



China–Africa Co-operation: Capacity Building and Social Responsibility of Investments

WAIL BENJELLOUN

EXECUTIVE SUMMARY

The increasingly visible Chinese economic presence in Africa has led to analyses that run the gamut from highly laudatory, ie, considering Chinese investments as a contribution to African development, to strongly critical, ie, considering them as exploitative. This paper briefly reviews the contours of Chinese investment and aid programmes on the continent, placing them in context, with the aim of addressing the issues of capacity building and social responsibility of investments raised by China's engagement in Africa. The paper poses the following questions: as unemployment and underemployment become an increasingly pressing issue in many African countries, how have Chinese firms contributed to the development of educational programmes more adapted to the needs of the local industrial framework? Has the Chinese contribution favoured lower levels of skills or has it led to the training of professionals with higher competencies? These issues are considered within the social and environmental

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frameworks. Finally, recommendations are made to ensure that China–Africa co-operation strategies conform to the objectives of the AU’s Agenda 2063 to build an integrated, people-centred, prosperous Africa.

INTRODUCTION

African economic development

Over the past decade, and in spite of the turbulence caused by the world economic crisis and the Arab Spring, African economies have on the whole enjoyed a sustained period of growth (averaging about 5% annually). This has made the continent an attractive destination for international investors, and the Chinese have been no exception. The economic reform programmes undertaken by most African countries, including liberalisation and privatisation, as well as the improvement of strategic infrastructure such as roads, rail, maritime and air transportation, and communication, have created a welcoming environment, as has progress in advancing democracy and human rights, and reducing corruption.

According to the *African Development Report 2012*,¹

great progress has been made in reducing infant mortality, increased life expectancy and school enrolment. However, despite these gains, income inequality remains high and widespread. African economic growth is currently consuming natural assets on a scale which threatens growth prospects and overshadows the progress achieved in social indicators. Furthermore, African growth is slowly contributing to climate change. Loss of forest cover and greenhouse gas emissions from the fossil fuel based energy sector are the main drivers for this trend.

The environment for growth and the possibilities of further reducing poverty, however, are being progressively compromised. In Africa, CO₂ emissions per capita stood at 0.91 tonnes in 2010, compared with 5.43 tonnes for China and 10.10 tonnes for the member countries of the Organization for Economic Cooperation and Development. African countries accounted for over half of the world’s forest loss between 2000 and 2005, and the net forest loss amounted to 3.4 million hectares per year during the period 2000–2010. Sub-Saharan Africa remains one of the world’s developing regions most affected by malnutrition (which has since 2005 stabilised at 25% of the population, after having been close to 35% in 1991).²

Between 2000 and 2010, 30% of the continent’s gross domestic product (GDP) derived from natural resources.³ This lack of diversification has meant that the export of agricultural products, oil, metals and other minerals account for some 70% of the export revenue for sub-Saharan Africa. For example, the high economic growth observed in some oil-exporting countries, such as Angola

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and Chad, can be directly linked to increases in oil prices. The current drop in the global oil price therefore risks reversing this trend if it persists. Africa's continued dependence on natural resources makes it particularly vulnerable to a drop in prices or other economic shocks.

The continent's most promising economies – Egypt, Morocco, South Africa and Tunisia – are already broadly diversified. Manufacturing and services account for 83% of their combined GDP. Domestic services, such as construction, banking, telecommunications and retailing, have accounted for more than 70% of these countries' growth since 2000. They are among the continent's most diversified economies and have the least volatile GDP growth. With all the necessary ingredients for further expansion, these countries stand to benefit greatly from increasing ties to the global economy.⁴

