Chinese Investments in Africa:

A *Labour Perspective*

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Foreword

Following the death of Mao Zedong in 1976, China’s ruling Communist Party embarked on major political and economic shifts, declaring the end of “Maoism” which had provided the political and economic framework for the Chinese revolution since 1949. The Central Committee of the party declared an end to “class struggle of a mass kind” and began focussing on “socialist modernisation”. In December 1978, Deng Xiaoping announced market reform polices which paved the way for China’s increasing shift towards capitalist production. Termed “socialism with Chinese characteristics”, the country pursued a continuous policy of economic liberalisation and private investments, initially through “Special Economic Zones”, which have now become a “normal” and regular feature of the Chinese economy. China achieved annual Gross Domestic Product (GDP) growth rates of around 10% and in 2008 had grown into the second largest economy after the USA. Its overall GDP reached US$ 3 823.2 billion while its GDP per capita stood at around US$ 2 839 placing China amongst the lower middle income countries.

By 2006, China had overtaken France and Britain to become a “global workshop”, producing most of the world’s toys and shoes as well as large volumes of textiles and electrical appliances. By 2004, China already consumed 7.4% of the world’s oil, and 31% of its coal, 30% of iron ore, 27% of rolled steel, 25% of aluminium and 40% of the world’s cement. China is the largest recipient of Foreign Direct Investment (FDI), recording an inflow of US$ 84 billion in 2008. The country’s rapid industrialisation programme is set to continue for years to come, although the global economic crisis has negatively affected Chinese exports and led to massive job losses in the export industries.

By the end of 2007, China had also become a major source of foreign investments as 7000 Chinese enterprises invested US$ 118 billion in 173 countries. This has made China an integral part of a global, capitalist economic system despite the socialist symbols and the occasional ideological rhetoric of its Communist Party.

Transnational Corporations (TNCs) use China as a giant Export Processing Zone supplying Western retailers (such as Wal-Mart). In recent years, capital and technology-intensive industries (such as automobiles, airbus and chemical industries) have also started shifting their production to China. The country is now the second largest automobile market and sold 5.92 million cars in 2005 alone. China has also become the largest exporter of IT products.

The rise of China as an industrial giant is linked to TNCs’ search for higher profits by using advances in technology and communications to shift production to locations where labour and resources (like power) are cheaper and returns are higher. China’s industrialisation strategy is dependent on ongoing inflows of FDI and expanding exports. Likewise, China will need an increasing supply of raw materials to drive the industrial boom. Global prices for steel, copper, oil and shipping rose due to strong demand from China, which is the second biggest consumer of petroleum products (after the USA) since 2003. Oil deals were entered into with Iran, Venezuela, Indonesia, Thailand and several African states, including Sudan, Angola and Nigeria.
Trade between China and Africa increased by over 40% in 2005 to US$ 33 billion and this trend continues as shown in the country case studies in Part 3 of this book. The main reasons for this increase are Chinese imports of oil and raw materials and the export of Chinese consumer goods to Africa. Africa is increasingly gaining in importance as a source of raw materials needed for China’s continued industrialisation. Chinese investments on the continent target the oil and energy sectors, mining and construction. Several Chinese textile and clothing firms invested in Africa to circumvent limits in the US and the EU on Chinese exports. Furthermore, Chinese companies are involved in infrastructure and telecommunications projects in Nigeria, Ghana and Angola.

It is against this background that the China-Africa Summit of November 2006 and China’s renewed interest in Africa have to be understood. China is essentially interested in natural resources and raw materials and offers investments in roads, railways and infrastructure. The deals concluded during the China-Africa summit are worth US$ 1,9 billion and include an aluminium plant in Egypt; a highway in Nigeria; a rural telephone network in Ghana; a copper project in Zambia and a ferrochrome smelter in South Africa.

