

REALPOLITIK IN THE AFRICA – ONE CHINA NEXUS, 2001-2008: THE CASES OF CHAD AND MALAWI

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Abstract

This paper investigates whether there was an opportunity cost for two African states (Chad and Malawi) in recognising the Republic of China (ROC) as the 'One China' over the People's Republic of China (PRC) in the period between 2001 and their respective year of switching, which in turn could explain the direction of the switches. In this paper, opportunity cost was operationalised as relative economic loss (as measured through export volumes to either China) incurred that could have otherwise been avoided or compensated for by recognising the PRC over the ROC. In the timeframe studied, after two years for Chad and after one year for Malawi, both countries saw exponentially increased export volumes to the PRC once they affected a switch in recognition from the ROC, since recognising the PRC is concomitant with entering politically-enhanced bilateral economic relations at the behest of the economically stronger PRC. This indeed indicates an opportunity cost, and pursuit of realpolitik by the African countries studied who have switched back-and-forth between the two Chinas based on the prospective gains to be made.

Keywords: Africa-China studies, economic relations, realpolitik, Chad, Malawi

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Introduction

"Taiwan condemns the unreasonable, rude, and outrageous act of politicalhype carried out by the Nigerian government in complying with mainland China's political goals."¹ These words came directly from the Foreign Ministry of the Republic of China (ROC). Coming as they did, on 12 January 2017, they were in response to the Nigerian government's apparently sudden order that the ROC move its unofficial embassy, along with its trade mission, out of the capital city of Abuja. Further still, the West African state ordered the stunned Taiwanese "to scale down its trade mission—which manages consular affairs as well as events like trade delegations, explainers on Taiwan's fisheries or tech and telecom industries, and art competitions—and move the office to Lagos where it will have less visibility."² Thus, a trade mission which had been formed in Nigeria's capital in 1991 and which had acted as a support structure for Taiwanese investors and businesses who have been manufacturing in Nigeria was abruptly closed. This was widely interpreted as yet another sign of an observation made by Bräutigam, that "while China has frequently emphasized the principle of non-interference in internal affairs, the 'One China Policy' has remained the prominent exception to the rule. The absence of diplomatic ties with Taiwan is a precondition for any fruitful diplomatic relations with Beijing."³ More extreme measures have also been taken, wherein "numerous historical examples have shown that diplomatic ties are cut off and economic aid is suspended if a country establishes diplomatic ties with Taiwan."⁴

¹ Lilly Kuo, After Getting a \$40 Billion Pledge from China, Nigeria Ordered Taiwan's Unofficial Embassy to Move Out in *Quartz*, January 12, 2017 <<https://qz.com/africa/883767/after-a-visit-from-chinas-foreign-minister-nigeria-has-ordered-taiwans-unofficial-embassy-to-move-out-of-its-capital>> accessed on 10 March 2019.

² *Ibidem*.

³ Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa*, Oxford: Oxford University Press, 2009, p. 22.

⁴ T. Broich and A. Szirmai, "China's Economic Embrace of Africa. An International Comparative Perspective", 2014 <<https://www.merit.unu.edu/wp-content/docs/25years/>

Could this mixture of incentives and coercion explain Nigeria's apparently spontaneous decision to downgrade relations Taiwan? Perhaps. In 2016, ROC-Nigerian trade, mainly concentrated on natural gas and oil (from Nigeria), as well as industrial equipment and seafood from the ROC, amounted to a total of about US\$800-million, while trade relations with the PRC amounted to US\$6.46-billion for the same period – a ratio of 1: 8.⁵ This showed greater economic entanglement with the mainland than the island. This is the case with other countries on the continent as more generally, for example, in the year 2000, the PRC formed the Forum on China-Africa Cooperation (FOCAC); an organisation in which African states have been able to reap considerable aid, investment and trade concessions from China⁶ – but one from which, crucially, states which recognise the ROC are excluded.

Against this backdrop, the present paper sought to ask: could economics, particularly the comparative trade gains to be made from recognising either entity as the One China, be used to account for why Taiwan has seemingly lost in the 'diplomatic chess' and competition for recognition against the PRC in Africa? This paper investigated whether there was an opportunity cost for two African states, Chad and Malawi, in recognising the ROC as the 'One China' over the PRC in the period between 2001 and their respective year of switching, which in turn could explain the direction of the switches. In this paper, opportunity cost, through a time series of trade occurrence, was operationalised as relative economic loss (as measured through export volumes to either China) incurred that could have otherwise been avoided or compensated for by

papers/China's%20Economic%20Embrace%20of%20Africa%20%20An%20International%20Comparative%20Perspective%20(Broich%20&%20Szirmai,%202014)%20Final.pdf> accessed on 11 March 2019.

⁵ Kuo, *op. cit.*

⁶ D. Monyae and G. Banda, "South Africa-China Relations at Twenty: Key Lessons for the Future" in *UJCI Africa-China Occasional Papers Series*, 2017 <<http://confucius-institute.joburg/wp-content/uploads/2017/12/UJCI-Occasional-Paper-No-5.pdf>> accessed on 11 March 2019.

recognising the PRC over the ROC. In the timeframe studied, after two years for Chad and after one year for Malawi, both countries saw exponentially increased export volumes to the PRC once they affected a switch in recognition from the ROC, since recognising the PRC is concomitant with entering politically-enhanced bilateral economic relations at the behest of the economically stronger China. This indeed indicates an opportunity cost. At the same time, however, there can also be said to be a bidirectional opportunity cost; without the One China problem, there would be, all other things being equal, no entities which would be highly motivated to dole out costly aid (at an opportunity cost) in the process of 'dollar diplomacy', especially since Taiwanese aid to its allies has been found in the paper to increase, at least *immediately*, after an ally has switched towards the PRC.

