

Relationship between Chad and China

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Abstract: In an international context in which China seeks to strengthen its cooperation with Africa in order to make sure its raw material for its industry. We will clarify the situation of this cooperation between Chad and China in this article. [New York Science Journal 2010;3(9):50-54]. (ISSN: 1554-0200).

Keywords: China; Africa; Chad

Introduction

In the center of the African continent, Chad is a large Country of 1.284.000 km² after Sudan, the DRC, Algeria and Libya. Chad is a landlocked country and at the same time semi-desert. The Chadian population is an impressive ethnic mosaic. According to the last population and habitat census in 2009, Chad counts 11 396 000 inhabitants. Although rich with many natural mineral resources, the economy of Chad was based on agriculture and the breeding until the year 2000. From this date, a 1 070 km long pipeline for the exploitation of the oil of the Basin of Doba (in the south of the country) started to be built in order to convey Chadian oil to the Cameroonian port of Kribi. The World Bank granted a loan of 4, 2 billion dollars to Chad for the realization of this work. Since the end of the construction of the Doba-Kribi pipeline in 2003, Chad saw its economic growth rate making a spectacular jump, passing from -0,9% in 2000 with 33,7% in 2004 and 8,6% in 2005, 0,3 in 2006, 1,8 in 2007 and finally -0,5 in 2008. This growth was accompanied by an inflation (it passes from -1,8% in 2003 to an average rate of -5,3% for year 2004, 7,9 in 2005, 8,1 in 2006, -9,0 in 2007 and 8,3 in 2008) and by an increase incur debt (last of 66% of the gross national income in 2003 to 75% of this income in 2005). It follows that over 54% of Chadians do not yet enjoy real benefits from such exploitation according to consumer budget survey conducted by the National Institute of Statistics, Economic and Demographic Studies (INSEED). As we saw it, Chad remains highly vulnerable to the adverse effects of the syndrome from the Netherlands (Dutch disease): the disruption of traditional economic circuits leads to social changes that threaten civil peace, while

deepening the gap between the peasantry and beneficiary of oil revenues.

Diplomatic relations between Chad and the People's Republic of China were established for the first time in 1972. These relations were accompanied by economic benefits, the most important were recorded in the years 1980, including construction of one of the largest hospitals of Chad, the construction of People's palace (current Palace of January 15) and a Omni sport Stadium in the capital Ndjamen, and the management of rice paddies A and B in the south-west.

In 1997, the relationship was interrupted between China and Chad owing to the recognition of Taiwan by Ndjamen. Chad which sought sources of financing to face the Courante's expenditure had found in Taiwan an ideal partner and rightly so, because in nine years of Co-operation, Chad received more than 30 million dollars per year in Taiwan. The projects of co-operation related to four priority axes: transport, public health, agriculture and education. A bridge with double track on Chari (river crossing Ndjamen) and the asphaltting of many ways in Ndjamen were thus carried out.

But in July 2006, political circumstances or economic (exploitation of Chadian oil) has driven Chad to resume relations again with China while breaking with Taiwan. Since this date, the two sides have worked to build a fruitful partnership and the co-operation can amount to more 100 million dollars, with the exception of framework agreements for the construction of the refinery and cement factory.

From January 12, 2007, China which seemed very interested in Chadian oil, repurchased via China National Petroleum Corporation (CNPC), the whole of the license of oil exploration of Canadian company

ENCANA. This license covers a surface of approximately 220.000 km² and includes the basins hereafter: the basin of Erdis, a part of the basin of Lake Chad, the basin of Madiago, the basin of Bongor, the basin in the West of Moundou, the basin of Pala at the border of Cameroun, a part of basin at the border of Central African Republic and all the basin of Salamat. The Chinese intervention in Chad thus constitutes an important asset that the country must capitalize on in order to maximize the effects for the development of Chad.

The objective of this article is to give information on the size, the structure and the significance of the Sino-Chadian relations on trade as well as the investment and the support with the development coming from China. It is also a question of identifying the principal recipients and losers of these economic relations which the majority can be in Chad, the consumers, the workers, the tradesmen, the trade unions, civil society organizations, NGOs, the private contractors and producers, the private companies, the Government of the Republic of Chad, and the Chinese side, the investors, producers and exporters.

1. CHINESE INVESTMENTS IN CHAD

From 1997 until 2006, economic relations between China and Chad were broken. Thus in the economic level just before the resumption of the co-operation between Chad and China, Cameroon was the first imports country, with an amount of 76 billion frank CFA, that is to say the fifth of the total imports. The second imports country of Chad in 2007 was the United States, whose amount corresponding is 60 billion, i.e. 16% of the total imports. France is in third position with an amount of 43 billion frank CFA, that is to say 11% of the total of imports. Nigeria and Brazil were fourth and fifth with 9% and 5%, respectively, of the total of imports of Chad. The imports of Chad for 2008 are evaluated to 374, 11 billion FCFA against 384 billion FCFA for 2007 either a 2, 57% drop due to the fuel oil. Indeed, imports of fuel oil have been reduced about 41,23% and this product is most important in terms of values both for 2007 than 2008. The dynamics of imports emphasizes a downward trend since 2006.