**Research focus**

This study examines some of China’s main investments in Africa, including the nature of investment, the sectors in which Chinese companies operate, the economic impact of the investments as well as labour relations and working conditions. The following aspects received particular attention:

- Are the trade and investment deals mutually beneficial (“South-South Co-operation”) or are they merely a new form of “neo-colonialism”?
- Will the China-Africa deals pave the way for increasing beneficiation and industrialisation in Africa or will the continent remain a supplier of raw materials?
- Are labour relations and working conditions at Chinese enterprises better or worse than elsewhere in the country/industry? What are workers’ and trade unions’ experiences thus far? Which possibilities exist for union intervention?
- Are Chinese consumer goods (“China Shops”) replacing established African traders or are they complementary to each other?

The proposal to undertake this study emerged during a workshop of trade union leaders and union educators in Johannesburg, South Africa, in November 2006. The study was then implemented by the African Labour Research Network (ALRN), which brings together African trade union-based research organisations. The ALRN’s previous projects included studies on the state of the labour movement in Africa, gender and labour market liberalisation, privatisation and transnational corporations on the continent among others.

Country-case studies were carried out in the ALRN member countries that include Ghana, Zambia, Zimbabwe, South Africa, Namibia, Angola, Nigeria, Tanzania, Kenya and Malawi. The country papers form the basis of this book and we hope that we were able to provide Africa’s labour movement with a fairly comprehensive picture of the current state of Africa’s relations with China and particularly how Chinese investments affect African workers. We also hope that this book will assist
African workers and their trade unions to confront the challenges associated with Chinese investments and trade on the continent.

This book is divided into three main chapters. Chapter 1 provides a general introduction to the Chinese-African relations and the key issues arising out of the intensifying economic relations. Chapter 2 looks at Chinese investments and the emerging trade patterns; at working conditions and labour relations and at possibilities for trade union intervention, based on the experiences of the 10 countries covered by our study. The chapter also depicts the working conditions of workers in China. Chapter 3 contains the individual country case studies for those readers who are interested in the experiences of particular countries.

Anthony Yaw Baah and Herbert Jauch

Accra and Windhoek, May 2009
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Abbreviations

