2013). *Interim Strategy Note: Supporting Economic Recovery for Inclusive Growth for the Republic of Zimbabwe for the period FY 13-15*.
- Yin, R. K. (1994a). *Case Study Research: Design and methods*. 2nd ed. Thousand Oaks, CA: Sage.
- Zafar, A. (2007). *The Growing Relationship Between China and Sub-Saharan Africa: Macroeconomic, Trade, Investment, and Aid Links*. Oxford University Press.
- Zimbabwe Diaspora Development Interface. (2010). The HIPC Initiative: A Debt Relief Option for Zimbabwe. *Zimbabwe Diaspora Development Interface (ZDDI) Discussion Paper*. London.

Appendix A – Zimbabwe’s Economic Plans since 1997 and their implementation

Year	Economic plan/blueprint	Results/Impact
1997	Vision 2020, 1996-2020	Failed to achieve virtually all plan targets <ul style="list-style-type: none"> -Efficient Public Sector Resource Management -Industrialisation/Competitiveness -Infrastructure development -Privatise and Commercialise Public Entities -Human Resource Development -Better health delivery
1998	The Three Year Medium Term Development Plan (TYMTDP, 1998-2000	-Planned macroeconomic indicators not achieved <ul style="list-style-type: none"> -Planned growth not achieved -Land reform not achieved -Infrastructural provision declined -Human resources and skills development not achieved
2000	Millennium Economic Recovery Programme (MERP)	Actual capital budget in the millennium budget was only 8% of total expenditures down from 11% in 1999 <ul style="list-style-type: none"> -All plan targets remained on paper and ignored by government -Under high inflation, heavy distortions – adjustment costs inequitably borne by the poor -slashed education, health and social welfare budgets
2003	National Economic Recovery Programme (NERP)	Never implemented until abandoned without trace
2006	National Economic Development Priority Programme (NEDDP)	-Average real GDP -4.1% (2004-2005) <ul style="list-style-type: none"> -Budget deficit peaked from 0.3% in 2003 to 24.9% of GDP in 2005 -Interest rates from 500-600% -90% of manufacturing firms unable to cover their costs and increase capacity utilisation -Major mines closed down leaving 40,000 people on the streets; 3,4 million people migrated -60% of population living below US\$1 per day
2007	Zimbabwe Economic Development Strategy (ZEDS) 2009-2013	-Still born and never got implemented <ul style="list-style-type: none"> -Announced outside the framework of the national budget

Appendix B

Chinese-financed infrastructure projects backed by natural resources, 2001-2007

Country	Year	Project	Resource	Cost-USm
1.Congo Republic –	2001	Congo River Dam	oil	280
2.Sudan	2001	Power plant	oil	128
3.Angola	2004	Infrastructure	oil	1,020
4.Nigeria	2005	Gas turbine power plant	oil	298
5.Guinea*	2006	Dam project	bauxite	1,000
6. Gabon*	2006	Belinga iron ore reserves	iron	N/A
7. Zimbabwe*	2006	Coal mines, power stations	chromium	N/A
8. Ghana	2007	Bui Dam	cocoa	562

Source: Reconstructed from World Bank (2007)

- The deals for Guinea was under consideration at the time of publication.
- The deal for Zimbabwe had not materialised at the time of publication.