In other words, the enhanced trade concessions and aid-giving are a means to an end rather than ends in themselves – were the One China issue resolved, there would be marginally fewer motivations for their continuation outside of commercial aims. This was seen, for example, during the 2008-2015 'diplomatic truce,' during which the PRC and the ROC experienced a thaw in their relations and temporarily seemed to be approaching rapprochement, as indicated by the signing of the PRC-ROC Economic Cooperation Framework Agreement, and at the same time did not attempt to lure each other's allies with trade concessions and prospectively higher financial gains for so doing. In that sense, the opportunity cost is clearly there for both the PRC and the ROC *as well as* for African states as a result.

The second section of the paper will detail the methodology used to attain an answer to the paper's question. The third section will then delve into the specific case studies of Malawi and Chad, putting the methodological framework into application. The fourth section will consist of an analysis of the findings. Finally, the paper will conclude with emergent research questions arising from the findings.

Methodology

This paper is primarily aimed at gauging the extent to which two African states which had relations with the ROC did, in the process of doing so, incurred a loss in terms of trade access. Incumbent upon such a question is an assumption – that one of the two states has marginally more to offer than the other. It is thus worth elucidating whether that can be stated to be the case through a number of measurement tools.

Table 1. World Economic Forum Competitiveness Index Scores: ROC vs PRC 2006-2016.

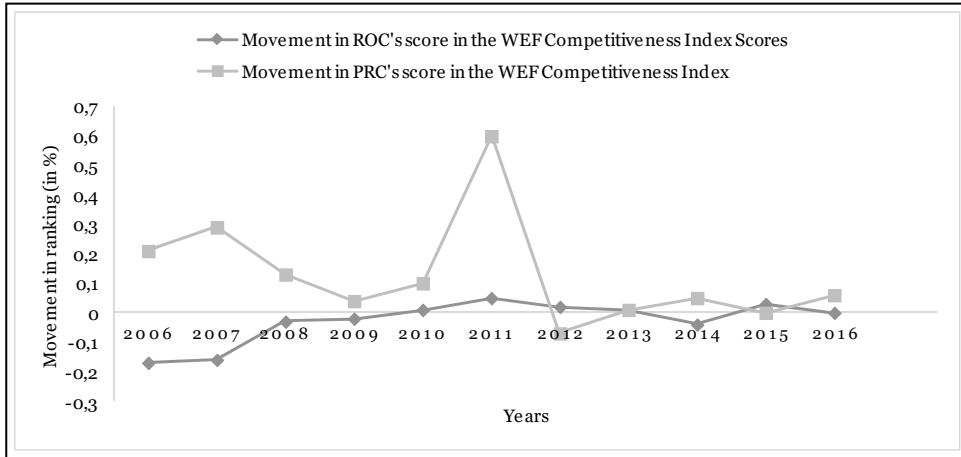
Year	PRC			ROC		
	Ranking (/100 countries)	Score (/10)	Movement (+/-)	Ranking (/100 countries)	Score (/10)	Movement (+/-)
2006	#54	4.28	0.21	#13	5.41	-0.17
2007	#34	4.57	0.29	#14	5.25	-0.16
2008	#30	4.70	0.13	#17	5.22	-0.03
2009	#29	4.74	0.04	#12	5.20	-0.02
2010	#27	4.84	0.1	#13	5.21	0.01
2011	#26	4.90	0.6	#13	5.26	0.05
2012	#29	4.83	-0.07	#13	5.28	0.02
2013	#29	4.84	0.01	#12	5.29	0.01
2014	#28	4.89	0.05	#14	5.25	-0.04
2015	#28	4.89	0	#15	5.28	0.03
2016	#28	4.95	0.06	#14	5.28	0

Source: WEF Competitiveness Reports, 2006-2016. Available at: <https://www.weforum.org/reports> (accessed on 11 March 2019). Calculations by author.

The first such tool is the World Economic Forum (WEF) Competitiveness Index scores, while the second is compared annualised GDP growth. The rationale in utilising these is because they are an objective indicator of the differences between the two states in comparative economic advantage terms. *Table 1* indicates the two states' scores in the WEF Competitiveness reports between 2006 and 2016, the period within

which these two African states made their respective switches. From the raw score figures, it would appear that the ROC has the edge, even if slightly, as shown in *Table 1*.

Figure 1. World Economic Forum Competitiveness Index Scores: ROC vs PRC, 2006-2016.



Source: WEF Competitiveness Reports Library, 2006-2016. Available at: <https://www.weforum.org/reports> (accessed on 11 March 2019). Calculations by author.

But the value of stronger relations with the PRC (insofar as they are conditioned on recognising it over the ROC) are clearer when assessed through the prism of *marginal growth* as seen in *Figure 1*, which is a graphic representation of the compared marginal growth in WEF competitiveness index scores between the ROC and the PRC. Between 2006 and 2009, for example, the ROC's score declined, though increasingly less for each year, while that of the PRC grew, and saw a jump from 54th place to 29th place (a jump of 25 places in total). What is also clear is that the PRC's annual GDP growth, and thus its exporting and importing potentials, have been consistently higher than that of the ROC. Similarly, on annualised GDP *growth rates*, the PRC has registered higher increases than the ROC. The ROC peaked at close to 15% in 2010, after experiencing a -10% decline in 2009 (coinciding with the global economic recession at the time), has grown at 5% or below for the past five years, while the PRC peaked at 15% in 2007

and has experienced between 6% and 8% growth rates for the past five years.⁷ Thus, insofar as African states would perform an opportunity cost analysis as to which China to recognise, the PRC is a more economically viable option.