ABCEC  Association of Building and Civil Engineering Contractors
ADB    African Development Bank
AGOA   Africa Growth and Opportunity Act
ALRN   African Labour Research Network
ANC    African National Congress
ANIP   National Agency for Private Investments (Angola)
AU     African Union
BCEA   Basic Conditions of Employment Act
BNC    Bi-National Commission
BOP    Balance of Payment
BPA    Bui Power Authority
BWGC   Blue Wave Group of Companies
CAC    Corporate Affairs Commission, Nigeria
CBA    Collective Bargaining Agreement
CBMWU  Construction and Building Materials Workers Union
CCB    China Construction Bank
CCS(a)  Centre for Chinese Studies
CCS(b)  Chambishi Copper Smelter
CEC    Central Executive Committee
CEPS   Customs Exercise and Preventive Service
CGSILA Central General Independent and Free Trade Union (Angola)
CHEP   Copperbelt Health Education Programme
CIDA   Canadian International Development Agency
CIF    Construction Industries Federation of Namibia
CNOOC  China National Overseas Oil Company Limited
COSATU  Congress of South African Trade Unions
COTU-K Central Organisation of Trade Unions (Kenya)
CPA    Company Performance Analysis
CPC    Communist Party of China
CPI    Consumer Price Index
CSRC   China Securities Regulatory Commission
CSO    Central Statistics Office
CSOs   Civil Society Organisations
CSRC   China Securities Commission
CTL    Coal-To Liquids Fuels
CZI    Confederation of Zimbabwe Industries
DCE    District Chief Executive
DFID   Department for International Development
DRC    Democratic Republic of Congo
ECAM   Employers’ Consultative Association of Malawi
ECC    European Economic Community
ECZ    Environmental Council of Zimbabwe
EPAs   Economic Partnership Agreements
EPC    Export Promotion Centre
EPZ    Export Processing Zone
EU     European Union
FAO    Food and Agriculture Organisation
FDI    Foreign Direct Investment
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>FEMP</td>
<td>Final Environment Management Programme</td>
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<td>FfD</td>
<td>Finance for Development</td>
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<td>FIRS</td>
<td>Federal Inland Revenue Services</td>
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<td>FNDP</td>
<td>Fifth National Development Plan</td>
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<td>FOCAC</td>
<td>Forum of China-Africa Cooperation</td>
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<td>FSA</td>
<td>Angolan trade Union Force</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GIPC</td>
<td>Ghana Investment Promotion Centre</td>
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<td>GIR</td>
<td>Gross International Reserves</td>
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<td>GIS</td>
<td>Ghana Immigration Service</td>
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<td>GNA</td>
<td>Ghana News Agency</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>GoM</td>
<td>Government of Malawi</td>
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<td>GTUC</td>
<td>Ghana Trades Union Congress</td>
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<td>GTZ</td>
<td>German Agency for Technical Cooperation</td>
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<td>GUF’s</td>
<td>Global Union Federations</td>
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<td>GUTA</td>
<td>Ghana United Traders Association</td>
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<td>HIPC</td>
<td>Highly Indebted Poor Countries</td>
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<td>IAZ</td>
<td>Investment Approval Committee (Malawi)</td>
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<td>IBWF</td>
<td>International Building Workers Federation</td>
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<td>ICESR</td>
<td>International Economic, Social and Cultural Rights</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IFEZ</td>
<td>Incheon Free Economic Zone</td>
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<td>IGD</td>
<td>Institute for Global Dialogue</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>ILRA</td>
<td>Industrial and Labour Relations Act</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IPC</td>
<td>Investment Promotion Centre</td>
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<td>ISIC</td>
<td>International Standard Industrial Classification</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>ITUC</td>
<td>International Trade Union Confederation</td>
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<td>IICA</td>
<td>Japanese International Cooperating Agency</td>
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<td>KAM</td>
<td>Kenya Association of Manufactures</td>
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<td>KCM</td>
<td>Konkola Copper Mines</td>
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<td>KIA</td>
<td>Kenya Investment Authority</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<td>LaRRI</td>
<td>Labour Resource and Research Institute (Namibia)</td>
