LECTIO PRAECURSORIA

China-Africa economic engagement: implications for human capital development in Africa

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For the past two decades, China has made significant inroads into the Africa economy in the areas of trade, investments and development assistance. The growing relations between China and Africa have been accompanied by intense scrutiny from academic and policy circles as well as in the global media. Negative and positives views have been expressed, conjectures have been drawn and criticisms have also been made on nature of China's ongoing presence in Africa. The former British foreign secretary, Jack Straw, stated that 'most of what China has been doing in Africa today, is what we did in Africa 150 years ago' (as cited in Stevenson 2006). On a similar tone, then US Secretary of State, Hillary Clinton, in a TV interview in Lusaka in 2011 stated 'We don't want to see a new colonialism in Africa'. Similarly, academics have raised concerns over China's motives and presence in Africa.

In order to understand these sentiments, and concerns, it is important to understand the scale of China-Africa economic engagement. Chinese engagement with Africa, while not a new phenomenon has deepened rapidly in the last two decades. The present era of China-Africa relations is one largely driven by commercial motives with a focus on economic partnership and development. This renewed engagement between China and African countries is largely visible in the form of trade, investments and development assistance.

Today, China is Africa's largest trade partner, with bilateral trade volumes steadily increasing from US$120bn in 2010 to US$185.19bn as at 2018 (China Africa Research Initiative (CARI) 2020a). Although, trade has been the backbone of China–Africa economic engagement and has been mainly concentrated in natural resources, China's foreign direct investments in Africa are equally significant and increasingly varied in sectoral composition. Annual Chinese foreign direct investment flows to Africa exceeded that of the US in 2014 and has steadily increased from US$75m in 2003 to US$5.4bn in 2018 (CARI 2020b). The overall Chinese foreign direct investment stock in Africa stood at US$46.1bn as at 2018, with the top three sectors being construction, mining, manufacturing (CARI 2020b). In terms of location, Chinese FDIs are distributed across *high growth and economically diverse* African countries. Although, resource rich countries such as Nigeria and Zambia have hitherto attracted much of the Chinese investments, a growing number of investments are also being channelled into non-resource rich countries, such as Kenya and Tanzania. Available data shows that the drivers of Chinese investments are not solely the presence of natural resources but a range of factors such as the size of the market, labour composition and other country factor endowments (Chen et al. 2015). Apart from trade and investments, another prominent feature of China's economic engagement with Africa is in the area of development assistance. China, while not on par with traditional Western donors, is fast becoming an important development partner for Africa, with its assistance directed towards infrastructure development, agricultural projects and industry development through grants, concessional loans and zero-interest loans.

The preceding statements reflects the robust nature of China's economic engagement in Africa. Accompanying the deepening engagement are concrete expectations from China and African countries. Through its economic activities on the African continent, China seeks to promote its economic interests. It expects to gain access to natural resources to fuel its industrialisation, access to new markets for its exports and to new frontiers for its multinational companies to expand into. Similarly, African governments expect this engagement to yield economic gains that will spur industrialisation and infrastructure development, catalyse growth in several economic sectors and lead to job creation, skill development and technology transfer. With 12 million youths joining Africa's labour force each year (Chatterjee and Mahama 2017), there is need for African countries to industrialise and create jobs for their youths. Therefore, it makes economic sense for African governments to consider Chinese investments as one of the key sources of investment that will contribute to their medium and long-term socio-economic development objectives. On another level, some African leaders view China as a viable development partner and model with the view that increased economic activities, as a result of China's engagement, could potentially contribute to economic modernisation in Africa. Furthermore, China's economic success, which saw it emerge as the second largest economy in the world and lift a large proportion of its population out of poverty, in a relatively short period of time is a feat that most African leaders aspire to replicate. Public perception in Africa confirms China's important economic role in Africa with the engagement seen as beneficial for African countries. In a 2019 global attitude survey carried out by PEW research, majority of the countries surveyed in sub-Saharan Africa view China favourably including 70% of Nigerians, and 58% of Kenyans (Silver et al. 2019). This positive perception is largely tied to China's investments in infrastructure and business development.