Variables

In economic terms, ‘opportunity cost’ can be defined as the benefits accrued and forfeited simultaneously for choosing one course of action over another. Thus, it is a question of utilizing a finite resource (in this paper, the recognition of a maximum of One China) for maximal benefit (in this paper, the economic gains to be made from recognising One China over another). In this paper, opportunity cost is operationalised as follows: the relative size of trade with Taiwan vis-à-vis that of mainland China on a pre- vs post-PRC recognition for the two African countries who switched recognition from Taiwan to mainland China. Thus, the variables are operationalised as follows. The independent variable is operationalised as the adoption of an exclusive recognition of the PRC from a certain date. On the other hand, the dependent variable is operationalised as subsequent export volumes (as measured in US dollars, without adjustment for inflation) from the African country to the PRC. Since we are aiming to gauge whether there was any effect on this amount, the method of comparison being used here is that of a cross-case, before-after analysis, since there will be variance on the DV due to the change in the IV between the two cases studies.

Results

The following sections will in turn assess the findings using the research methodology designed in the preceding section for the two case studies.

⁷ China – Gross Domestic Product in Constant Prices Growth Rate, 2018 <<https://knoema.com/atlas/China/Real-GDP-growth>> accessed on 8 December 2018.

Chad

Chad and mainland China formed diplomatic relations in 1972, but these came to an end when in 1997 the Chadian government recognised the ROC.⁸ Relations with the PRC were once again established in 2006. Acknowledging that the ROC would be eliminating relations with Chad, its Foreign Ministry spokesman, Michael Lu, accused the PRC "of using its status as a member of the U.N. Security Council, and its ability to influence events in neighbouring Sudan, to persuade Chad to break their formal relations."⁹ This was in reference to the fact that Chad had already planned to cut its ties with the ROC if Beijing had agreed to discontinue its assistance to the rebels who stood as a threat to the Idris Deby regime in Chad. In a commentary loaded with a chilly realism, French and Polgreen judge that "Chad made the compromise for its own survival."¹⁰ The PRC then pledged to support Chad "in its efforts to protect the sovereignty of the state and develop the national economy".¹¹

PRC – Chad economic relations have grown since the formation of diplomatic relations. Oil investments in particular underline the economic ties, "and is seen as the outstanding marker of China's different approach in Chad compared with the French or US engagements, which *had regarded this investment as unprofitable*."¹² In a matter of a few years, "China has

⁸ VOA News, "China, Chad Re-Establish Diplomatic Relations, Upsetting Taiwan" 2009, <<https://www.voanews.com/a/a1320060807voa11/328079.html>> accessed on 11 March 2019.

⁹ H. W. French and L. Polgreen, "China, Filling a Void, Drills for Riches in Chad" in *New York Times*, 13 August 2007, <<http://www.nytimes.com/2007/08/13/world/africa/13chinaafrica.html>> accessed on 11 March 2019.

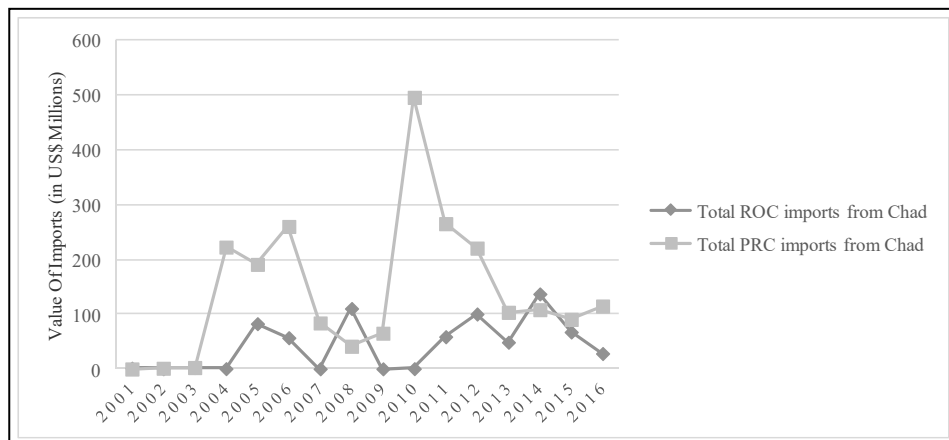
¹⁰ *Ibidem*, p. 1. As the same writers put it: "Regime survival compelled a tactical shift: recognising Beijing would bring myriad short- and longer-term advantages. President Déby stood to be empowered by aid, investment and military assistance from a permanent UN Security Council member. China was also the key international economic partner, political patron and important military ally of Sudan; its support could empower N'Djamena in its then proxy war with Khartoum".

¹¹ *Ibidem*, emphasis added.

¹² Dan Large and Shiuh-Shen Chien, "China Rising In Africa: Whither Taiwan?", paper presented at the Fifth Conference of the European Association of Taiwan Studies, Charles

developed into a major player, undertaking a distinctive departure from Chad's previous experience of international oil investment, including N'Djamena's previous troubled partnership with the World Bank over the Chad–Cameroon pipeline."¹³

Figure 2. ROC and PRC imports from Chad, 2001-2016.



Sources: TradeMap, Taipei, Chinese's Imports from Chad, 2019¹⁴ and TradeMap, China's Imports from Chad, 2019¹⁵ (accessed 11 March 2019). Calculations by author.

The focal point of the 'petro-relations' between the PRC and Chad is the Rônier project, a 311 km pipeline that connects oilfields in eastern-central Chad to a purpose-built refinery in Djarmaya, about 50km north of the capital. Through the national oil company, Société des Hydrocarbures du Tchad, the Chadian government is a 40% shareholder of the N'Djamena Refinery Company, formed for the specific purposes of managing the

University of Prague, 18-20 April 2008, <<https://www.soas.ac.uk/taiwanstudies/eats/eats2008/file43256.pdf>> accessed on 11 March 2019.