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<td>LCMS</td>
<td>Living Conditions Monitoring Survey</td>
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<td>LDC’s</td>
<td>Least Developed Countries</td>
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<td>LFS</td>
<td>Labour Force Survey</td>
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<td>LPDC</td>
<td>Limpopo Province Development Corporation (LPDC)</td>
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<td>LRA</td>
<td>Labour Relations Act</td>
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<td>LRPI</td>
<td>Labour Research and Policy Institute (Ghana)</td>
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<td>MANWU</td>
<td>Metal and Allied Namibia Workers Union</td>
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<td>MCTU</td>
<td>Malawi Congress of Trade Unions</td>
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<td>MFEZ</td>
<td>Multi Facility Economic Zone</td>
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<td>MIPA</td>
<td>Malawi Investment Promotion Agency</td>
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<td>MNC</td>
<td>Multi-National Corporation</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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MPLA  Popular Movement for the Liberation of Angola
MUZ   Mineworkers Union of Zambia
NAFAU Namibia Food and Allied Workers Union
NAFDAC National Agency for Food, Drugs Administration and Control
NAPSA National Pension Scheme Authority
NCH   Namib Contract Haulage
NEF   Namibia Employers Federation
NFCA  Non-Ferrous China Africa
NLC   Nigeria Labour Congress
NNPC  Nigeria National Petroleum Corporation
NSA   None State Actor
NUBEGW National Union of Building, Engineering and General Workers
NUCIW National Union of Commercial and Industrial Workers
NUMAW National Union of Miners and Allied Workers
NUNW  National Union of Namibian Workers
NUPAW National Union of Plantation and Agriculture Workers
MFA   Ministry of Foreign Affairs
MNCs  Multinational Corporations
MOFCOMM Ministry of Commerce
MOFEP Ministry of Finance and Economic Planning
MOTI  Ministry of Trade and industry
NCC   Nigerian Communications Commission
NEC   National Employment Council
NIPC  Nigeria Investment Promotion Commission
NLC   Nigeria Labour Congress
NOTAP National Office of Technology Acquisition and Promotion (Nigeria)
NUCECFWW National Union of Civil Engineering Construction, Furniture and Wood Workers (Nigeria)
NUCI  National Union for the Clothing Industry (Zimbabwe)
NW1   Nominal Wage Index
NUCFLANMPE National Union of Chemical Footwear Leather and Non-Metallic Products Employee (Nigeria)
OATUU Organisation of African Trade Union Unity
ODA   Official Development Assistance
OECD  Organisation for Economic Cooperation and Development
OHS   Occupational Health and Safety
PHCN  Power Holding Corporation of Nigeria
PLAN People’s Liberation Army of Namibia
PRC   People’s Republic of China (PRC)
PRSPs Poverty Reduction Strategy Papers
RBZ   Reserve Bank of Zimbabwe
R&D   Research and Development
RDA   Roads Development Agency
RDTP  Research Development and Training Programme
ROC   Republic of China
RWI   Real Wage Index
SACU  Southern African Customs Union
SACP  South African Communist Party
SACTWU South African Clothing and Textile Workers Union
SADC  Southern African Development Community
SAPs  Structural Adjustment Programmes
SHE  Safety Health and Environment
SIIC  Shanghai Industrial Investment Corporation
SITC  Standard International Trade Classification
SMEs  Small and Medium Enterprises
SOE  State Owned Enterprise
SON  Standards Organisation of Nigeria
SSA  Sub Saharan Africa
SSNIT  Social Security and National Insurance Trust
TAZARA  Tanzania Zambia Railways Authority
TCLC  Tripartite Consultative Labour Council
UDHR  Universal Declaration of Human Rights
UDI  Unilateral Declaration of Independence (Southern Rhodesia)
UIF  Unemployment Insurance Fund
UNCTAD  United Nations Conference on Trade and Development
UNDP  United Nations Development Programme
UNICEF  United Nations Children and Education Fund
UNTA-CS  National Trade Unions of Workers – Union Confederation (Angola)
UNITA  National Union for the Total Independence of Angola
USA  United States of America
USAID  United States Agency for International Development
VAT  Value Added Tax
WB  World Bank
WFP  World Food Programme
WHO  World Health Organisation
WITS  World Integrated Trade Systems
WTO  World Trade Organisation
ZCCM  Zambia Consolidated Copper Mines
ZCCM-IH  Zambia Consolidated Copper Mines Investment Holdings
ZCI  Zambia Copper Investment
ZCMT  Zambia Chinese Mulungushi Textiles
ZCTU  Zambia Congress of Trade Unions
ZDA  Zambia Development Agency
ZESA  Zimbabwe Electricity Supply Authority
ZIC  Zimbabwe Investment Centre
ZICTU  Zimbabwe Congress of Trade Unions
ZIMCODD  Zimbabwe Coalition on Debt and Development
ZTA  Zimbabwe Tourism Authority
ZTWU  Zimbabwe Textiles Workers Union
ZUPCO  Zimbabwe United Passenger Company
Executive Summary