A little more than one year after having broken with Taiwan and having joined again the diplomatic relations with Beijing, Chadian President Idriss Deby Itno visited China, in September 20-23- 2007,

accompanied by six ministers (Foreign Affairs, Mines and Energy, Petroleum, Economy and Plan, Finances, Infrastructures). China, seeking to secure by all means its oil needs not to slow down an economy launched at full speed in energy, progressed in its co-operation with Chad while investing in three sectors: telecommunications with project CHAD CDMA 2000 (Multiple Code Division Accesses, fixed Telephone without wire) and mobile telephony within the company of Telecommunications of Chad (SOTEL-TCHAD), a private company; the construction of the cement factory of Baoaré and the construction of a refinery to 50 km in the north of Ndjamená.

Project CDMA 2000 is a technology based on the radio of 3rd generation, introduced by the means of the ZTE Corporation. Its advantages are inter alia, the reduction of the capital costs, the speed of installation and the facility of extension, which must contribute to the reduction of digital divide

The cement factory, recipient of an investment of China CAMC Engineering Ltd, has a major asset in the current economic outlook. Indeed, within the framework of the National Strategy of Growth and Reduction of Poverty (SCNRP), the Chadian government retained, inter alia, to reinforce the macroeconomic framework by the diversification of the economy and especially the intensification of the investments in the sectors carrying growth. The development of the basic infrastructures (roads, habitats, schools, health centers, hydro-agricultural installations ...) is thus strongly required, which constitutes a major asset for the future cement factory. The official starting of the building work of this factory took place on December 17, 2007. This cement factory will have an output of 200.000 tons Portland cement per annum and 700 tons clinker per day. It was affirmed by the Chadian government that the labor will be primarily local and that at the end of the project, the price of cement will decrease by half.

As regards the refinery, it will be property with 60% of the CNPC and 40% of the Company of Hydrocarbons of Chad (SHT). It will be fed by the production of the layers of Sedigui (in the north of Lake Chad) and of Mayo-Kebbi (south-western of the country), in phase of exploration by the CNPC. Discovered by an American consortium in 1974 but never exploited, the field of Sédigui would have reserves bordering 500 million barrels. The realization of this project will mark the recognition of China like

large competitor of the United States and France to Chad since these two countries in the past refused to finance the project of refinery which they considered to be non-profitable. The alteration work of the site of the refinery began in November 2007. It is expected that this refinery makes it possible for Chad to satisfy local consumption in petroleum products.

In terms of imported products, as in 2007, Cameroon remains the first imports Country of Chad in 2008 with 28, 5% of total imports at value of 106, 64 billion FCFA against 76 billion FCFA in 2007 is a rise of 41%. The United States, France and Nigeria keep their rank of 2007 respectively either, the second (78, 51 billion FCFA or 20, 98%), the third (45, 69 billion FCFA or 12, 21%) and the fourth (26, 63 billion FCFA or 6, 32%). Brazil give up the fifth rank to the profit of China with imports evaluated to 17, 42 billion FCFA i.e. 4, 66% of the total.

2. COMMERCIAL FLOWS BETWEEN CHAD AND CHINA .

Commercial flows between China and Chad relate mainly the imports. According to statistical offices of the Chadian foreign trade, China does not appear among the countries of destination of exports of Chad. Exports except oil of Chad in 2006 rose to 127 billion FCFA against 93, 6 billion FCFA in 2005, that is to say a growth rate of approximately 35%. Crude oil exports, they slightly progressed passing from 1453 billion FCFA in 2005 to 1528 billion FCFA in 2006, a growth rate of 5%. In terms of volume, exports decreased in 2005 and 2006 because of the reduction in the investments and the problems involved in the quality of oil considered to be water carrier. However, exports of crude oil in 2006 represents more than 92% of the whole of exports of Chad in 2006. The principal countries of destination of the Chadian products except oil in 2005 are Nigeria (39%), France (28%) and Sudan (18%), oil being supposed to be exported exclusively bound for the United States. The principal countries product consignees of exports except oil of Chad are Nigeria (53, 55%), France (38, 58%), the United States (2, 66%) and Cameroon (1, 32%). Nigeria comes thus at the head followed France, unlike the year 2006 during which France (37,02%) was at the top followed by Nigeria (31,73%) and then of Sudan (15,76%). In 2007, the principal countries of export of the products except oil of Chad are Nigeria (53, 55%), the USA (2, 66%), and Cameroon (1, 32%). According to data's available