¹³ R. Dittgen and D. Large, "Refining Relations: Chad's Growing Links with China", South African Institute of International Affairs, June 2012 <<https://saiia.org.za/research/refining-relations-chads-growing-links-with-china>> accessed on 9 March 2019.

¹⁴ <https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c490%7c%7c148%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1>

¹⁵ <https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c156%7c%7c148%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1>

refinery, while the remaining 60% is owned by the China National Petroleum Corporation International Chad (CNPCIC). The total cost of the project was US\$1-billion, and began production on schedule in March of 2011, and the refinery was initiated not long afterwards in June.¹⁶ In the commencement of production, "oilfield capacity amounted to 20 000 barrels a day, with a possible increase of up to 60 000 barrels."¹⁷ Though falling short of this, by 2013 this figure had nonetheless grown and reached 40,000 barrels per day.¹⁸

Table 2. PRC vs ROC trade with Chad, 2012-2016 averaged.

	ROC	PRC
Total five-year movement in imports from Chad (in %)	-20	-13
Total five-year movement in exports to Chad (in %)	-28	-21
Total imports from Malawi in 2016	28,399	114,908
Total exports to Chad in 2016	213	93,572
Total share of Chad's exports (%)	0	7
Total share of Chad's imports (%)	0	14

Sources: TradeMap, Taipei, Chinese's Imports from Chad, 2019 and TradeMap, China's Imports from Chad, 2019 (accessed 11 March 2019). Calculations by author.

The PRC has pursued a path that is 'quite different' to the petroleum sector in Chad compared to previous western investors, a South African Institute of International Affairs report notes: "Western companies such as ExxonMobil and Chevron, as well as Malaysia's Petronas, have focused exclusively on extracting crude for export. With the Rônier project, China has located value-added refining processes within Chad itself."¹⁹ Furthermore, some scholars have noted that on balance, there have been

¹⁶ Dittgen and Large, *op. cit.*

¹⁷ *Ibidem.*

¹⁸ *Ibidem.*

¹⁹ J. Schellhase, "China's Chad Courtship" in *The Diplomat*, 26 June 2012, <<https://thediplomat.com/2012/06/chinaschadcourtship>> accessed on 10 March 2019.

some clear benefits to China's being in Chad²⁰, and the PRC has brought and completed several critical infrastructure projects – including railways, roads, and hospitals. In June of 2013, two PRC-funded projects, the China-Chad Friendship Hospital and a new parliament building were brought to completion and given over to Chad.²¹ The PRC also agreed to construct a new international airport in Djarmaya: "This facility will be capable of accommodating around one million passengers a year, which will be connected to N'Djamena through a 40km highway, also funded and built by the Chinese."²² On the main, therefore, it has been the PRC government, as opposed to purely private entities, which have led in this regard. But relations with the PRC have also seen an increase in non-state enterprises: "the Chinese government encourages more Chinese enterprises to come to and invest in Chad."²³ In the absence of the diplomatic relationship, these economic gains would not have accrued to Chad; a clear indicator of the opportunity cost hypothesised by the paper.

This has also been seen in the trade relations. After Chad affected a switch in recognition from Taiwan to mainland China, a development seemingly contrary to the hypothesis took place in that the PRC's imports of Chadian goods declined for three consecutive years in 2006 (the year of the switch), 2007 and 2008. However, it is noteworthy that two of these years coincided with a decrease in Taiwanese imports of Chadian goods. Thus, this could indicate that the country was generally exporting less from the rest of the world. In the face of trade taking some time (three years) to observe growth, Chad's opportunity cost may have therefore been limited

²⁰ *Ibidem*.

²¹ People's Republic of China, China and Chad, 2013 <http://www.fmprc.gov.cn/mfa_eng/wjb_663304/zzjg_663340/fzs_663828/gjlb_663832/chad_663944> accessed on 10 March 2019.

²² M. J. Azevedo and S. Decalo, *Historical Dictionary of Chad*, New York and London: Rowman and Littlefield, 2018.

²³ Embassy of the People's Republic of China, Chadian Prime Minister Albert Pahimi Padack Meets With Visiting Chinese State Councilor Yang Jiechi in N'djamena, Chad, 2016 <<http://za.china-embassy.org/eng/zfgxss/zywx/t1361617.htm>> accessed on 9 March 2019.

by the growth of Chinese investment discussed above. Further, with Chad, the notion of opportunity cost takes on an additional, near existential interface: "It used to be that when we had problems with our neighbour sending mercenaries to invade us that none of our complaints before the United Nations would pass, because China blocked them", Chadian president Deby has stated.²⁴ Nevertheless, after 2009, Chadian exports to the PRC grew exponentially to US\$65.367 and US\$495.797 in 2010. Proportionally, as described in *Table 2*, by 2016, China accounted for 7% of Chadian exports, whereas Taiwan accounted for less than 1%.

Malawi

The former British colony of Nyasaland, which had been amalgamated into a federation with North and South Rhodesia for a decade before, gained its independence in July 1964 as Malawi and in 1966 was reformed into a republic under President Hastings Banda. Before Malawi obtaining self-determination, Dr Banda had made it known that he "would recognise Beijing and support China's push for UN membership."²⁵ Upon independence, however, the Malawian president sought to avoid the One China problem, and thus extended both governments invitations to the Malawian independence celebrations. The PRC, which was 'unwilling to give tacit approval to a 'two China' situation refused the invitation,' did not attend, but Premier Zhou aiming 'to keep open lines of communication,' sent a letter of congratulation through telegraph.²⁶ Malawian-PRC relations incurred a major crisis when the PRC's ambassador to Tanzania "attempted to bribe Banda to recognise Beijing and end the 'two China' policy", which he declined.²⁷ Nevertheless,

²⁴ French and Polgreen, *op. cit.*, p. 1.