During the 1960s and 1970s, Chinese relations with African countries were driven 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 shifted towards economic co-operation based on common aims. After the end of the “Cold War”, China attached importance to both political and economic benefits and 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”, i.e. support without interference in internal affairs.

China’s engagement with Africa today is less motivated by ideological considerations but based on a commercial agenda that aims to sustain rapid industrialisation and economic growth rates. China’s “socialist market economy” is driven by market-oriented State-Owned Enterprises and its interests in Africa are geared towards energy resources and minerals to feed its industrialisation programme. Chinese investments in Africa and trade with Africa have increased significantly over the past few years, although Europe and the USA are still the predominant sources of foreign investments and the main markets for African exports. China is now Africa’s third largest commercial partner after the USA and France and – like the former colonial countries – backs its trading relations with aid, debt relief, scholarships, training and the provision of specialists. China also accounts for about 8% of Africa’s military hardware imports. However, Africa is by no means a major destination of Chinese investments as only about 3% of China’s overall FDI outflows were destined for Africa in 2007.

Overall, there are several hundred Chinese-owned investment projects in Africa: 46% in manufacturing, 40% in services and 9% in resource-related industries. The latter accounts for 28% 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, Congo and Equatorial Guinea. Africa’s main exports to China are minerals, petroleum and timber, involving very limited processing on the continent. Africa’s imports from China consist mainly of capital and consumer goods. Overall, the trade balance is slightly in Africa’s favour, 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 is expected to overtake the USA as the largest consumer by 2030. China relies on outside energy resources for its continued industrialisation and currently covers about a quarter of its oil needs through imports from Africa, especially from 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 the utilisation of its resources for sustainable industrialisation on the continent instead of remaining merely an exporter of raw materials.
There is a danger of the Africa-China economic relations following the colonial pattern of relegating Africa to the role of a supplier of raw materials. The major challenge facing African countries is how to shape this relationship differently and to ensure that beneficiation takes place in Africa, resulting in job creation and economic development. The nature of the current trade relationship needs to be altered, if Africa is to substantially benefit from trade with China.

Since 2000, China has established trade and investment promotion centres in Africa and also signed investment promotion agreements with over 20 countries. By 2008, the number of sizeable Chinese enterprises in Africa had reached about 800 with South Africa attracting the largest share of Chinese investments. South Africa is also the only African country with significant investments in China, mainly in mining, brewing and the financial sector.

In the 10 countries covered by this study, 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 mining ventures were common across the continent. Chinese investments in small retail outlets (“China shops”) are mostly undertaken by private business people 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 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 Sudan.

Chinese construction projects in Africa, on the other hand, are usually carried out by State Owned Enterprises (SOEs) and they often resort to the utilisation of large numbers of Chinese workers. In some cases, like the construction of a stadium in Ghana, Chinese migrant workers accounted for up to two-thirds of the labour force.

China’s presence in Africa is welcomed by African governments due to the offer 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 as a viable alternative to the often neo-colonial relations they have had with the West as exemplified by the neo-liberal policies of the “Washington Consensus”.

Labour relations in Chinese firms in Africa as well as working conditions in China are a bone of contention. China has a labour 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 30 years but levels of inequality have increased and reached a level comparable to Latin America. A new middle class emerged in the cities while the earnings of farmers in rural areas declined. Rural farmers account for 47% of the population but earn only 19.9% of the national income.

One strategy used by China to address the problem of unemployment is to send workers overseas to work on projects carried out by state-owned companies or through labour brokers. This explains the relatively large number of Chinese workers at construction sites as well as in some manufacturing ventures in Africa. Within
China, workers in SOEs earn significantly higher wages than migrants from the rural areas. Migrants are also excluded from benefits such as maternity and unemployment benefits and social assistance. The “household registration system” makes it very difficult for rural workers to change their status to urban workers.

The number of labour disputes in China has risen significantly in recent years as workers resorted to work stoppages, sabotage, go-slow and court action to defend their rights. The global economic crisis has affected Chinese workers directly as more than 10 million migrant workers had to return to their hometowns with little hope of finding jobs.

The All China Federation of Trade Unions (ACFTU) is the world’s biggest union and played a crucial role in the struggle against imperialism. Today it is closely linked to the Chinese Communist Party and plays the role of linking the party with workers. The ACFTU is widely regarded as an extension and “relief agency” of government as it does not support militant workers’ action. Most industrial actions in China are spontaneous and not supported by the ACFTU. Attempts to form independent trade unions in China did not succeed thus far.

Although working conditions at Chinese companies in Africa differ across countries and sectors, there are some common trends such as tense labour relations, hostile attitudes by Chinese employers towards trade unions, violations of workers rights, poor working conditions and unfair labour practices. There is a virtual absence of employment contracts and the Chinese employers unilaterally determine wages and benefits. African workers are often employed as “casual workers”, depriving them of benefits that they are legally entitled to.

Chinese employers tend to be amongst the lowest paying in Africa when compared with other employers in the same sector. In Zambia, for example, the Chinese copper mine paid its workers 30% less than other copper mines in the country. In general, Chinese companies do not grant African workers any meaningful benefits and in some instances ignore even those that are prescribed by law. Wages above the national average were only found at those Chinese companies with a strong trade union presence. Chinese staff members enjoy significantly higher wages and more benefits than their African counterparts.

Collective bargaining hardly takes place in Chinese companies. They resort to union bashing strategies to discourage their workers from joining a trade union. In many instances, Chinese businesses were supported by host governments who defended Chinese investments against the demands of labour. Trade unions see the practices of Chinese companies as a threat to the limited social protection that unions have achieved over the years through collective bargaining.

