Inequality and The Impact of Increasing Chinese Trade and Aide in Sub-Saharan Africa: 1990 to present. (working title)

1.1 Point of Inquiry

The importance of China in the world economy today is evident. With numerous and intense trade relations throughout the trimodal world economic system (core, semi-periphery, and periphery), it also serves as a source of inspiration for widespread discussion both in non-academic and academic research that includes Giovanni Arrighi’s 2007 work, Adam Smith In Beijing, in which he outlines the rise of China in light of the United States’ waning hegemonic rule. Yet, since 1976, China remains squarely in the semi-periphery as defined by Immanuel Wallerstein1. It has not evolved into a core state despite Arrighi’s prediction that the world geo-economic system would re-center around China.2 Still, China is the third largest holder of US foreign debt; and exerts its influence in both Latin America and Africa through trade, and “minimal strings attached” aide.

My proposed doctoral work would examine the impact of increased Chinese trade and aide on inequality in three Sub-Saharan African countries – Angola, Democratic Republic of Congo, and Zambia. Using Gini coefficient data beginning in the 1990s to present, and a world systems approach, the hope is to reveal something about the creation and perpetuity of inequality in Sub-Saharan Africa, and about the persistency and rigidity of the basic structure of the world economy3 despite claims that it has been or will be evolving into something new and different (See Arrighi’s The Long Twentieth Century, William Martin’s Semiperipheral States in the World-Economy4).

The hopes too is that the research may shed light on the debates surrounding 1) the structural and systemic issues underlying China’s inability to rise into the ranks of “core” (John Gulick has written several pieces on the topic,5 in which he is essentially discussing Arrighi’s work) and 2) to demonstrate how China’s supposed quest for natural resources in Sub-Saharan Africa a) is indicative of both its semi-periphery status and its attempts to break free of that label b) its reinforcement of the inequalities that the world economic structure tends to generate.

1.2 Goals and working theory

My theory is that while China continues the struggle to break free of the semi-periphery standing, it continues to confirm and reaffirm the very structure of the world system that keeps it there. China has no valuable natural resources but does have (or at least had – that’s open for debate) massive amounts of human labor capital for industrialization and an interesting hybrid of what I call a government controlled market economy. So, China lacks natural resources, a free market

3 Wallerstein has maintained that inequality is a “structural fact” that has little to do with human agency per se or pure exploitation of the poor by the rich and more to do with global commodity surplus value.
(capitalist) system, and has strong restrictions on certain personal freedoms and a general neglect for environmental preservation practices. This endows it with a strong periphery-like appearance. Yet, China’s trade relations with many core countries allow it to engage in core-like activities. Based on Wallerstein’s definition of semi-periphery, it would appear that the most recent re-organization of the world economy presented by Chase-Dunn et al\textsuperscript{6} in which China continues to stay in the semi-periphery is relevant and supports the idea that the world system structure persists. This is despite claims within world systems that we are potentially in a world in which the world economic system is more dynamic and polycentric or possibly a system that will remain forever in flux.

China’s search for raw materials sent it to Africa. This has caused resurgence in trade activities within the natural resource domain. China has invested most heavily in the following three countries – Angola, Zambia, and Democratic Republic of Congo. My theory is that by investing heavily in those natural resources these African nations continue the pursuit of an economy that is largely undiversified. China has not only invested in securing these natural resources for itself, but has also provided aide to these countries without any strings attached similar to those offered by IMF or World Bank. There is no pressure to privatize or make adjustments to the socio-economic and political policies in these countries. I hypothesis that this type of investments though welcomed by these countries continue to create and sustain within country and between country inequality. Are these countries destined to remain in the periphery and support the theory of a structurally persistent and unchanging world political economy?