²⁵ P. Short, *Banda*, London: Routledge & Kegan Paul, 1974, p. 206.

²⁶ I. Taylor, *China and Africa: Engagement and Compromise*, London and New York: Routledge, 2006, p. 24.

²⁷ "His Cabinet colleagues' eagerness to accept caused a major crisis in the government and resulted in a number of ministers resigning or being sacked." (Short, *op. cit.*)

President Banda was in favour of the PRC replacing the ROC in the UN in 1971; a position he had expressed as early as December 1964 in the United Nations General Assembly.²⁸

A clear break in Malawi's relations with the PRC came upon Malawi "discovering that China was supplying ex-ministers with money and insurgency facilities in Tanzania"; as he would later phrase it, "what the Chinese want, I don't want. What the Chinese do not want, I want."²⁹ On July 12th of 1966, Malawi and the ROC finally formed diplomatic relations, in the process facilitating a 'mutual antagonism' between the PRC and Malawi.³⁰ Premier Zhou's celebrated tour on the African continent in 1965 was greeted with scorn by the virulently anti-communist Banda – stating that he was "less afraid of Queen Elizabeth II than Kublai Khan in Peking."³¹ Two years later, he visited the ROC, subsequent to which "contacts with Taiwan increased, particularly in the agricultural field."³²

Political developments changed the Malawian political interface – but did not immediately re-shape its foreign policy on the One China issue. In June of 1993 Malawi held a ROC-funded popular referendum, asking whether the country should be a multi-party democratic state. The people voted to the affirmative, and it being clear that Dr Banda's days in power were increasingly numbered, the PRC sent an invitation to democratic forces in Malawi to a 'goodwill visit.'³³ But this came to naught, as Malawi's new leader, Bakili Muluzi, maintained the course and paid a visit to Taipei in April of 1995, and supported its UN ambitions in October of 1996.³⁴ The ROC's chief diplomat, John Chang, paid a reciprocal visit to Malawi and met with the president of Malawi in January 1997, soon after South Africa's decision to discontinue relations with the ROC, and pledged a donation of

²⁸ I. Taylor, *op.cit.*, p. 194.

²⁹ Quoted in Short, *op. cit.*, p. 237.

³⁰ *Ibidem.*

³¹ Quoted in Taylor, *op.cit.*, p. 195.

³² Taylor, *op.cit.*, p. 195.

³³ *Ibidem.*

³⁴ *Ibidem.*

some US\$2-million for purposes of refurbishing barracks in Lilongwe.³⁵ But cracks soon showed up in the ROC-Malawi relationship. For example, Malawi was among two Taiwan-recognising African states to accept Beijing's 2000 invitation to attend the FOCAC summit as 'observers' – the other being Liberia, who soon also switched to recognising the PRC in 2003.³⁶ By the end of 2007, the small African country had already established diplomatic ties with the PRC, but Foreign Affairs Minister and future Malawian President, Joyce Banda, made the announcement in January of the following year.

Interestingly, the ROC made an opportunity cost argument for Malawi to maintain relations with it: Taipei "warned Malawi that China was up to no good, saying the shift in recognition would negatively affect Malawi's natural resources which Taiwan said China was angling for."³⁷ To what extent Malawi was better served by relations with the ROC over the PRC is the subject of the following sub-section.

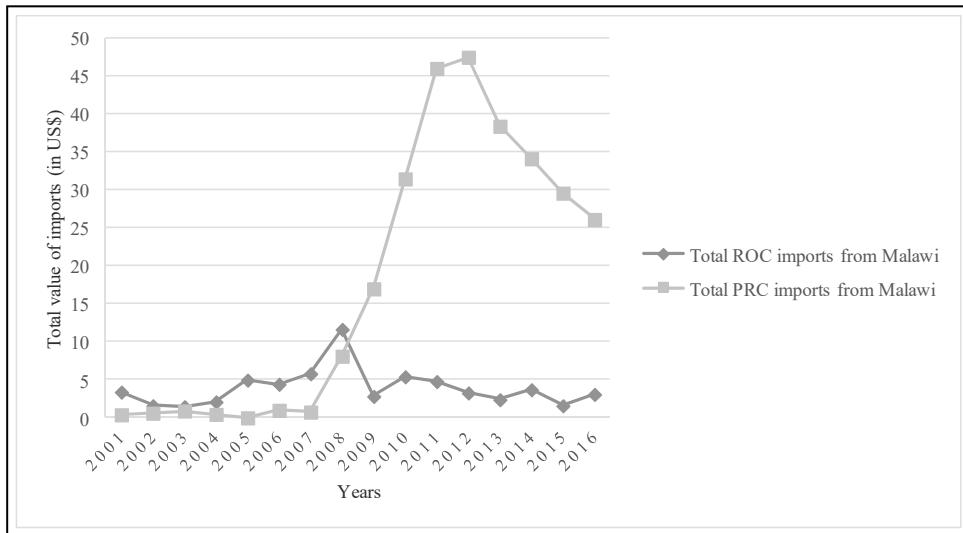
The erstwhile president of Malawi, Bingu wa Mutharika, had paid a visit to the PRC shortly after establishing diplomatic relations, and upon return he told the country 'it would help turn Malawi from poverty to riches',³⁸ thereby demonstrating a willingness to make a trade-off between the recognition of the ROC and that of the PRC which, at least as the preceding statement would suggest, had resulted in an opportunity cost.

³⁵ *Ibid*, p. 14.

³⁶ *Ibidem*.

³⁷ R. Mweninguwe, "Malawi-China Diplomatic Ties: 10 Years On" in *The Diplomat*, 15 September 2017 <<https://thediplomat.com/2017/09/malawichinadiplomaticities10yearson>> accessed on 9 March 2019.

³⁸ *Ibidem*.