Chinese employers violate several of the core ILO conventions. These include the rights to join trade unions, to bargain collectively, to receive equal remuneration and to be protected against discrimination. Basic rights such as paid leave are often ignored and workers are forced to work overtime – at times without any additional remuneration. They feared that refusal to do so would result in their dismissal. A particularly grave case of workers’ rights violations is the “locking-in” of workers during working hours, which led to deaths during fires in Nigeria and Kenya.
Health and safety issues receive very little attention at Chinese companies as precautionary measures are ignored and no training on health and safety issues is provided. In some countries, Chinese employers terminate the employment of female workers once they fall pregnant. Chinese companies tend to employ African workers for basic tasks at very low pay while importing Chinese managers and supervisors for higher paid positions.

Following the Structural Adjustment Programmes (SAPs) with privatisation 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. Union membership has declined as labour struggles to recruit and represent non-permanent workers and those in the informal economy. Employers, including the Chinese, take advantage of flexible labour markets and undermine collective bargaining. Trade unions expect government support for the enforcement of local labour laws and international labour standards but in many countries, host governments are reluctant to intervene for fear of losing foreign investments.

Organising workers and improving their working conditions through direct action and collective bargaining is undoubtedly the most effective way to redress the current problems at Chinese companies. The aggressive union organising strategy in Zambia, for example, has had some success. In many cases, however, this proves to be very difficult and thus supplementary strategies could be used. These include national minimum wages and basic conditions of employment that are enforced by trade unions and labour inspectors alike. Building alliances aimed at promoting Africa-wide and sub-regional framework agreements may also help to improve working conditions. Furthermore, African trade union bodies as well as the global union federations can take up the labour rights violations at continental level and also bring it to the attention of the All China Federation of Trade Union (ACFTU) in an effort to exert pressure on Chinese companies in Africa. Likewise, unions could use the political linkages to call on the Chinese government to pressurise companies through the Chinese Embassies in Africa.

Other steps that might strengthen trade unions’ ability to deal with Chinese companies include courses in the Chinese language (Mandarin) for African union organisers, improving the capacity for organising and negotiations amongst trade unions, translation of documents outlining labour laws and regulations for Chinese companies into Mandarin, broadening the decent work agenda through social dialogue at national and international level and ongoing campaigns for minimum wages and their enforcement.

There is a need to develop meaningful exchanges between African and Chinese workers beyond the high level visits of trade union leaders. Exchange programmes must target workers at grassroots level and must be driven by a will to develop joint strategies in the fight against exploitation. Understanding each other’s environments and struggles may not only counter racism and divisions but may also pave the way for co-ordinated actions at international level in future.

The common trends found in most African countries point to the urgent need to develop coherent continental approaches to Chinese companies and foreign
investment in general. The current practice of attracting investments “at all costs” has led to a downward spiral in terms of labour and environmental standards. Continental and sub-regional trade union bodies need to spearhead a campaign for a common approach towards foreign investment that is more selective and strategic than the current “open door policy”. A government policy of sacrificing labour issues for the sake of attracting foreign investment cannot lead to sustainable development.

Currently, the relationship between African states and China is not equal and requires significant changes to become mutually beneficial. African governments must strengthen their bargaining position and ensure local processing. They must also improve monitoring to ensure that investors do not divert their focus away from manufacturing and that skills and technology transfers actually take place. Instruments like tender requirements, work permits, labour laws and investment conditions can be used to achieve the desired outcomes.

A new economic relationship will have to be built around Africa’s own strategic development agenda. The Chinese cannot be blamed for pursuing their particular development objectives, including access to the raw materials and energy resources needed to sustain China’s industrialisation programmes. African governments will have to set their own agenda and then negotiate the best possible deals with potential investors, including those from China. In the absence of a strategic approach by African governments, Chinese investments in Africa will remain of limited benefit for Africa’s development.