African states' embrace of China could be said to have paid off. According to the AFDB Africa infrastructure needs amount to \$130-\$170bn per year and is currently experiencing a financing gap of about \$68- \$108 bn (African Development Bank (AFDB) 2018). China is helping close that gap. The infrastructure consortium for Africa puts China as the single largest financier of infrastructures in Africa committing up to \$25bn in 2018 (ICA 2018). Sectors such as Transport and ICT and power, have benefitted significantly from Chinese financing. Chinese investment in the transport infrastructure sector in Africa is modernising the railway systems in various African countries. The Chinese built and financed Addis - Djibouti Standard Gauge Railway was Ethiopia's first railway project in over a century. The Addis light rail transit is the first fully electrified line in Africa. Investments in the telecom sector has initiated a much-needed upgrade in the telecoms infrastructure on the continent increasing access to mobile telephony and internet connectivity (Agbebi 2019). Chinese investment in labour intensive manufacturing industries such as apparel, footwear and construction has driven high demand for semi-skilled and unskilled labour, contributing to employment creation, skills transfer in African countries and enabling *made in Africa* initiatives.

To be sure, this engagement also presents challenges for Africa. There are concerns about the effects of the engagement on local manufacturing industries such as the textile industry, where increasing Chinese competition and imports of Chinese textile into African countries, has contributed to the decline in the textile sector in south east African countries as well as in west African countries such Nigeria (Renne 2016; Murtala et al. 2017). There are concerns about the challenges this economic engagement may present for macro-economic management in terms of sustainable debt management (Eom, Brautigam and Benabdallah 2018) more so in relation to China's belt and Road initiative (Lagarde 2018). For example, Djibouti a country showing increasing debt vulnerability owes much of its infrastructure specific loans to China (Brautigam 2020). There are also concerns about the effects of the engagement on governance in Africa given China's willingness to work with autocratic or less transparent regimes as in the case of Zimbabwe under late president Robert Mugabe (Naim 2007; Schoeman 2007). Additionally, claims of nefarious labour practices in Chinese enterprises operating in Africa has also been a cause of concern. Such claims include unwillingness to hire local workers, subjection of workers to poor working conditions, labour imports from China including the myth of importation of convict labour which the guardian newspaper termed *'China's newest export: convicts'* (Chellaney 2010)

The prominence of this topic, whether in popular media or academic discourse, reinforces the notion that China can heavily influence the development of African economies for the better or worse. Despite wide-ranging interest in this phenomenon, academic literature based on rigorous empirical studies are few compared to non-academic articles. Hence, the need for systematic studies on the economic engagement and its implications for Africa's development.

It is against this backdrop and the contextual issues surrounding the engagement, that this research set out to examine the nature and characteristics of Chinese economic engagement in Africa and empirically investigate in what ways, if any the engagement contributes to human capital development in Africa by exploring the case of a Chinese multinational company – Huawei – in Nigeria. To fill the research gap, this research relies on dependency theory and human capital theory, employing both a conceptual research approach and an empirical research approach to answer the following questions, firstly, what is the nature and characteristics of CEE in Africa? Secondly, in what ways, if any, does CEE contributes to HCD in Africa? Thirdly, Do African governments leverage CEE for HCD? If so how? The research material comprised of primary and secondary data and were collected through analysis of relevant documents and semi-structured interview with 29 participants consisting of relevant government officials in Nigeria, officials from the case organisation Huawei including current and ex-employees, participants of training programmes and beneficiaries of Huawei scholarship programme. Data collected was analysed using qualitative content analysis.

On the nature and characteristics of Chinese economic engagement in Africa, the findings suggest that *Sino–African engagement is largely economic in nature* and driven by economic motives of both China and Africa. The engagement constitutes a *partnership between China and African countries* and is a *practical example of south-south collaboration*. Owing to the similarities in historical realities and socio-economic challenges between China and Africa, China is in a position to share and does share knowledge and skills, technical assistance in the areas of agriculture, power, and share experiences of successful industrial policy initiatives like SEZs with its African counterparts.