Figure 3. ROC and PRC imports from Malawi, 2001-2016

Sources: TradeMap (2019) 'Taipei, Chinese's imports from Malawi'³⁹ and TradeMap (2019) 'China's imports from Malawi'⁴⁰ (accessed 11 March 2019).

To interrogate the plausibility and manifestation of this potential mechanism, the section below will seek to conduct an opportunity cost analysis for Malawi in the Africa-One China nexus. *Figure 3* captures the total annualised Malawian exports to the ROC and the PRC respectively. What is distinct is that prior to 2008, ROC imports of Malawian goods outweighed those by the PRC – on average, by US\$18.758-million per year. In the year 2008, PRC imports of Malawian goods reached an all-time high (US\$8.111-million) and by the following year completely eclipsed those of ROC imports of Malawian goods.

The paper operationalised opportunity cost as an economic loss, as measured through relative/comparative trade volumes, incurred that could have otherwise been avoided or compensated for by recognising, the PRC

³⁹ <https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c490%7c%7c454%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1>

⁴⁰ <https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c156%7c%7c454%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1>

over the ROC as the One China. The Malawian case study fulfils such a definition. There is a correlation between the commencement of formal diplomatic relations and (immediately) increased trade between Malawi and the PRC. Upon the formation of relations between the two states, PRC importation of Malawian goods increased to US\$243.279-million per year compared to the ROC between 2009 and 2016; peaking at US\$47-million in 2011.

The motive that prompted Malawi to abandon the ROC was trade. On the basis of official statistics in September of 2008, "just nine months after Malawi and China entered into a diplomatic relationship, trade between the two countries amounted to \$59 million – a 120 percent increase compared to 2007."⁴¹ The government of Malawi has stated that trade with the PRC had remained encouraging, although President Peter Mutharika for several times stated that his country had a long way to go in changing itself from being an importer nation to being an exporter "if we want to end [the cycle of] poverty."⁴² But as we can deduce from the Figure 3, overall Malawian exports have increased since relations with the PRC commenced.

Table 3. PRC vs ROC trade with Malawi, 2012-2016 averaged.

	ROC	PRC
Total imports from Malawi in 2016	3,077	26,117
Total exports to Malawi in 2016	1,428	228,239
Total share of Malawi's exports (%)	0.32	3
Total share of Malawi's imports (%)	0,0005	19

Sources: TradeMap, Taipei, Chinese's Imports from Malaw, 2019⁴³ and TradeMap, China's Imports from Malawi, 2019⁴⁴ (accessed on 11 March 2019). Calculations by author.

⁴¹ *Ibidem*.

⁴² *Ibidem*.

⁴³ <https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c490%7c%7c454%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1%7c1>

⁴⁴ <https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c156%7c%7c454%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c1%7c2%7c1%7c1%7c1%7c1%7c1>

Finally, discernible from *Table 3*, which also incorporates the notion of marginal difference, on average, for the last five years (2012-2016), the PRC has, as of 2016, a 3% total share of Malawian exports, compared to the ROC's 0.32%, as well as 19% of the Malawian import market compared to the ROC's 0.0005%. This indicates another important variable to the opportunity cost paradigm; the PRC's own impetus. Indeed, it is not only Malawi which stands to benefit from relations with the PRC, but the PRC as well. Indeed, it is the foundational principle of game theory, around which this paper has framed the Africa-One China nexus, that policy decisions are formed on the basis of *interaction*. That is, when looking to situate the opportunity cost it, we ought to understand it in bi-directional terms.

Why does a recognition switch by an African state come with greater commercial closeness to (and benefits for) the PRC? In the simplest terms, it enables the PRC to have a more enhanced trade relationship with the country in question, and hence also enable it to make use of a wide array of politically-enhanced economical instruments. China's 'strategic partnership diplomacy,' for example, is renowned⁴⁵ and is based on there being formal relations with Beijing: "Most such accords are built upon existing 'friendly relationships', 'cooperative relationships', or 'partnerships'".⁴⁶ Indeed almost all the strategic partnership agreements (with the exception of those with Angola, Egypt, and Turkey) reviewed by Zhongping and Jing, "mention the 'One China' policy or Taiwan."⁴⁷ Two (those with India and Mongolia) make mention of Tibet and one (Mongolia) mentions Xinjiang.⁴⁸ And while Malawi had yet to be accorded 'strategic partner status', it has seen direct benefits that could otherwise not be obtained save by the formal opening of diplomatic relations with

⁴⁵ F. Zhongping and H. Jing, "China's Strategic Partnership Diplomacy: Engaging with a Changing World" in *European Strategic Partnerships Observatory*, no. 8, 2014, p. 9.

⁴⁶ *Ibidem*.

⁴⁷ *Ibidem*.

⁴⁸ *Ibidem*.

Beijing, to the exclusion of Taipei. For example in the year 2016, Lilongwe and Beijing signed "an agreement for another round of project financing that will cost \$1.79 billion in seven priority areas."⁴⁹ Particularly regarding Malawi, the PRC arguably has four pillars of interaction and assistance – these are "infrastructure development, agriculture and food security, health care and education, and human resources."⁵⁰

The relationship is not without its problems, however. Far from it. The Malawian labour union federation, the Malawi Congress of Trade Unions (MCTU), has expressed dissatisfaction that "many items in the Chinese shops are cheap but not very durable. A lot of people now shop from the Chinese, who bring in many things in bulk. We are not happy as local traders"⁵¹ The MCTU's leader at the time, Robert Mkwezalamba, also claimed that in their early years of arriving in Malawi, the PRC construction companies either compensated their labourers below the bare minimum wage or paid them in kind – "in the form of clothing, bicycles, maize flour and sugar", and have regularly avoided labour safety standards: "They were paying the Malawi workers just about \$13 per month when the country's acceptable minimum wage is \$20. Some Chinese factories were locking up the workers [in their workplace] overnight."⁵²

But growth in the relationship has been considerable – almost from the commencement of the diplomatic relations. Though still largely outweighed by South Africa-Malawian trade, which has a 40% share of Malawi's US\$3.2-billion total trade,⁵³ a 2010 review by the Malawian Ministry of Trade found that the total value of trade between the two countries had doubled compared to its 2007 levels, totalling US\$100-million by that year.⁵⁴ Despite its complaints, the MCTU has also pronounced that they have seen how the construction companies "are transferring advanced

⁴⁹ R. Mweninguwe, *op. cit.*, p. 1.