With considerable amounts of natural resources such as oil, is the world economic system alone responsible for Africa’s inability to escape periphery status? If several Middle Eastern countries with single undiversified economies (relying solely on oil) can escape peripheral standing, why not these Sub-Saharan nations? Although Arrighi et al\textsuperscript{7} show that the overall distribution of wealth generated in the core remains essentially the same over time, I am not convinced that the above issues are fully addressed. The idea that while there may be some mobility within the trimodal world system, but at the same time maintaining a general world systemic distribution seem to hold true for almost all countries in the global south except for Sub-Saharan Africa.

2.1 Approach and Brief Literature Review

This work will use world systems analysis as conceptualized by Immanuel Wallerstein in The Modern World System as not only an anchoring theory but also as a launching pad for exploring the current state of China, specifically how it interacts with Sub-Saharan Africa. Wallerstein is essentially the brains behind the idea that in order to understand social and historical change we must look at the transnational and inter region division of labor (world system) as the unit of analysis. While the idea of dividing the world economical system into core and periphery existed long before Wallerstein, the idea of an intermediary position between core and periphery – the semi-periphery – and its essential role was expounded upon in The Modern World System and even more so, with Terrence Hopkins in World Systems Analysis\textsuperscript{8}.

The most comprehensive work right now on Chinese ascendency into the world economy and its position in the world system is Giovanni Arrighi’s Adam Smith in Beijing. Sticking with his


world systems analysis roots, Arrighi’s work is a comparative historical macro sociological approach. In that work, he views China’s rise is indicative of Adam Smith’s theory of a market society in which the government played a large role. One of Arrighi’s central ideas in *Adam Smith In Beijing* was that China’s ascendancy is a progressive one in which less inequalities might be produced in the world society. At the same time, he contemplates that the world system may morph into something new and different from its antecedent. Arrighi’s *The Long Twentieth Century* also sheds some light on China’s involvement in the world system claiming that China was a viable alternative to the United State as the world’s leader.

The claim of China as a credible alternative to the US hegemonic period has been disputed of course. Leo Panitch’s *Giovanni Arrighi in Beijing: An Alternative to Capitalism*; 9 William Tabb’s *IBSA and BRICs: State Logic versus Capital Logic Approaches to Projecting 21st Century Globalization*; 10 Martin Hart-Landsberg and Paul Burkett’s *China and Socialism: Market Reforms and Class Struggle,* 11 all offer reasons why is not a viable contender. Additionally, very critical articles by John Gulick, in particular, *The Long Twentieth Century and Barriers to China’s Hegemonic Accession*, calls into question a number of Arrighi’s claims about China’s current economic position in the world system.

But the crux of my work is not to debate whether or not China will be at the center of the next systemic hegemonic phase although explicating that from the notion that the world system prevails using Chinese involvement in sub Saharan Africa is difficult at best. By looking at inequality I hope to shed light of a fundamental issue within the world systems analysis, and that is on the process of how the system maintains itself outside of Wallerstein’s global commodity chain link. Further, to find a link between Wallerstein’s version of world systems analysis and dependency theorists vis-à-vis within-country and intra-nation inequality. In the article, *Developmentalism: The Pernicious Illusion,* 12 William Martin takes Renfrew Christie to task for situating South African development on mechanization plus a large dose of state assistance – that is using the nation state as the unit of analysis. He emphatically notes that one can only understand development (and I would expand that to issues of inequality) by looking at long-term trends and cycles of the global division of labor.

Works on inequality abounds in the social sciences (see the works of Glenn Firebaugh). In *Inequality in Latin America*, de Ferenti et al show how economic growth is inextricably linked to inequality. 13 While Amartya Sen illustrated in *Inequality Re-Examined*, how overall level of development itself in also tied to inequality. 14 However, Salvatore Babones and Maria Jose Alvarez-Rivadulla’s work, *Standardized Income Inequality Data for Use in Cross-National Research* set the standard for work in this area. They argue quite thoroughly why the Gini coefficient is the right measure for determining inequality. 15 They have made the within country inequality/income distribution result data available for researchers. Yet, they note that the data is available for China beginning with the 1960s through the 1990s (I am hoping that they have

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continued to maintain the database to present), data is only available for Zambia for the 1970s and 1990s and was not presented for Angola or DR of Congo.