The engagement is *economically pragmatic* and *offers African countries an alternative in their choice of development partners*. China's approach to development offers an alternative in that it differs fundamentally from the western approach, which is centred on neo-liberal, laissez faire economics. This departure is crucial for Africa, where the Washington consensus model and its economic reforms have largely failed in addressing the development challenges in these countries. Without question, China's interest and deepening engagement in Africa has in recent years catalysed a new level of interest from other countries such as the United States of America, Germany, France, Great Britain, Japan, Russia as well as western IFI's such as the IMF and the world bank, with all seeking a deeper economic partnership and vying to retain their influence on the continent. Notable programs such as the US's *prosper Africa* programme launched in December, 2018, the United Kingdom's *UK-Africa investment summit*, the first of its kind held on 20 January 2020, the EU's *Africa-Europe Alliance for sustainable investment and jobs* unveiled in September 2018. These programs all mirror Beijing's embrace of trade and investments for development versus the traditional aid in Africa. These initiatives could be seen as an attempt to counter China's influence in Africa. While the effects of some of these programs are yet to be noticed beyond media announcements and bilateral meetings, and the question of whether these initiatives are able to counter Beijing's activities in the region remain open. China's engagement certainly creates more choices of development partners for African as African countries leverage the interests and competition between China and the rest of the world to achieve their development aims. A good illustration is the case of Ethiopia, in December 2019, Ethiopia received a US$9 billion financial loan from western donors, the IMF and the world bank, this IMF disbursement (US$2.9b) was the first time in over a decade the fund had lent money to Ethiopia (Marks 2020).

The recently announced US$5bn investment by the US in Ethiopia (Pilling 2020) intended to support private sector reforms can also be seen as a move to counter China's influence in Africa.

Despite the apparent power asymmetry between China and Africa, present within the engagement is *African agency* in various forms and levels, African countries can negotiate, shape and steer the engagement towards their respective objectives. While prevailing narratives of the engagement in the media largely infantilises Africa and echo the sentiment that Africa lacks agency in this engagement, research has confirmed otherwise, the engagement is being shaped by the local environment and pressures from state and non-state actors in Africa. An example is in the area of illegal wildlife trade, where sharp African criticism of China, led to the inclusion of wildlife on the agenda of FOCAC 2015 summit and the eventual ban of domestic ivory sale in China in 2017.

Finally, I argue that *the engagement signifies a growing interdependency between China and Africa* driven by strategic interests and objectives of China and African countries. The engagement presents both opportunities and challenges for Africa, opportunities to realise economic gains and a challenge to steer the engagement in a direction that is beneficial to Africa's development while mitigating the negative effects that could arise, particularly in relation to debt sustainability, trade imbalance and environmental degradation

In relation to HCD, this study found that the China–Africa economic engagement also offers opportunities for HCD in Africa. Findings from the Huawei case study indicate that Chinese enterprises operating in Africa are well placed to and do contribute to HCD by way of local employment generation, training & skill building and technology & knowledge transfer through their operations and investments in their host country. Host African governments can successfully further leverage Chinese economic engagement for HCD in their countries, through local content policies designed to encourage local value creation in MNCs operations in the host country as well as via strategies for active collaboration with Chinese enterprises on skills and technology transfer. Most importantly, human capital development opportunities in this engagement varies across sectors and countries because of the differences in sectoral and contextual conditions. Factors such as the type of industry sector, the regulatory environment pertaining to expatriate quotas, work permits, local content requirements, availability of skilled labour in the host country, the firm's strategy, its size and its scale of operations, all impact the labour-related practices of Chinese enterprises in Africa and the HCD implications of the engagement. These factors need to be considered in future studies, analysis and interpretations of the findings on the HCD implications of China–Africa economic engagement so as to generate deeper and nuanced understanding of the HCD implications of China-Africa engagement.

The findings from this research indicate that there is room for Africa to reap economic benefits from this engagement. However, African leaders will need to assert more agency and ownership within the engagement and strengthen their bargaining power. This would enable them to steer the engagement in ways that catalyse growth in crucial sectors of the economy and foster socio-economic development on the continent. Today, the Chinese economy is more integrated into the rest of the world's and in particular into African economies, incidences like the COVID-19 will no doubt have a great impact on the Chinese economy, an in turn affect African economies. African countries will need to develop more resilience to mitigate the effects of such incidences by diversifying their economies and their economic engagement.

It is time for Africa to not only look East or West but to also look within and practice self-reliance that translates not into the utopian ideal of autarky but controlled engagement with other countries, engagements beneficial to the socio-economic development needs of the African continent.

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