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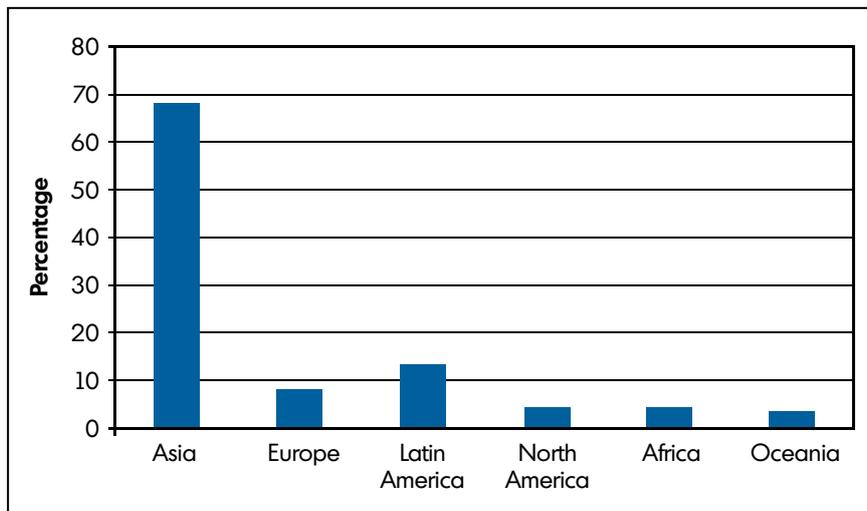
CHINA AND AFRICAN ECONOMIC DEVELOPMENT

Chinese foreign investments in Africa must be considered against this backdrop. Although investments in oil and mining are important, the Chinese have also made foreign direct investments in industries from shoe manufacturing to food processing. Chinese firms have also made major investments in African infrastructure, targeting key sectors such as telecommunications, transport, construction, power plants, waste disposal and port equipment. More than 2 000 Chinese companies have invested in Africa, where the rate of return on foreign investment is higher than in any other developing region.⁵

Chinese foreign direct investment in African countries grew from \$500 million in 2003 to almost \$15 billion by 2012. The same year, Premier Hu Jintao pledged \$20 billion in loans for infrastructure development. In 2014 Premier Li Keqiang offered an additional \$12 billion in credit and funding to boost economic development on the continent.⁶ Although these figures are impressive, Chinese investment represents less than 10% of all foreign investment in Africa, however, with the bulk coming from Europe and the US.⁷ On the other hand, China has been Africa's biggest trade partner since 2009. Bilateral trade has grown from \$11 billion in 2000 to nearly \$210 billion in 2015.

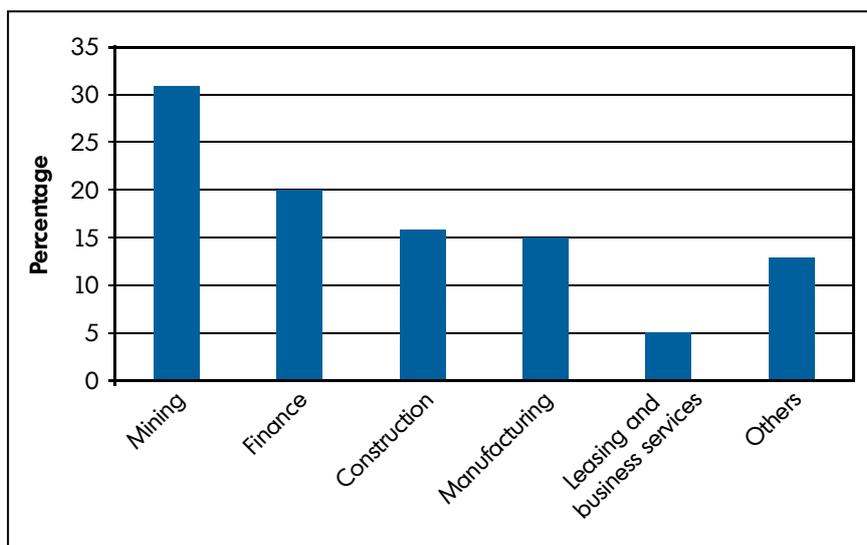
These investments are a vital contribution to the continent's development. Thus, China's need for natural resources and agricultural products complements Africa's needs in the areas of infrastructure and human development. The sustained and growing Chinese commitments in Africa raise the issue of how the continent's human development needs are being met through this partnership and what measures are being taken to reinforce the skills of Africa's labour force and managerial cadres. In short, how is China's involvement in Africa building local workforce capacities to develop and eventually maintain infrastructure projects, and how will it help to develop Africa's human capital? Related to these questions is the issue of social and environmental responsibility.

