Chinese Investments in Africa: New opportunities or just another form of domination?

By Herbert Jauch, April 2011

China's increasing presence in Africa has been the topic of many studies and publications in recent years. How Chinese businesses and investments on the continent impact African labor movements has, however, received little attention. Drawing on the findings of a ten-country study carried out by the African Labour Research Network (ALRN) in 2008-2009,[1] this article provides a general overview of the labor conditions at Chinese firms in Africa, focusing on some common trends that exist despite country-specific differences. Those trends indicate that—despite some notable differences between the nature of Chinese economic involvement and that of Western foreign direct investment (FDI) on the continent—Chinese business mostly adheres to a familiar, neocolonial pattern of resource extraction, labor exploitation, and infrastructure projects that fail to emphasize the development of local capacity.

A Brief History of Sino-African Relations

During the 1960s and 1970s, Chinese relations with African countries were driven largely by ideological considerations, with China presenting itself as an alternative to both the West and the Soviet Union. During that time, China's support consisted mainly of moral and material support for liberation struggles. During the 1980s, the relationship became one of economic cooperation based on common aims. After the end of the Cold War, China portrayed itself as an attractive economic partner and political friend. For African governments, this presented an alternative to the "Washington Consensus" and was termed the "Beijing Consensus"—support without interference in internal affairs.

China's engagement with Africa today is less motivated by ideological considerations than by a commercial agenda that aims to sustain rapid industrialization and economic growth rates in China. China's presence is usually warmly welcomed by African governments due to the offers of trade, aid, and investments without "strings attached." China is also seen as a solution to the creation of local infrastructure where local capacity is lacking. In general, African leaders consider their engagement with China to be a viable alternative to the "Washington Consensus," particularly the structural adjustment programmes (SAPs) that ravaged most countries on the continent since the 1980s.

China's "socialist market economy" is driven by market-oriented state-owned enterprises (SOEs), and its interests in Africa are geared toward securing enough energy, resources, and minerals to feed its own industrialization program. However, Chinese investments are also found in the manufacturing and service industries. Chinese investments in and trade with Africa have increased significantly over the past few years, and the Chinese Academy of International Trade and Economic Cooperation claimed that—by 2009—China had become Africa's largest trading partner.[2] Other sources indicate that—despite China's increasing share—Europe and the U.S. are still the predominant sources of foreign investments and the main markets for African exports. Like the former colonial countries, China backs its trading relations with aid, debt relief, preferential loans, scholarships, training, and the provision of specialists. China also accounts for about 8 percent of Africa's military hardware imports. However, Africa is by no means a major destination for Chinese investments, as only about 3 percent of China's overall FDI outflows were destined for Africa in 2007. By the end of 2008, Chinese investors had set up about sixteen hundred companies in Africa and the total Chinese investment stock reached US$ 7.8 billion—amounting to 4.2 percent of China's total outward investment stock.

Trade and Investment Projects

The Chinese-owned investment projects in Africa are in manufacturing (46 percent)—ranging from the production of pharmaceuticals to textiles—services (40 percent), and resources-related industries (9 percent). These resources-related industries, however, account for 28 percent of investment value. This scenario differs significantly between individual countries, as Chinese investors focus on oil extraction or uranium in some countries, and on construction and retail in others. China's main export destinations in Africa are South Africa, Egypt, Nigeria, and Algeria; while the main African exporters to China are Angola, South Africa, the Congo, and Equatorial Guinea. Africa's main exports to China are minerals, petroleum, and timber, involving very limited processing on the continent itself. Africa's imports from China consist mainly of capital and consumer goods. Overall, the trade balance is slightly in Africa's favor, although several countries—like South Africa, Morocco, and Ghana—have substantial trade deficits.

Since 2003, China has become the second-largest consumer of oil and it's expected to overtake the U.S. (currently the largest oil consumer) by 2030. China relies on outside energy resources for its continued industrialization and currently covers about a quarter of its oil needs through imports from Africa (particularly from the Sudan, Angola, Nigeria, Equatorial Guinea, Algeria, Chad, and Gabon). China's demand for raw materials has driven up world-market prices for several of Africa's commodities. But Africa also needs to consider its own utilization of these resources for sustainable industrialization on the continent, instead of remaining merely an exporter of raw materials.

There is a danger of the Africa-China economic relationship following the colonial pattern of relegating Africa to the role of a raw materials supplier. The major challenge facing African countries is how to shape this relationship differently, and to ensure that Chinese investments result in job creation and economic development. This has hardly happened thus far, and the nature of the current trade relationship needs to be altered if Africa is to substantially benefit from trade with China. There are, however, some positive examples, such as a medicine-capsule manufacturing plant in Ethiopia, the Sudanese petroleum industry, and a sugar plant in Mali.