2.2 Methodology and challenges

I have chosen Angola, DR of Congo, and Zambia in Sub-Saharan Africa based purely on the types of natural resources they possess that China could capitalize. Sanders Moody discusses at length Chinese investments in Sub-Saharan Africa, not only in terms of available natural resources but also Chinese investments in areas such as agro-processing, and power generation. As mentioned in the beginning, the period of study would be from 1990 to present. I chose 1990 as the starting point because it was not until October 2000 that China made its interest in Africa public and official with the Forum on China-Africa Cooperation, passing the Programme for China-Africa Cooperation in Economic and Social Development. I believe that by looking at the countries ten years leading up to that forum is important in establishing a foundation for comparison.

The idea is to first do a comparative study of the three countries through regression analysis. In a tentative model, the dependent variable would be the Gini coefficient. The independent variables would be typical variables that affect income such as gender, education, nepotism/family background, rent-seeking, and tax system. However, I would add Chinese foreign direct investment (FDI) as my key variable. Regression analysis basically tests the strength of the relationship between the independent and dependent variables. So, I am not looking for a cause and effect phenomena. I want to observe the correlation between increasing Chinese FDI and the Gini coefficient. The issue here of course is that the Gini coefficient is a within-nation indicator of inequality. And yet, the question remains, if foreign investments affect a within-nation inequality indicator, does that support the dependency theorists’ idea of exploitation of the periphery by “core and core-like” nations? Or does it actually maintain Wallerstein’s world systems theory in which the relationship between the core, semi-periphery and periphery is not one of classically understood exploitation but rather, part of the global division of labor?

This is further complicated by the fact that a quick observation of standardized existing Gini datasets demonstrates its relative stability in most countries. Even though many have argued correctly for the use of Gini in measuring inequality, I believe that even after regression analysis, many questions still remains unanswered especially when foreign investment is part of the equation. Due to its very nature – particularly in its calculation – while direct foreign investment might spur economic activity, Gini may remain comparatively unchanged. For example, even if a thousand people saw increase in earnings, the actual difference in pay between each individual person could remain the same and so would the Gini. However, if we look beyond income as a measure of inequality, and move beyond the nation state, a different picture would emerge. If China or Chinese firms invests in the extraction of crude oil in Angola, for instance, and all the profits are sent back to China, it is clear that there is a loss on Angola’s part – loss of the oil and loss of the profits made on the oil. But, Angola would have benefited somewhat in this situation too. Still would the relationship between the two countries not be one of exploitation? Would this

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16 Johan Holmberg’s *Natural Resources in Sub Saharan Africa: Assets and Vulnerabilities: A Contribution to the Swedish Government White Paper on Africa Commissioned by the Nordic Africa Institute* gives an excellent overview of Sub-Saharan natural resources and how climate change will impact them.


not increase intra-nation inequality? Furthermore, how does one measure the negative impact of degrading natural resources, exportation of profits and capital on inequality?

Currently, there are two very well prepared publicly available datasets on income inequality. Babones and Alvarez-Rivadulla’s SIDD, and Frederick Solt’s Standardized World Income Inequality Database (SWIID) database both contain Gini coefficient only. Solt’s data, which is maintained and available for download on the Harvard Dataverse Network, is the most usable since it contains data for all three Sub-Saharan countries in this project and China. Therefore, for basic comparative information on Gini, I will use the SWIID. Access to this data is open and available online.

Both the SIDD and SWIID were compiled using an amalgamation of the World Bank’s World Development Indicators (WDI), the UNU-WIDER’s World Income Inequality Database (WIID), and the Luxembourg Income Study (LIS). Solt also used machine learning (re: missing data algorithms) to standardize his data set. I will utilize all the above data banks to tailor my own dataset that includes the variables that I need for the empirical part of my project. Although this poses its own challenges, Babones and Alvarez-Rivadulla, and Solt have kept and made available all methodological notes. Again, LIS, WIID, and WDI is open and available online.

3.1 Proposed timeline