

Can African countries learn from the Chinese Development Model?

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Summary

China's economic records over the past four decades generated the intellectual curiosity of many foreign observers and researchers. The development pathway of Beijing is interesting to study as it proves that a country can take its destiny in its own hand. This paper tries to draw possible lessons from the Chinese development path to see if some of them could be adaptable to feed the development of the African countries.

Introduction

Forty years ago, China opened up its economy to the world in a desire to position itself as a major player in the global economy. One of the motivations of that opening up was to improve the living conditions of its population. Not only did China benefit from this openness, but it has also contributed to the world's economic growth. That is to say, China's GDP (based on PPP) as a share of the world's GDP, started as a mere 2.3% in 1980 to account for 18% in 2018¹. The internal growth has substantially contributed to lifting 439 million from poverty between 1990 and 2011². Also, China undertook significant political and economic reforms. It has developed an inclusive growth-generating model for its population. It is worth noting that those reforms were happening

thanks to positive demographic indicators. This paper tries to draw lessons from the Chinese development path to see if some of them could be adaptable to feed the development of the African countries.

I. Lessons from the Chinese development model

Looking at China's development since 1978, we notice that one key driver of growth is unique to the country. With the coming to power of Deng Xiaoping, also known as the "Chief Architect" of China's opening up, the country started to target economic development through a gradual opening of its economy to the rest of the world. This opening up of the economy was marked, amongst others, by the setting up of Special Economic Zones (SEZ) and Foreign Direct Investments (FDI) friendly-policy.

1. International Monetary Fund

2. United Nations System in China and the Ministry of Foreign Affairs of China, Report on China's Implementation of the Millennium Development Goals (2000-2015), July 2015

The SEZ offered preferential tax regime as well as an investor-friendly infrastructure to attract foreign capital. In exchange of that, foreign investors were coming with advanced technology which benefited local Chinese workers. The SEZ started in Guangdong and Fujian before being extended to other regions of the country³. They contributed to jobs creation, transfer of technology and increasing the volume of traded goods. In addition, they attracted foreign capital which helped finance further infrastructure development.

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China's remarkable economic growth was, in our sense, made possible with the help of a long-term vision of the ruling party, the Chinese Communist Party (CCP). As it was the only polity in the country, it allowed the government to enjoy political stability. It has also facilitated decision-taking since the economic reforms were centrally planned. When speaking about its planned growth, China did not have a specific GDP number as a target. The country was favouring a quality of growth over a quantity of growth. The Chinese economic vision was that the country would work until 2020 on building a "moderately prosperous society" by doubling the country's GDP in comparison to 2010 and by improving both the urban and rural per capita income. It would then focus on a "socialist modernization" between 2020 and 2035. Once this second phase is over, China would work on achieving a great "modernized socialist economy" between 2035 and 2050⁴.

The country's government designed home-grown solutions to achieve greater economic development. Through rational and pragmatic solutions, China paid particular attention to improving productivity in the economic sectors. China relied on various factors of productivity enhancement through three phases. First of all, the country targeted agriculture development. Second, it encouraged the creation of village enterprises. Third, there was a momentum for private firms to flourish.

3. Xi Chen, China-Africa Cooperation: An Assessment Through the Lens of China's Development Experience, August 2015

4. Makarov, I., Stepanov, I. and Kashin, V. (2018), Transformation of China's Development Model under Xi Jinping and its Implications for Russian Exports. *Asian Politics & Policy*, 10: 633-654.

The focus on enhancing productivity has yielded results on the economic growth, employment as well as poverty reduction. In sum, China has succeeded in moving from becoming the world's global factory to becoming a global marketplace. This achievement is due to the increasing purchasing power of its population that was feeding the global demand.

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From our African lenses, one of the aspects to look at is how China moved from depending on its agricultural exports to relying on its agro-industrial development. Agriculture has been the first phase of Chinese economic growth. Through the processing of agricultural products, China was able to generate value-added from developing its agro-industrial sector. The question is at the heart of many African countries challenges who are at the mercy of global commodities prices. Despite being natural resources-abundant countries, they have very little influence over commodities prices. Similarly, some African countries can seize the opportunity to transform their extra agricultural production to create value-added. However, such a process also requires adequate industrial equipment to transform agricultural outputs into processed food. Since China has great agricultural potential, it has leveraged in this sector to improve the economic conditions of the rural population. It has also helped to reduce poverty in rural areas by creating innovation and new technology aiming at improving productivity in the agricultural sector. Amongst the initiatives that China has implemented concerning agriculture, it developed an agricultural industry and encouraged innovative ways of financing to support the agricultural sector. With this approach, China has stimulated more integration between the urban and the rural population. The solution to integrating more technology in the agricultural sector can be a way to increase agricultural productivity. It would mean relying on high-tech farming machines with a good sophistication level. Yet, China lacks the full capacity to produce enough farming equipment and still depends on imports in this sector. For example, Africa could attract