The many problems associated with Chinese companies in Africa should not be seen in isolation from the broader challenge of dealing with the consequences of neo-liberal globalisation, which places economic growth above all social considerations. The trade patterns that characterised Africa’s relations with Europe and the USA are replicated to a significant extent in the Sino-African relations. Thus the quality of the economic relations needs to be altered substantially if Africa is to benefit in future. The global economic crisis provides trade unions with an opportunity to intensify advocacy campaigns for alternative policies to the neo-liberal agenda with a view of placing redistribution and Africa’s development priorities at the centre of all external relations.
Chapter 1:
An introduction to Chinese-African relations

*Thulani Guliwe*

China’s current interest in Africa is not new. Chinese history and archaeological evidence in East Africa indicates that its trade relationship with Africa dates back to the Han dynasty between 202 BC and 220 AD (Shinn, 2005). There were exports of goods from Africa to China and imports of Chinese goods to Africa during that time.

The first period of Chinese visits and settlements occurred on the east coast of Africa, in places that are now South Africa and the Indian Ocean Island of Mauritius. During this first wave, the Chinese migrated to Africa as traders. Some actually settled, but most relocated back to China, leaving only a few behind.

After the Chinese revolution in 1949, China began to grow from a regional to a global power. Lyakurwa (2008:1) argues that most African countries were struggling to become independent during this period. Determined to extend its influence throughout Africa, the People’s Republic of China (PRC) supported African liberation movements, a policy that is still appreciated by African governments today. According to Lyakurwa (2008), during the Cold War, China competed with both the West and the Soviet Union for influence in independent Africa, and by 1970, China had established diplomatic ties with all the countries that had gained independence, except Libya.

China’s economic and political interests have also changed its relations with developing countries. From the 1960s until the 1970s, the relationships between China and African countries were driven mainly by the anti-capitalist ideologies of Marx and Mao, as well as by efforts to counter Soviet influence in states like Angola and Congo (later Zaire and now the Democratic Republic of the Congo – DRC). During that time, China’s support for Africa consisted mainly of moral and material support for liberation struggles. This changed in the 1980s as the relationship shifted away from ideological support towards economic co-operation based on common aims. Another shift occurred with the end of the “Cold War” in 1990 when China began to attach importance to both political and economic benefits and to the development of bilateral relations in an “all-round way” (Prah 2007:12-13; Wenping 2007:28-30). China also extended its co-operation with other countries of the South, for example in Latin America, Asia and the Middle East. China seeks to portray itself as an attractive partner – a trade partner, an investor, a technology supplier, a provider of credit and development assistance and a political friend based on the principle of “non-interference” in internal affairs. According to the CMI Report (2006:2), in financial terms, by far the most significant dimension of Chinese engagement is the multi-billion dollar agreements it has concluded in the energy sector, especially in Africa. There seems to be a direct correlation between China’s relentless economic growth, particularly its huge consumption of energy, and its deeper involvement with Africa (Stamp, 2007:1).

In the 1960s, Chinese came into Africa as contract workers. After Tanzania and Zambia gained independence in 1961 and 1964 respectively, their presidents asked
the Chinese government for support, which was granted. The project commenced in 1968 and was finalised in 1976. Not only did the Chinese come in as construction workers, but their government also funded the construction of the Tanzania-Zambia railway (Tazara) line. During this period, the Chinese government provided an interest-free loan of 988 million Yuan (equivalent to US$ 119 million) and shipped about one million tons of equipment and materials to Africa.

The total number of Chinese technicians and workers dispatched for the construction was about 50,000. According to Lyakurwa (2008), the support given gained key political mileage for the Chinese, as the Tanzanian and Zambian presidents had first sought assistance from major powers in the West and the former Soviet Union, to no avail.

Since the end of the Cold War, China has shifted its focus from supporting ideological allies in the region to an emphasis on access to natural resources, commercial ties and political influence. Currently, China is essentially market-oriented, driven by pragmatic considerations and less ideologically motivated. Prah noted that “now largely purged of any ideological content, China’s engagement with Africa is motivated by an urgent commercial agenda intended to feed its burgeoning economy” (2007:19). Forty-seven African countries have diplomatic ties with China. Bilateral trade between China and Africa increased from US$ 12 million in 1950 to US$ 39.4 billion in 2005.