⁵⁰ *Ibidem.*

⁵¹ Claire Ngozo, "China Puts Its Mark On Malawi" in *The Guardian*, 7 May 2011, p. 3.

⁵² Mkwezalamba in Ngozo, *op. cit.*, p. 4.

⁵³ Ngozo, *op. cit.*, p. 2.

⁵⁴ *Ibidem.*

skills to local staff.”⁵⁵ The PRC’s presence in Malawi has also seen continuous increases since late 2007. Crucially, a May 2008 bilateral memorandum of understanding (MoU) encapsulating a trade deal, as well as to the PRC’s “committing to help in increasing the productive capacity of Malawi in tobacco, cotton, mining, forestry, fertiliser production and in processing hides and skins.”⁵⁶ In the absence of Malawi recognising the PRC, this was an impossibility. This is some indication of an apparent opportunity cost for Malawi in having recognised the ROC.

Analysis

This section will now turn to discussing and synthesising the findings from the two case studies and highlight their various implications. Firstly, it will seek to explain the findings in the context of China and Taiwan’s African foreign policies in comparative perspective to account for the differences seen in the results. Subsequently, the section will discuss the potentially ‘bi-directional’ nature of the opportunity cost so as to account for the diplomatic truce years and the effects of rapprochement for the two Chinas in terms of the incentive structure for African states.

The PRC, of all countries, even after its post-1978 reform and opening up period still places enormous political control over foreign commerce. The Taiwan question is still “a sensitive and easily politicised dynamic in African political relations with China.”⁵⁷ Thus for PRC recognisers, “mere association with Taiwan can mean trouble.”⁵⁸ Thus, it is true that there is no total lack of trade due to a lack of diplomatic relations. However, trade is a politically-lubricated process; the absence and presence as well as the differentiated levels of tariffs and quotas remain within the privy of governments. Further, trade between the PRC and those countries with which it has no diplomatic relations would be *relatively* higher than

⁵⁵ *Ibidem.*

⁵⁶ *Ibidem.*

⁵⁷ Large and Chien, *op. cit.*, p. 8.

⁵⁸ *Ibidem.*

they currently are were it not for their retention of relations with the ROC. This is the essential argument of the opportunity cost. Particularly regarding Africa, Beijing's policy has been defined by a special focus. Africa not only makes up the major portion of Beijing's overseas development assistance (ODA), but the PRC's policy paper on its African foreign policy (2006) articulated on "Africa's strategic importance and stressed the interest to further such cooperation in the future", hence the continent is also traditionally the first region to be visited by a newly-installed PRC president.⁵⁹

The PRC re-intensified its political ties with Africa at the beginning of the present millennium. Beginning in 2002 and concluding in 2006, some 90 African political parties had their delegations visit the PRC to meet with the CPC, which in turn sent some 78 delegations of its own to the continent within the same period. Most importantly, in addition to these acclimations, the two entities have seen meetings between high-level leaders, congresses and parliaments through FOCAC, formed in 2000. FOCAC has served as "an ambitious platform between the two sides to promote and improve economic growth and development through mutual understanding."⁶⁰ Since FOCAC's inception, the PRC's FDI in Africa has sharply increased from US\$500-million to US\$30-billion. By September 2015, China and African countries had signed loan agreements worth more than US\$30 billion.⁶¹

For its own part, the ROC has cited Africa as an area "to develop further 'bilateral and multilateral relationships' based on 'economic reciprocity, cultural exchange, technological cooperation and humanitarian efforts'" however, "combining its own politics in Taiwan with any successful pursuit of these goals in the face of concerted Chinese

⁵⁹ People's Republic of China (2006) "African Nations Without Diplomatic Ties with China Invited as Observers to Beijing Summit," 2006, <http://www.gov.cn/misc/200610/18/content_417123.htm> accessed on 27 November 2018.

⁶⁰ Monyae and Banda, *op. cit.*, p. 11.

⁶¹ *Ibidem*.

engagement in Africa in which the DPP's cross-straits policy engagement has spurred Beijing's efforts to deny political space to Taiwan in Africa have proven difficult."⁶² Indeed, in September of 2007, the ROC formed its own 'Africa Summit' in its capital 'that went largely unnoticed,' and the sharp distinction "between Taipei in September 2007 and Beijing in November 2006 symbolized the ascendancy of China and the terminal decline of Taiwan in Africa."⁶³

This is further enhanced by intra-African conditions. Being, as they are, seen as risks by the broader global financier community, means that African states are comparatively more investable in only by entities with a perfect congruence of both political will (or motivation) and economic prowess – such an entity is the PRC. First, in terms of political will, the Taiwan question is somewhat central in Beijing; "manoeuvring against Taiwan—and ultimately 'recovering' it — provides one of the key contradictions in China's foreign policy objectives as it is an issue that appears to be able to trump other key policy goals."⁶⁴ Second, in terms of ability, there are numerous indicators. Pointedly, for example, the PRC acquired the rights to a number of oil zones in Chad from a Canadian enterprise "and has gone from big player to centre stage in Chad's affairs, confident that it can wring smart profits *from the most inhospitable conditions*"⁶⁵: "The Canadians and the Americans are only interested in really big finds. Anything else they think is not worth their time. The Chinese have a different approach. They are happy with the smaller finds, just lots of them. They seem to have a different time frame, too. The [Chinese] plan to be here for a while", according to a Chadian mining engineer with the CNPC.⁶⁶ Against this background, an occasional paper

⁶² Large and Chien, *op. cit.*, pp. 7-8.