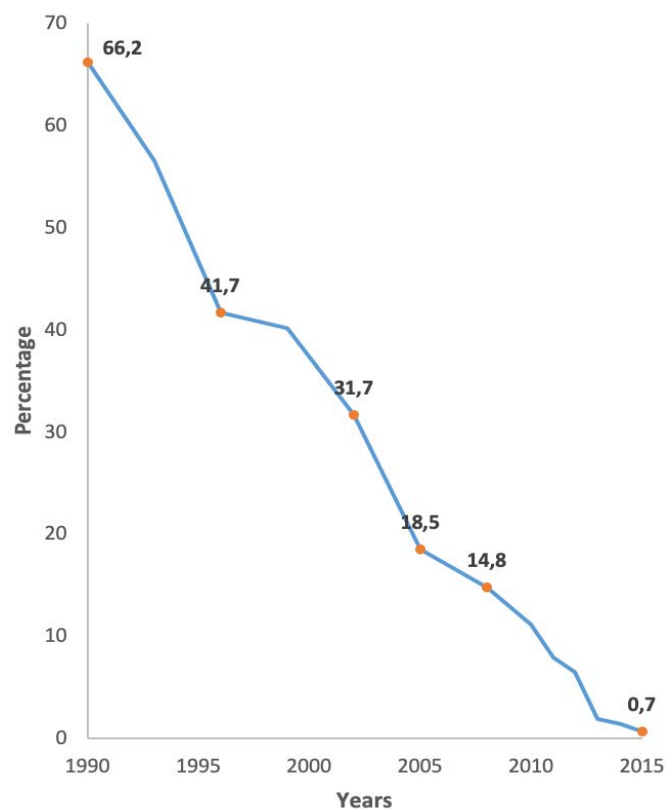
foreign direct investments in the equipment sector to increase its industrialization and benefit from foreign currencies.

"The Chinese initiatives of increasing wages and providing more employment opportunities gave birth to a greater middle class. This social transformation combined with the emergence of new habits has changed the consumption dynamics."

The second aspect that is interesting in the Chinese development model is the country's poverty alleviation program, which succeeded in lifting over 700 million Chinese from absolute poverty since the beginning of China's reforms in 1978. According to the Chinese authorities, not only did China contribute to lifting people out of poverty, but it has also contributed to improving the living conditions in the country. Two drivers help us understand this achievement. First, the Chinese initiatives of increasing wages and providing more employment opportunities gave birth to a greater middle class. This social transformation combined with the emergence of new habits has changed the consumption dynamics. In turn, the share of the expenditure became greater than that of the savings and the internal demand of a larger middle class contributed significantly to the Chinese GDP. Second, China's poverty alleviation program, enacted in 1994 with the "8-7 Poverty Reduction Plan"⁵, succeeded thanks to a genuine political will where the ruling party is not concerned with reelections. Hence, it is easier to implement reforms when the ruling government enjoys political long-term stability. As part of those reforms, the Chinese government allocated more funds to support social security and public services, especially for the poorest categories of society. Those public services covered primary areas such as education, medical care, safe water, transportation and housing, -amongst others.

5. Yuheng Li, Baozhong Su, Yansui Liu, (2016) "Realizing targeted poverty alleviation in China: People's voices, implementation challenges and policy implications", China Agricultural Economic Review, Vol. 8 Issue: 3, pp.443-454

Graph 1: Poverty headcount ratio at \$1.90 a day (% of the population)



Source: Author's Calculation based on PovcalNet - The World Bank Data

Since the inception of the poverty alleviation program, China emphasized on rural areas where economic wealth was unequally distributed. As early as 1978, and until 1985, the government undertook targeted measures to erase poverty from rural areas where the phenomenon was wider. Those measures included the transformation of the economic system, the creation of non-agricultural jobs and the setting up of townships enterprises. In 2011, China put the accent on social transformation and rural development with another poverty reduction program. The later covered areas such as education, social security, ecological protection and others. As a result of those initiatives, rural poverty decreased significantly in China and the available disposable income has improved.