Figure 1: Chinese FDI by region (2013)



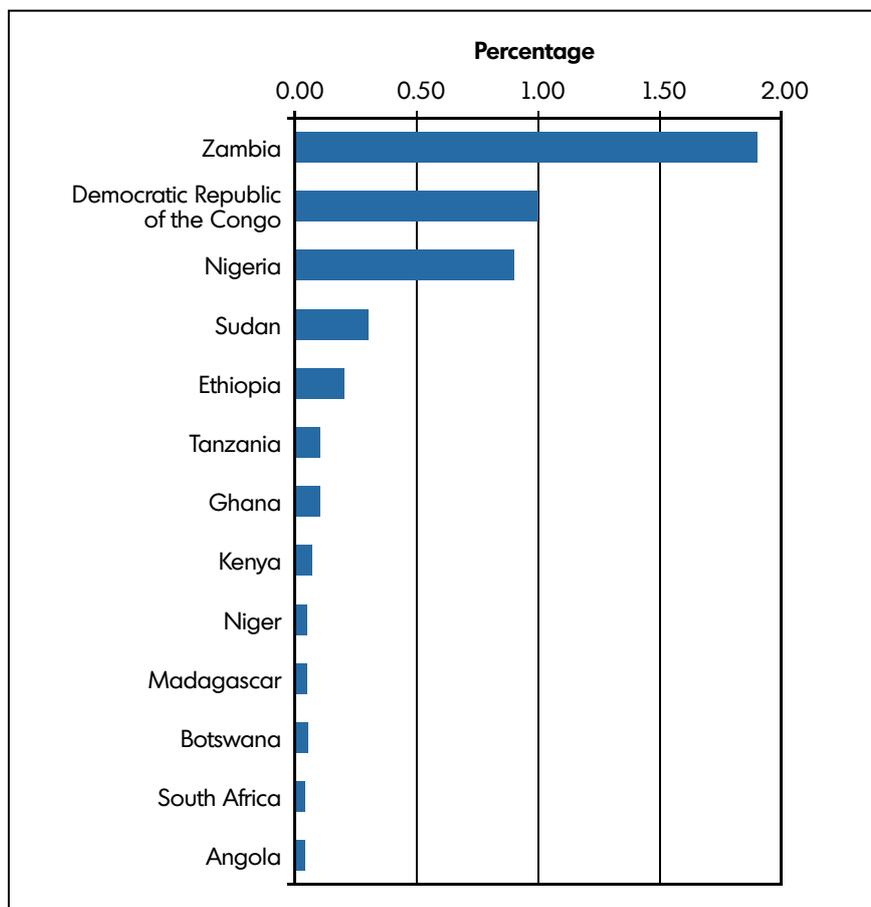
Source: Zhou L & D Leung, 'China's Overseas Investments, Explained in 10 Graphics', World Resources Institute, January 2015, <http://www.wri.org/blog/2015/01/china's-overseas-investments-explained-10-graphics>

Figure 2: Chinese foreign direct investment in Africa by sector (2011)



Source: Zhou L & D Leung, 'China's Overseas Investments, Explained in 10 Graphics', World Resources Institute, January 2015, <http://www.wri.org/blog/2015/01/china's-overseas-investments-explained-10-graphics>

Figure 3: Estimated GDP growth due to Chinese foreign direct investment (2003–2009)