In the ten countries covered by the ALRN study (Angola, Botswana, Ghana, Kenya, Malawi, Namibia, Nigeria, South Africa, Zambia, and Zimbabwe), Chinese investments were concentrated mostly in the energy, mining, manufacturing, construction, retail, and finance sectors. The emphasis varied between countries, but investments in large infrastructure projects—as well as in mining ventures—were common across the continent. Chinese investments in small retail outlets ("China shops") are mostly undertaken by private businesspeople and hardly create linkages to the local economy, as they source cheap consumer goods from China (which are popular amongst poorer consumers). In some instances, however, this practice has negatively affected local traders, as well as local manufacturers who could not withstand the Chinese competition. As a result, thousands of jobs were lost in countries like Zambia, Ghana, South Africa, Nigeria, Ethiopia, and the Sudan.

Chinese construction projects in Africa, on the other hand, are often carried out by the SOEs, some of which utilize a significant number of Chinese workers (usually supervisors and skilled workers, but they can also include semi-skilled workers carrying out manual tasks). Although local African workers usually outnumber Chinese workers on construction sites by at least two-to-one, there are some cases—like the construction of a sports stadium in Ghana—where Chinese migrant workers have accounted for almost two-thirds of the labor force. In countries like Namibia, the awarding of government tenders to Chinese construction companies had an adverse effect on the local industry and was widely seen as unfair competition, especially when Chinese companies paid their workers well below the required minimum wage.

The Labor Market and Trade Unions in China

In order to understand the labor practices of Chinese companies in Africa, it is helpful to briefly glance at the labor market and trade unions in China. The country has a labor force of 770 million, of which 193.5 million are urban workers. China has achieved a significant reduction of people living in poverty during the last thirty years, but levels of inequality have increased and, in recent years, have reached a level comparable to those in Latin America. A new middle class has emerged in the cities, while the earnings of farmers in rural areas have declined. Rural farmers account for 47 percent of the population, but earn only 19.9 percent of the national income.

The All-China Federation of Trade Unions (ACFTU) is the world's biggest union and it has played a crucial role in the struggle against imperialism. Today, it is closely associated with the Chinese Communist Party and it plays the role of linking the Party to workers. The ACFTU is widely regarded as an extension and a "relief agency" of the government, as it does not support militant workers' actions. Most industrial actions in China are spontaneous and not supported by the ACFTU. Attempts to form independent trade unions in China have not succeeded thus far.

Labor Relations at Chinese Companies in Africa

Although working conditions at Chinese companies in Africa differ across countries and sectors, there are some common trends such as tense labor relations, hostile attitudes by Chinese employers toward trade unions, violations of workers' rights, poor working conditions, and unfair labor practices. There is a virtual absence of collective bargaining agreements, leaving Chinese employers free to unilaterally determine wages and benefits. African workers are often employed as "casual workers," depriving them of benefits they are legally entitled to, such as social security, a minimum wage, and housing or transport allowances.

Chinese employers tend to be among the lowest-paying in Africa, when compared with other employers in the same sectors. In Zambia, for example, the Chinese copper mine initially paid its workers 30 percent less than other copper mines in the country. This only changed after militant workers took action (which included strikes and demonstrations). In Namibia, Chinese construction companies tend to pay only a third of the minimum wage required by law. Arguing that Namibian workers are not productive enough to "deserve" the minimum wage, the companies unilaterally decide on the wages to be paid. The country's high unemployment rate—coupled with weak law enforcement capacities and limited trade union clout—has enabled this practice to continue. Wages above the national average were only found at those Chinese companies with a strong trade union presence (which has enabled workers to take action against exploitative practices). By comparison, Chinese staff members at Chinese companies in Africa enjoy significantly higher wages and more benefits than their local counterparts.

Many Chinese companies resort to union-bashing strategies to discourage their workers from joining a trade union. In several instances, Chinese businesses were supported by host governments that defended Chinese investments against the demands of labor. Trade unions see the practices of Chinese companies as a threat to the limited social protections that unions have achieved over the years, through collective bargaining. Very few African trade unions have managed to recruit Chinese workers into their organizations, largely due to communication problems and cultural differences.

The ALRN study found that Chinese employers violate several of the core International Labour Organization conventions. These include the rights to join trade unions, bargain collectively, receive equal remuneration, and be protected against discrimination. Basic rights (which are stipulated within local labor laws or collective agreements)—such as paid vacation time, sick leave, and maternity leave—are often ignored and workers are forced to work overtime, at times without any additional remuneration. The affected workers fear that refusal to work these extra hours will result in their dismissal. A particularly grave case of worker-rights violations is the "locking-in" of workers during working hours, which has already led to deaths resulting from workplace fires in Nigeria and Kenya.

At Chinese companies, no training on health and safety issues is provided—even in countries where this is required by law—and precautionary measures are ignored. The ALRN study found that some Chinese employers terminate the employment of female workers once they become pregnant—another violation of basic labor rights. Chinese companies tend to employ African workers for basic tasks at very low pay, while importing Chinese managers and supervisors for the higher-paid positions. (Similar practices were used by the European colonial countries, and by South Africa and Namibia during apartheid.)

Possible Trade Union Interventions

In part due to the SAPs with privatization policies—and the resulting mass retrenchments of the 1980s and 1990s—Africa's trade unions are relatively weak and face a host of challenges today. Their membership is often restricted to permanent formal sector workers who tend to account for only around 10 percent of the population—most workers earn their living in the informal economy, as casual workers or communal agricultural subsistence sector workers. Union density amongst formal sector workers differs significantly between countries, ranging from 20–60 percent. In some countries—like Namibia and South Africa—the formal sector is relatively larger, which enables unions to play a stronger role in the national political economy.