The third aspect is the forty million people⁶ that make up the Chinese diaspora in the world. As early as it opened up its economy in the 1980s, China has seen its diaspora as a real opportunity to contribute to its economic and political development. Chinese economic development was also fueled by foreign remittances and investments by Chinese nationals living abroad.

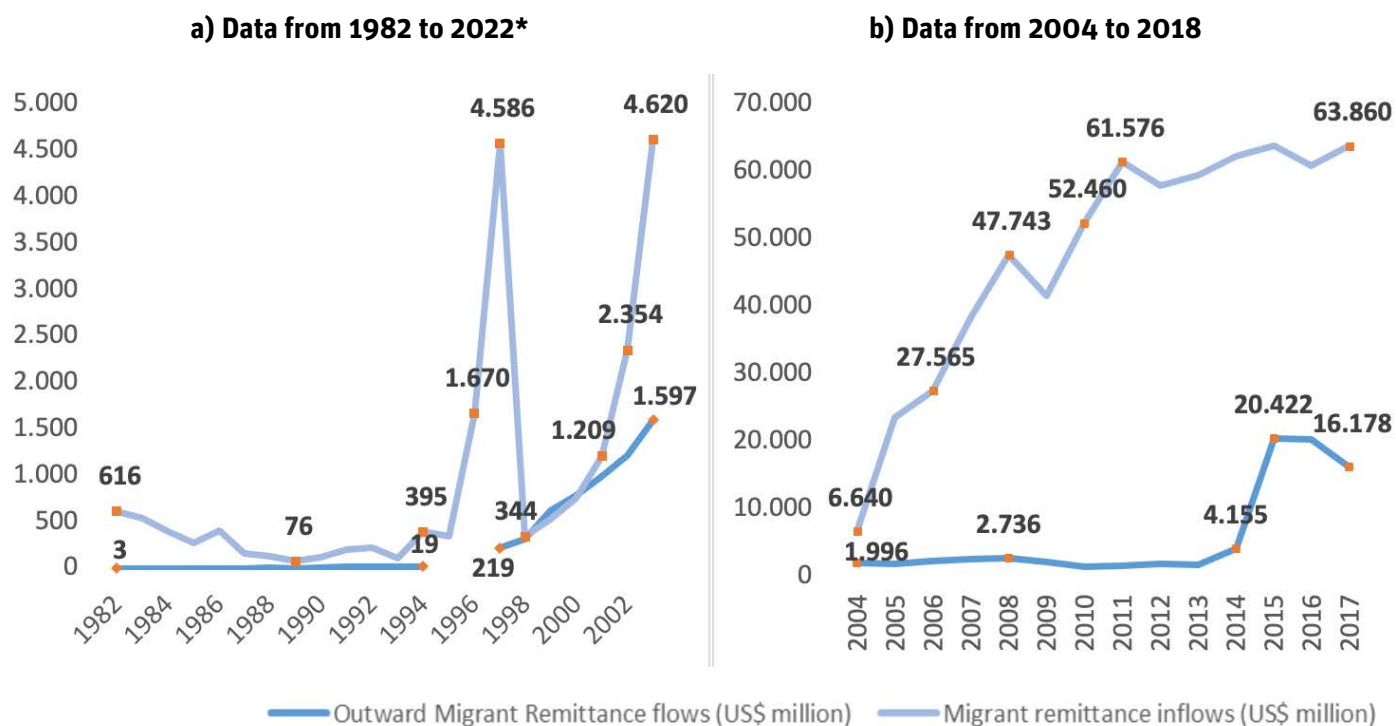
6. Based on the estimates of the : http://www.newworldencyclopedia.org/entry/Overseas_Chinese

In other words, the “Chinese Overseas” played and are still playing an active role in asserting China’s influence on the international scene. Moreover, the diaspora is serving Beijing’s economically backed interests in a globalized world. By sticking to its tradition, language and culture, the members of the Chinese diaspora serve as ambassadors for China abroad. In the African context, the growing Chinese investments, mainly in the oil and gas sectors, led to more presence of Chinese nationals. These dynamics have reshaped the Sino-African engagement. Beijing is supporting its citizens abroad in their various businesses by providing them with insurance, loans and guarantees for their investments. In exchange of that, the diaspora contributes to the Chinese influence in Africa. Consequently, the diaspora appears to be a resource that benefits the government in its

development agenda. Graph 2 below shows the evolution of migrant remittances both from migrants living in China and from the Chinese diaspora. It illustrates the considerable increase in the diaspora’s remittances by the end of the 1990s. The data from 2017 indicates that the migrant remittance inflows amounted to 63 860 \$M in opposition to 750 \$M in 2000. Thanks to its diaspora’s remittances, China ranked second, after India, amongst the top five remittance recipient countries in the world⁷. In 2015, China became the fourth remittance sending country in the world with a total of 20.42 USD billions⁸. However, the remittances from foreigners living in China started to slightly decrease in 2017.