Source: Weisbrod A & J Whalley 'The contribution of Chinese FDI to Africa's pre crisis growth surge, NBER Working Paper No. 17544, October 2011, <http://www.nber.org/papers/w17544.pdf>

CAPACITY BUILDING AND SOCIAL RESPONSIBILITY

According to the International Labour Organization, the African continent as a whole has the highest current unemployment rates worldwide, and these are projected to continue into the near future.⁸ Some have suggested that in countries such as Morocco and South Africa it is inappropriate training rather than a lack of jobs that is the reason behind unemployment. It would thus be expected that a partnership of the magnitude developing between Africa and China would solicit partners to work towards the alleviation of this problem, both through better training and through the creation of jobs.

Chinese companies operating in Africa are increasingly turning to local labour. A report published by the Chinese Academy of International Trade and Economic Cooperation states that 82%, or 17 600 employees, of the Chinese National Petroleum Corporation staff in Africa are local hires.⁹ The Chinese

National Minerals Corporation has hired 12 500 workers in Zambia. It is not clear, however, to what extent Chinese companies invest in training, health and education. Nor is there any mention of their commitment to respecting environmental, transparency or labour standards.

Given the scale of international investment in Africa and the widespread interest in the natural resources of the continent, it is important for African countries to establish a regulatory framework that allows for the responsible utilisation of the continent's resources. In the same vein, Chinese companies will need to act responsibly. Among other things, they must ensure that provisions are made to safeguard the environment and the health of African workers. During his visit to Africa, Li called on Chinese companies to 'shoulder responsibility' for local communities. He added that China will offer \$10 million in aid for wildlife protection and will boost the China–Africa Development Fund by \$2 billion, bringing it to a total of \$5 billion.¹⁰ Although calls for corporate social responsibility practices by Chinese companies started in 2007, their questionable record to date leaves the impression that Beijing's influence over corporate practices is limited.

African leaders should realise that continued environmental degradation and inequality in African countries necessitate a shift towards more inclusive and sustainable growth. African countries should therefore put in place the appropriate regulatory mechanisms to ensure environmental protection, and especially pursue green growth pathways. The need for green growth is even more pressing given the development challenges in the 21st century.

The First China Africa Investment Meeting may have been just such an opportunity. Held in Casablanca in June 2014 at the invitation of the Banque Marocaine de Commerce Extérieur and its affiliate Bank of Africa, in co-operation with the China–Africa Joint Chamber of Commerce and Industry, the meeting was attended by 250 Moroccan, sub-Saharan and Chinese investors, and is expected to yield partnerships in the automobile, agriculture, renewable energy, tourism, logistics and infrastructure sectors.¹¹

Another strategy to involve local labour has been the transfer of production platforms from China to Africa. The decision by Huajian Shoe Company to establish a factory in Ethiopia may also be interpreted as an attempt to mitigate rising domestic labour costs in China. Labour costs could cause China to shed 80 million manufacturing jobs, and both Chinese manufacturers and African governments understand the opportunity that exists to relocate many of those jobs to Africa.¹² Huajian Group already employs 3 500 Ethiopian workers and in 2014 produced 2 million pairs of shoes, which are eligible for export to the US under the African Growth and Opportunity Act.

Other capacity-building measures may be identified at the level of higher education. Here the initiatives have been more notable, although many have yet to yield tangible results. Among the most important of these initiatives are the Confucius Institutes. These Chinese culture and language institutes are located

on university campuses worldwide. They currently cater to 450 000 students with 1 056 teachers. Out of the 430 global institutes, only 40 are currently established in Africa. Despite issues over academic freedom and integrity, due to the unwillingness of these institutes to foster discussions on such sensitive topics as democracy and human rights,¹³ Confucius Institutes can contribute to closer relations between African countries and China. This is made possible by nurturing a better understanding of cultural diversity and different approaches to work ethics, enabling African graduates to interact more efficiently with Chinese partners, and increase capacities to develop and manage infrastructure projects.