Despite a few notable exceptions, overall union membership has declined throughout Africa, as labor movements struggle to recruit and represent temporary and informal economy workers. Employers, including the Chinese, take advantage of flexible labor markets and deliberately undermine collective bargaining. Trade unions rely on government support for the enforcement of local labor laws and international labor standards, but—in many countries—host governments are reluctant to intervene, for fear of losing foreign investments as a result of being branded "investor-unfriendly."

Organizing workers—and improving their working conditions through direct action and collective bargaining—is undoubtedly the most effective way for trade unions to redress the current problems at Chinese companies. The aggressive union-organizing strategy in Zambia, for example, has had some success. In many cases, however, since organizing proves to be very difficult, trade unions should consider the use of supplementary strategies, including: setting national minimum wages and basic conditions of employment, enforceable by trade unions and labor inspectors alike; promoting Africa-wide and sub-regional framework agreements through Global Union Federations (GUFs) and regional bodies such as the Southern African Trade Union Coordination Council (SATUCC); and prosecuting labor rights violations at the continental level, through the African chapter of the International Trade Union Confederation (ITUC) and the Organization of African Trade Union Unity (OATUU). International engagements could also include discussions with the ACFTU, in an effort to exert pressure on Chinese companies in Africa.

There are other, very practical, steps that might strengthen African trade unions' ability to deal with Chinese companies on the continent, such as Mandarin courses for African union organizers in order to recruit Chinese workers into local trade unions. In addition, translating African labor laws and regulations into Mandarin—as well as deliberately including Chinese companies in structures of social dialogue (where they exist)—might enable African unions to better communicate and negotiate with Chinese managers. This could re-enforce union-led minimum wage campaigns. Ultimately, however, African trade unions need to decide if they merely want to negotiate for improved employment conditions, or if they want to alter the structural conditions that relegate African workers to low-wage labor at the disposal of foreign capital. (This does not only apply to Chinese investments but to FDI in general.)

The ALRN study identified a need to develop meaningful exchanges between African and Chinese workers, beyond the high-level visits of trade union leaders. Exchange programs must target workers at the grassroots level, and must be driven by a will to develop joint strategies in the fight against exploitation and capital-driven globalization. Understanding each other's environments and struggles may not only counter divisions (racial and otherwise) that are already clearly visible—it may also pave the way for coordinated joint actions by Chinese and African workers. As alluded to earlier, African trade unions currently struggle to recruit Chinese workers who are often (but not always) socially and culturally separated from their local counterparts.

The Ongoing Struggle

Common trends found in most African countries suggest an urgent need to develop coherent continental approaches to Chinese companies (and to foreign investment in general). The current practice of attracting investments "at all costs" has led to a downward spiral of labor and environmental standards. Continental and sub-regional trade union bodies need to spearhead a campaign for a common approach toward foreign investment that is more selective and strategic than the current "open door policy." A government policy of sacrificing labor issues for the sake of attracting foreign investment cannot lead to sustainable development, and trade unions need to reverse such practices.

The relationship between African countries and China is far from mutually beneficial. African workers bear the brunt of exploitation, and sometimes refer to Chinese businesspeople as the new colonizers. In terms of a developmental cooperation, African governments must strengthen their bargaining position and ensure local processing, instead of allowing the export of raw materials to continue. They must also improve monitoring to ensure that—at the very least—investors do not divert their focus from manufacturing, and that skills and technology transfers actually take place. Instruments like tender requirements, work permits, labor laws, and investment conditions can all be used to achieve some of the desired outcomes.

A new economic relationship will have to be built around Africa's own strategic development agenda, and it must include far better labor relations. The Chinese cannot be blamed for pursuing their own particular development objectives, including access to the raw materials and energy resources needed to sustain China's industrialization programs. African trade unions and governments will have to set their own agendas and then negotiate the best possible deals with potential investors, including those from China. In the absence of a more strategic approach by Africa's political leadership, Chinese investments will be of limited benefit to the continent's development.

The many problems associated with Chinese companies in Africa should not be viewed in isolation from the broader challenge of dealing with the consequences of neoliberal globalization (which places economic growth above all social considerations). The trading patterns that have characterized Africa's relations with Europe and the U.S. are replicated to a significant extent in the Sino-African relationship—the quality of this economic association needs to be substantially altered if Africa is to benefit in the future. The global economic crisis provides trade unions with an opportunity to intensify advocacy campaigns for policies that serve as alternatives to the neoliberal agenda, with a view of placing redistribution and endogenously-driven development priorities at the center of all external relations.

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[1] Anthony Yaw Baah and Herbert Jauch, eds., *Chinese Investments in Africa: A Labour Perspective* (Windhoek, Namibia: African Labour Research Network, 2009).

[2] Chinese Academy of International Trade and Economic Cooperation, *China-Africa Trade and Economic Relationship*, annual report, 2010.