7. International Migration Organization, World Migration Report 2018
 8. Ibid.

Graph 2: Chinese Migrant Remittance Outflows and Inflows (US\$ million)



* Data unavailable for Outward Migrant Remittance flows for 1995-1996
 Source: Author’s Calculation based on World Bank Data

However, the diaspora can only give back once it receives from its home country. Nowadays, Ghana, under the leadership of its President Nana Akufo-Addo, is actively promoting the return of the African Diaspora to the continent. With 2019 being the “Year of Return”, the Ghanaian president has made several visits

inviting African abroad to contribute to the continent’s development. He visited five Caribbean countries in June 2019 known to host members of the African diaspora before heading to Paris in July 2019 to meet with other Africans living abroad.

II. Chinese Answers to African Challenges?

The demographic growth stands out as one of the most pressing issues on the African continent. Half of the population's growth by 2050 will take place in Africa. With a projected 2.5 billion people on the continent by 2050, food security is at the heart of this demographic growth. African leaders are wondering how to mitigate poverty given this booming population. If we look at China's previous One-Child Policy, it has prevented its population from reaching 1.8 billion in 2014. Therefore, can this policy provide some solutions at the continental level? It would be hard to take such an assumption for three reasons.

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First, it would be a mistake to put a continent at the same level as that of a country. Second, the One-Child Policy has translated into an ageing population that China is still trying to mitigate. Therefore, China had to put an end to this reform and encourage families to have more than one child. Third, one obstacle for applying the one-child policy in Africa is that all African countries should implement it to secure results at the continental level. Since the demographics of every country are different from one another, the interests are just as different. A small-populated country would not consider such a policy as relevant while on the opposite, a highly populated country could consider it as a way to mitigate its population growth.

African countries cannot find solutions to demographic growth by trying to control them. Hence, if the One Child Policy is not an option for African countries, the Chinese poverty alleviation experience could be inspiring for some African countries. Indeed, they could consider instead an increasing population as an opportunity rather than as a threat. Therefore, African leaders should focus their efforts on providing good socio-economic conditions to the whole population. The latter includes more skilled labour force with a focus on improving access to quality

education. In sum, African countries cannot apply such a One Child Policy, but they can work on improving the lives of the current and the upcoming population.

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Improving the living conditions of the population require bold vision and pragmatic planning. In this perspective, African countries could learn from the planning skills of the Chinese and their visionary approach. Although several African countries have national economic plans, the implementation of those plans sometimes fails to meet their goals. One way of improving the socio-economic conditions of a population is by encouraging the growth of a middle-class that can fuel economic growth. In this perspective, the Chinese development model can be an inspirational example. Between 1999 and 2013, the Chinese middle-class grew from 29 million people to 531 million, which is one of the fastest-growing ones in the world⁹. The urbanization combined with the improving wages has positively influenced the middle-class expansion. In parallel, the Chinese government has adopted some reforms to encourage spending as well as the consumption of Chinese-made products. As an example, China has made consumption more appealing by reducing the interest rates related to savings. Amongst the concrete results, we can note that the automobile industry has boomed, the education has improved, the tourism has developed and the connectivity has spread across the country; well beyond the urban areas. Encouraging spending over savings could boost domestic consumption in Africa. While increasing domestic consumption, the government can use tax revenues as financial resources. Nonetheless, African governments should also find a good balance between reducing interest rates related to savings and making sure that there are still available funds to meet the needs of the booming financial markets. Furthermore, by supporting African brands and locally made products, the domestic markets will expand and positively impact economic wealth.