Another initiative, launched in 2009 by the Chinese Ministry of Education, is the 20+20 Cooperation Plan. Under this programme, 20 higher education institutions in China were twinned with 20 higher education institutions in 17 African countries. In 2011, UNESCO joined the initiative, which then became the UNESCO–China–Africa Tripartite Initiative on University Cooperation. Its aim was to facilitate university partnerships. Several partnerships have developed as a result. For example, since 2009 the Mohammed V University in Rabat, Morocco has co-organised with the Beijing International Studies University a series of seminars in the social sciences, and the two have co-published several books. Overall, however, the programme has had various shortcomings. At its 2013 Focal Point Meeting in Paris, only nine African and 13 Chinese universities were present; only three Chinese and two African universities reported joint degree programmes; student exchanges in this framework are low; and jointly funded research has been rare.¹⁴

Yet another initiative is the China–Africa Think Tanks Forum, launched by Zhejiang Normal University in 2011 to create a shared platform for dialogue and exchange between Chinese and African think tanks. This forum is organised under the auspices of the Forum on China–Africa Cooperation (FOCAC). FOCAC's Beijing Action Plan (2013–2015) calls for 100 academic research, exchange and co-operation programmes in Chinese and African institutions, and for scholars to be sponsored over a three-year period. The China–Africa Think Tanks Forum's 10+10 Partnership Plan is to be implemented by selecting 10 think tanks from China and 10 from Africa. The aim is to establish long-term paired relationships.¹⁵ Again, this programme has yet to yield its full potential.

At the opening ceremony of the fourth ministerial meeting of FOCAC in Egypt on 8 November 2009, the Chinese premier announced that China's Ministry of Science and Technology would launch the China–Africa Science and Technology Partnership Program. This was described as 'a new type of science and technology partnership with African countries aiming at sharing experience, tapping cooperation potential, taking full advantage of science and technology's pivotal role in promoting socio-economic development, and facilitating the sustainable development of African countries'.¹⁶ This partnership programme aims at building the science and technology capacity of African countries, in recognition of the role that science and technology play in development.

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Once again, the follow-up on this programme remains to be undertaken. A joint laboratory on water engineering and management in Morocco is under development.

Overall, these various co-operation programmes seem to signal a determination to take co-operation between Africa and China beyond the purely commercial level. It remains to be seen, however, whether the Chinese government's repeated calls for social responsibility will be heeded by its companies investing in Africa. A tighter African regulatory framework may facilitate that agenda, reinforcing initiatives that allow for a wider and more balanced co-operation strategy.

CONCLUSION

In view of the data presented above, the following recommendations are proposed as possible avenues of action to make the China–Africa relationship more durable and productive – a relationship that is profitable to both partners and to future generations.

A concerted effort should be made to train semi-skilled, skilled and managerial African personnel in areas where there is active Chinese economic investment and a lack of African expertise.

In terms of academic initiatives, China–Africa co-operation should be reinforced in teaching, research and management to support human resource needs in Africa as local economies develop. Joint research laboratories should be established in African nations to develop fields necessary to face future challenges such as nanotechnology and materials science, biotechnology for health and agriculture, informatics, alternative sources of energy and the social sciences. An effort should be made to increase opportunities for student exchanges at all levels, to build mutual consensus and confidence.

Regulatory frameworks should be developed for the exploitation of natural resources. These must pay special attention to environmental impact issues as industries are established, to ensure an appropriate quality of life. Regular channels should be established to continuously monitor the relationship and to proactively facilitate new initiatives, by means of think tanks and the regular exchange of ideas. An autonomous China–Africa monitoring mechanism should be set up to follow socio-economic co-operation between the two partners. This mechanism would also regularly assess progress made by both partners in developing and respecting the terms of their relationships and identify best practices around the continent. Such a mechanism, reinforced by conclusions developed within the framework of the think-tank initiative, would encourage the timely execution of commitments by both parties.

ENDNOTES

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