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Summary

The Washington Consensus reform program from the 1980s and 1990s resulted in the economic stagnation of many African countries. The reform failed to recognize the necessary steps structural changes the various economies needed to take in order to unleash the full potential of the neoliberal policy prescriptions of promoting a free market economy. Since the later 1990s onwards, many countries in Sub-Saharan Africa, as a result of the coincidental rise of China, have transformed their economies and emerged as fast-growing frontier markets. However, many still argue that Chinese involvement with Africa is neocolonial in nature. The report will review the involvement of Chinese on an investment level and attempt to rebuke this claim by scrutinizing the east African nation of Ethiopia. Evidence provided in this report shows that although Chinese intentions for involvement with Africa is mainly for the extraction of natural resources to help China support its rapid economic growth, the case study of Ethiopia presented in this report helps elucidate this claim and provides a supplementary perspective. Chinese investment particularly in agriculture, infrastructure, and manufacturing sectors can be seen as an indication of a relationship that is not aimed at simply extracting resources but rather aimed at building a mutually beneficial partnership.

TAGS: AFRICA, PUBLIC POLICY, INTERNATIONAL POLICY, POLICY, CHINA, TRADE, SINO-AFRICA, ETHIOPIA, INVESTMENT, SINO- AFRICAN, ASIA, ASIANIZATION, WASHINGTON CONSENSUS, AFRICAN, HORN OF AFRICA, EAST ASIA, FDI, FOREIGN DIRECT INVESTMENT, RISK, INVESTMENT RISK, SUB-SAHARAN AFRICA, SSA, WORLD BANK, IMF, INTERNATIONAL MONETARY FUND, CHINESE, ETHIOPIAN, EAST ASIAN, CHINA-AFRICA, CHINA-AFRICAN, ECONOMY, ECONOMICS, NEOCOLONIAL, NEOCOLONIALISM, FRONTIER MARKETS, FRONTIER MARKET, AFRICA DEVELOPMENT BANK, R&D, RESEARCH AND DEVELOPMENT, RESEARCH, DEVELOPMENT, WORLD TRADE ORGANIZATION, WTO, MNC, MULTINATIONAL CORPORATION, MULTINATIONAL CORPORATIONS, CORPORATION, CORPORATIONS, COMPANIES, COMPANY, COOPERATION, INTERNATIONAL, NATION, NATIONS, INTERNATIONAL COOPERATION, BUSINESS, FINANCE, FINANCIAL, INTERNATIONAL BUSINESS, INTERNATIONAL TRADE, INTERNATIONAL INVESTMENTS, PRIVATIZATION, LIBERALIZATION, STATE, PRIVATE, LIBERAL, SAP, STRUCTURAL ADJUSTMENT PROGRAM, RISKS, PEACEKEEPING AND RESOLUTION.

List of Abbreviations:

FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
MNC	Multinational Corporation
SAP	Structural Adjustment Program
SSA	Sub-Saharan Africa
WTO	World Trade Organization

Introduction

The policy prescription by the Washington Consensus played a pivotal role in the development process of many African nations during the 1980s and 1990s. The Washington Consensus was a neoliberal approach largely adopted by international financial institutions, the term & concept first introduced in 1989 by Williamson, as a set of ten policy propositions, following the collapse of the Keynesian dominance in economic theory and policy. During the 1980's, the economic policy of African countries was mainly externally-shaped and followed the policy prescription set forth by the Washington Consensus. Many nations in Africa engaged in Structural Adjustment Programs (SAPs) and embarked on a decade of privatization, liberalization and lesser State intervention in the economy . To assist African development, SAPs provided conditional lending (Thomson 2010: 197) – *conditional*, in that governments receiving debt relief were obliged to adjust their economic policy. Therefore, African nations had to give up their economic policy autonomy in return for receiving debt relief. In the interpretation of the Washington Consensus by its proponents, as well as by its critics, its promise is that if a developing country were to implement conservative macroeconomic policies while expanding the role of the private market at the expense of the state, then it would achieve sustained high growth rates on its own (McCord & Sachs 2005). Simply put, the premise of the prescriptions implied that all governments needed to do was to get the prices right and leave all the development business to the private sector and the market at large.

Sino-African Relations

While there is indeed a case for macroeconomic corrections and policy reform, a World Banks' study indicated that many Sub-Saharan African economies failed to take off during the 1990s. In a broader sense, the consensus failed to recognize that before privatization and market forces can unleash private sector-led economic growth in Africa, an enormous amount of public investment in health, education, and infrastructure was required, which African countries lacked the financing for (McCord & Sachs 2005). Furthermore, the consensus incorporated Structural Adjustment Programs that made it very challenging for undercutting the basic levers that the state often has to shape economic policy. Despite this, borrowing states are often forced to concede to these demands in order to get assistance from international financial institutions such as the World Bank and International Monetary Fund (IMF).

During the time that most African countries embarked on the structural reform program, China, took a more modest approach to the Washington Consensus and instead evolved step-by-step to the policy prescriptions of the Washington Consensus (McKinnon 2010: 503). China's hesitation to fully engage in the SAPs can be seen as a beneficial policy which helped the country experience rapid economic growth. In the 12 years from 1978 to 1990, the transition in China generated remarkable achievements, with the country's GDP growing 9.0% annually and its trade volume growing at 15.4% per year (Lin 2014). World Bank figures show that some 600 million Chinese lifted out of poverty in the past 30 years[1].

This type of economic development was not apparent in many African nations. In fact, the African growth narrative was coined the term "lost decade" in the 1980s and 1990s due to bleak economic growth and mounting debt, mainly attributed to the failure of the SAPs. The fast growth that China was registering, however, gave Africa a new perspective about African States own path of development. Disillusion had settled upon Africa through failures of structural adjustment policies and poverty reduction strategies (Levisohn 2002) subscribed by foreign donors, but Chinese strategies bring fresh wind into the debate. Moreover, Levisohn argued that many African countries were financially constrained to develop their huge deficit in infrastructure as a result of not abiding to the rules set by the Washington Consensus. This meant that many African nations had to rely on

[1] World Bank Poverty Estimates. (2009). Poverty Around the World. Retrieved April 14, 2016, from http://www.globalissues.org/article/4/poverty-around-the-world#WorldBanksPovertyEste

alternative sources of finance and get support from emerging countries such as China. The failure of SAPs to address poverty reduction and achieve sustainable growth has led many African nations to searching for alternative strategies for addressing the development challenges of Africa

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