9. China Power Team. "How well-off is China's middle class?" China Power. April 26, 2017. Updated May 29, 2019. <https://chinapower.csis.org/china-middle-class/>

Despite the implementation of the African Continental Free Trade Area on May 30, 2019, regional integration remains one of the ongoing challenges on the African continent. Regional economic communities are still struggling despite African countries being geographically close. The trade is one of the key components of regional integration as the Africa Regional Integration Index (ARII) illustrates. In its 2016 report, it has found out that intra-African trade is still low in comparison with trade between African countries and foreign countries¹⁰. The question then is should regional integration come first to encourage trade or should trade come first to set the basis for regional integration? It looks like trade and investment agreements are a good way to start the walk towards regional integration. The development of common infrastructure and transnational investments are also a tool to encourage regional integration. By financing infrastructure in Africa, China has contributed to enhancing regional cohesion in East Africa for example. The Chinese-built Addis Ababa to Djibouti railway has helped to reinforce the relationship between both countries. Kenya has also resorted to Chinese loans to fund its Mombasa Nairobi Standard Gauge Railway. Looking at the broader picture, we find that China is contributing to regional integration through railway infrastructure. In areas of conflict, connecting countries together and creating a dependency between one another can lead to alleviating conflicts. Countries with complex diplomatic relations can also rely on this strategy to strengthen ties between one another.

In Africa, the rural population represents an important part of the population. In 2017, 60% of the total African population lived in rural areas where development inequalities remain. In this respect, the Chinese experience with rural poverty alleviation can inspire the African countries. While in Africa, the agricultural sector is one of the biggest job-creating sectors, it does not contribute as much to economic growth. It is, in fact, a labour-intensive sector but with a small contribution to economic growth. Thus, African countries should find innovative ways to have the agricultural sector contribute further to their GDP growth. Based on the Chinese experience, Africa has the potential to succeed in its agricultural transformation. The continent is endowed with arable lands and natural resources which can be used to boost the productivity of the agricultural sector. Yet, this is not enough to reach the agricultural transformation of China. Indeed, African countries could

focus on transforming agricultural products to develop the agri-business sector as it was the case in China. There are many examples across the African countries that highlight the experience of transforming agricultural products. We could cite the Ghanaian experience with cassava's transformation into Gari or cassava flour which some is exported abroad. Nigeria has been producing cassava flour as a way to reduce dependence on wheat imports.

"The African continent already counts over 10000 Chinese companies which hire local employees and this number could expand further as China partners with African countries on the BRI project."

Drawing from the Chinese experience with SEZ, especially with Shenzhen which turned from a rural village to a highly urbanized city, could some African countries use them to reduce poverty in rural areas? There were some African experiences to establish Industrial Development Zones (IDZ) but they faced some challenges such as the lack of infrastructure to connect those IDZ with the rest of the country. Since China often engages with African countries based on infrastructure financing, the two parties could partner on the establishment of SEZ. This will contribute to technology transfer and generate employment opportunities outside of the agricultural sector. Although China resorted to external funds when it started its economic opening up to finance its development infrastructure, it has since then relied mainly on its domestic resources to pursue its economic development. The challenge for some African countries is the strong dependence on foreign aid and loans, despite their natural resources while China has started to move beyond its dependency for foreign funds. Thus, African countries could combine both their domestic and external resources to finance their development. As their economic development becomes more successful, they will be able to move away from dependence on foreign funds.

There is one final aspect to consider as an additional factor of the Chinese successful economic development. It is all about mindset and moving beyond dark sides of history. China has been able to recover from historical crisis and overcome the hardship of the conflicts that marked the journey to establishing its economic and diplomatic presence at the international level. In this perspective, there are lessons to be drawn from China's resilience. African countries could move away from

10. United Economic Commission for Africa, the African Union and the African Development Bank Group, Africa Regional Integration Index, 2016

imposed development models and design their models that are in line with local realities. They can shape their narrative to draw the path for their development. As of today, many African countries are adapting development to their local realities and taking their destinies in their own hands.

Conclusion

With the growing Chinese engagement in Africa, there are numerous opportunities for exchange of knowledge in various sectors. The Chinese Belt and Road Initiative (BRI) is one of the projects with high potential for technology transfer as many African countries signed up to be part of the BRI. The African continent already counts over 10000 Chinese companies which hire local employees and this number could expand further as China partners with African countries on the BRI project. This partnership can succeed so long as China is leveraging on the continent's development opportunities. The Chinese perception of Africa is different from that of other powers, which used to consider Africa as a land of problems and risks.

In sum, there is no universal Chinese development model that we can duplicate for other countries. Every country should have its approach to development and as much as Africa can learn from China, the African countries should only consider the lessons that they can easily integrate within their specific contexts. Encouraging the emergence of a strong middle-class, alleviating poverty and including more technology in the agricultural sector are some of the areas that deserve deeper attention by African leaders.

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