⁶³ *Ibidem*; see also Ian Taylor, "China's Response to the Ebola Virus Disease in West Africa" in *The Round Table*, no. (104)1, 2015, pp. 41-54.

⁶⁴ Congressional Research Service, *China's Foreign Policy and "Soft Power" in South America, Asia, and Africa*, Washington, D.C.: Congressional Research Service, 2008, p. 13.

⁶⁵ French and Polgreen, *op. cit.*, p. 1, emphasis added.

⁶⁶ *Ibidem*, p. 2.

published by the South African International for International Affairs claims that "Chad consistently ranks among the worst performers in international indices. For example, the country scored last on the World Bank's Ease of Doing Business Index"⁶⁷, and yet China – owing to the combination of motivation and economic prowess reviewed here – has massively invested in Chad.

Finally, the PRC's method of interaction with the continent is through the state-owned enterprises (SOEs), who are both malleable to the political aims from Beijing and are also increasingly wealthy enough to fulfil these. The ROC, on the other hand, launched privatisation programs in 1989, transforming many state-owned banks into private firms. The ROC's SOEs have thus proved to be "significantly constrained by the newly rising political forces resulting from Taiwan's democratisation".⁶⁸ Currently, there are only 17 ROC SOEs where ownership by the state is over 50%, including official agencies such as the Taiwan Central Bank. As a consequence, the PRC has outperformed the ROC in terms of FDI to developing countries, with the former ranking second only to the US, and the ROC ranking 20th in 2013-2014.⁶⁹ Taiwanese authorities exert some control over some SOEs that were privatized, including through directorship appointments. But in terms of size, these are far exceeded by the PRC's state-affiliated banks. As further back as the end of 2010, the China Development Bank had given some US\$687.8-billion in loans, more than twice as much as the World Bank's US\$153-billion, while ROC's biggest bank was *valued* at US\$121.7-billion. The strain of economic aid on the ROC has even led a US State Department research testimony memo to urge the case that the US should "seek to counter PRC efforts to isolate Taiwan by making support for Taiwan's greater international participation

⁶⁷ J. Schellhase, *op. cit.*, p. 5.

⁶⁸ V. Shih, Q. Zhang, and M. Liu, "Comparing the Performance of Chinese Banks: A Principal Component Approach" in *China Economic Review*, no. 18(1), 2007, pp. 15-34.

⁶⁹ Shih and Liu, *op. cit.*, p. 20.

a condition of U.S. assistance and economic interaction with other countries.”⁷⁰

Conclusion: Towards a bi-directional opportunity cost framework

This assessed whether there was an opportunity cost for Chad and Malawi, in recognising the ROC as the ‘one China’ over the PRC in the period between 2001 and their respective year of switching, which in turn could explain the direction of the switches. In the timeframe studied, after two years for Chad and after one year for Malawi, both countries saw exponentially increased export volumes to the PRC subsequent to a switch in relations from the ROC, since recognising the PRC proved simultaneous with entering into politically-enhanced bilateral economic relations with the economically stronger China. This indeed indicates an opportunity cost. At the same time, however, there can also be said to be a bidirectional opportunity cost.

During the diplomatic truce, the PRC and the ROC “opened landmark dialogue and signed 23 agreements linked to tourism, trade and investment”⁷¹, including the monumental Economic Cooperation Framework Agreement.⁷² Against the backdrop of the greatest probability of rapprochement, the two sides were under relatively less pressure to economically go out of their way to spend on aid for recognition from these African states. To that end, the Gambia, which by then recognised the ROC, received continually dwindling ODA from the ROC, and when it eliminated its relations as a result, it did not obtain immediate recognition by the PRC.⁷³ This is indicative of a bi-directional opportunity cost. In other words, while the African states experience an opportunity cost for

⁷⁰ Congressional Research Service, *op. cit.*, p. 14.

⁷¹ Ralph Jennings, “China Relations with The Gambia Raises Concerns in Taiwan”, *VOA News*, March 23, 2016 <<https://www.voanews.com/east-asia-pacific/china-relations-gambia-raises-concerns-taiwan>>.

⁷² *Taipei Times*, “Ma Promises More Aid to Burkina Faso”, 10 April 2012, <<http://www.taipetimes.com/News/front/print/2012/04/10/2003529952>>, 9 November 2019.

⁷³ *Ibidem*.

recognising the ROC over the PRC, it is also the case that the PRC and ROC, being forced to outspend one another in order to gain recognition from the African states, are also in a state of opportunity cost – these are funds which, at least hypothetically, could be used in other routes (for example as reserves, investment in other areas within the Chinese domestic economy, cross-strait investment, etc.). But because there is a motive to outspend Taiwan, these resources are being constantly used in Africa, a route they otherwise would not (as the diplomatic truce era effectively proved). But the notion of a bidirectional opportunity cost may perhaps also explain the most recent switches by the Gambia, São Tomé and Príncipe and Burkina Faso after the diplomatic truce was broken: the ROC may have deemed it a more beneficial course of action to focus on its domestic economy, which has been relatively stagnant. This, and numerous other questions, necessitate further research. Answers to this stand to reveal a substantial lot about the nature of Chinese foreign policy towards Africa. Moreover, the present paper has reframed it to be not only a question of the African diplomatic scene being ‘up for grabs,’ but (through the prism of realism as exercised through opportunity cost analyses) as indicative of African states’ diplomatic agency.

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