provided by the INSEED (2006 and 2007), the imports of Chinese origin doubled in one year increasing from 6.045.711 dollars in 2004 to 12.574.333 dollars in 2005. In 2004, Chinese imports relate mainly the foodstuffs and animal (with 47% of the total of Chinese imports) and the machines and transport material (with 39%). It should be raised that the foodstuffs and animal in question contain primarily the tea and the cereals (rice). As for the machines and means of transport, they are primarily the motor cycles. However, the foodstuffs and animal alive of Chinese origin account for only 4% of the total imports of Chad in these products. As regards the machines and means of transport, China accounts for only 1%. The structure of imports of Chinese products deeply changed in 2005. Chinese machines and transport material become prevalent in the Chadian imports (52%) followed manufactured goods classified mainly according to the matter (26%, dominated by the goods in iron and steel used in the building and public works), the foodstuffs and animal not arriving any more but in third position (13%). But, once again the share of China in the Chadian imports in these different products remains tiny (3% for the machines and transport material like the manufactured goods). On the whole, the imports of Chinese products constitute yet only one very small share of the total imports of Chad. From 1% in 2004, the share of China in the imports of Chad increased to approximately 2% in 2005 according to national sources'. In the same way, China increases in the 5th place in the Chadian imports in 2007. The bilateral balance between China and Chad must be largely showing a deficit for this last, since, as we have announced in this section, there are no exports bound for China according to national sources'. However, the bilateral balance of Chad with China reached 13% of the Chadian GDP, which is to be given once more on the account of the re-exportations.

2.1. Repercussions of the Sino-Chadian cooperation.

In the Chad - China partnership, the local producers in particular PME/PMI act winner and loser potentials. They win by being acquired inputs at low cost coming from China but cannot compete with the low price of the Chinese products on the market. The typical case is that of Cyclo-Chad, company in the construction of bicycles is finally declining despite the low cost of pipes and other parts used in assembly bicycles. Thus, the producers have a statute of long-

term losers unless the Chadian government does not encourage the Chinese producers with the creation of joint-ventures with their Chadian counterparts. The largest losers are the local workers and the trade unions. Indeed, the increase in the imports of Chinese products is synonymous with increasing employment appropriateness's in China, which is equivalent to job losses in Chad, unless the Products concerned are not produced at all locally.

	Beneficiary	Beneficiary
losers	local Producers	Traders Consumers Chinese Exporting Government
losers	local Contractors Associations	

Thanks to the low prices of the Chinese products, the Chadian consumers have access to cheap products (cellular telephone, television, computers...). The tradesmen profit from the potential growth of the need of consumers who will find themselves with much more money to spend. With the growth of their exports to Chad, the Chinese exporters benefit also. The Chadian government wins from the taxes and right customs which grow and from the satisfaction caused by the households benefit. A potential loss of the Government could come from the fall of the taxes on the companies and the wages if there is bankruptcy of the Chadian companies because of Chinese competition.

3. The new Sino - Chadian cooperation

The new economic co-operation between China and Chad seems to be led by the two parts with great interest. In this co-operation, China seeks to benefit from Chadian oil to satisfy its need and Chad seeks to ensure its political stability as its economic development. A series of subsequent agreements restoring the relations between the two countries, signed on January 4, 2007 with Ndjamen, made it possible for Chad to store the dividends of these relations. There was, in addition to:

The total cancellation of the debt (including the arrears) of loans of China facing Chad, for a total amount of 34 million dollars; the sending of a Chinese

medical mission to the Hospital of the Freedom of Ndjamen for a two years duration;

The sending of an agricultural technical mission with a rice project in the area of East Mayo-Kebbi and a market-gardening project with Koundoul (with 25 kilometers in the south of Ndjamen). In September 2007, preferential loans were granted by China in Telecommunications (45 million dollars), for the construction of a cement factory (92 million dollars) and for the construction of a refinery. These loans are characterized by a period of at least 5 years and an annual interest rate of 1,5%.

CONCLUSIONS

Chad being a country in the process of development, the resumption of its cooperation with China was considered to be important by the Government, especially with the launching of the African Policy of China in 2006. The intervention of China in Chad can be an asset for the Chadian Population if one trusts this Policy which is diversified, from the economical policy passing by the safety and the development of human resources, while seeking to ensure a co-operation for a mutual benefit between China and his African partners. This study, while being based on the economic relations with China. The Chinese investment was well accommodated by the Chadian authorities especially which it is directed towards some sectors that the traditional partners did not have to invest in the past, in particular the construction of a cement factory. However, it would be necessary to take into account the threat which this investment carries for the Chadian workers because the negligence of some conditions of safety generates great risks for them. It would be necessary that Chadian authorities make sure the regulation of work in force in Chad is respected by the Chinese contractors. The imports of the Chinese products, although they represent in 2005 only 2% of the total imports of Chad, doubled between 2004 and 2005. These imports concerned in 2005 mainly animal or vegetable oils and fat (36%) and manures (21%). In 2007, China becomes the 5th importing country of Chad. Thus although favorable to the consumers, a total destruction of the customs borders perhaps a threat for some local companies. The Chinese contribution in Chad is important especially compared to its objectives and its interest rate which defy any competition, running the medical and agricultural technical aid, education and the

training and the lending of preferential (more than 150 million declared dollars) for investments and the building of infrastructures. The only crucial problem is the threat which weighs on the Chadian workers in the execution of the various projects of development financed by China, in terms of loss of employment and working conditions.

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