**Economic reforms in China**

The state-owned economy has been the backbone of China, establishing both the economy’s structure and direction. As the historic basis of China’s level of development and productivity since 1949, it is the central focus of the reform process and opening up to the outside world (Le Pere and Shelton, 2001:7). Chinese state-owned enterprises continued to receive government support and patronage.

It has been argued that in the past, social and economic resources were not distributed optimally or used effectively and that despite the economic and social achievements made between 1950 and the mid-1970s, the production of food and consumer goods lagged in performance (Albo 2008:34). What bolsters China’s economic expansion is a reform process that fosters fiscal efficiency and channels economic and human resources to the most effective enterprises. China’s reorganisation of SOEs was aimed at achieving optimal distribution.

Since the Chinese revolution in 1949 until the 1970s, China’s economy was transformed continuously into a fully-fledged publicly-owned economy. By 1978 this economy accounted for 98 percent of China’s GDP and nearly 100 percent of the total value of industrial output. Of that 77.6 percent was created by industries owned by the state and 22.4 percent was produced by urban and rural collectives and cooperatives.

Following the announcement of market reform policies in December 1978, the “Decision of the Central Committee of the Communist Party Concerning Reform of the Economic System” of October 1984 declared that China must strengthen the vitality of enterprises, especially that of large-scale enterprises owned by “the people”. It further proposed according to the principle of separating ownership and
operating rights that SOEs should be granted rights in production, supply and marketing, retention of capital, employment, bonuses and price setting (le Pere and Shelton 2001:8).

Since about 1990, China’s economic planners and theorists seem to have decided that the reform of SOEs must be market-guided. In particular, Deng Xiaoping advanced the idea that a planned economy does not equal socialism, nor does a market economy equal capitalism. In 1992, during the 14th National Congress of the Central Committee of the Communist Party (without fear of contradiction) declared that the final objective of the economic system was to evolve a “socialist market economy”.

Since the advent of the reform of SOEs, enterprises have grown in their vitality and quality output. Equipment has been modernised and the development of strategic sectors such as communications, energy, infrastructure and basic raw and processed materials have improved tremendously. State Owned Enterprises have made great contributions to China’s economic progress and its embrace of the global economy. According to Le Pere and Shelton (2001:9), after nearly 20 years of enterprise reform, SOEs have passed from the protected fold of the state to confront the vagaries of the market.

**China’s economic outlook and relations with Africa**

Nearly 30 years of reform and opening-up of the economy have brought dramatic changes to China. From 1979 to 2004, China registered an average Gross Domestic Product (GDP) growth rate of 9,4 per cent a year and 16,7 per cent in its international trade. About 220 million people have been lifted out of chronic poverty (Guijin, 2007:15, quoted in Le Pere 2007). Despite these achievements, China is still a lower middle income country, with a per capita GDP of about US$ 2 839 in 2008. According to Guijin (Ambassador of the People’s Republic of China to South Africa), there are 26 million rural people living on less than half a US dollar a day, and 22 million urban residents still dependent on subsistence allowances.

In 2004, the total trade volume between China and Africa reached US$ 29,46 billion, which was up by 58,9 per cent over the previous year, with China’s imports from Africa stood at US$ 15,6 billion, up by 87,2 per cent. According to incomplete official statistics of China, direct investment by Chinese companies to Africa has totalled US$ 625 million, with US$ 135 million being invested in 2004 (Guijin 2007, quoted in Le Pere, 2007:16).

China is creating strategic alliances with oil-rich states in the Far East and Africa. Furthermore, it is already investing vast sums in coal liquefaction plants to create an independent strategic reserve from its enormous coal deposits. However, economic growth has not been high enough in many countries to generate sufficient demand for labour and in most African countries; employment creation is not an explicit goal of macroeconomic policy planning (Economic Commission of Africa, 2005).

**Investment flows to Africa**

Over the past 10 years, there has been a rapid increase in South-South Foreign Direct Investment (FDI). FDI to developing countries was up nearly four-fold, from an annual average of just over US$ 54 billion in the 1985-95 decade to over US$ 200

South-South flows have grown far faster than North-South inflows. Recent estimates suggest that “South-South” flows rose from US$ 4.6 billion in 1994 to an average of US$ 54.4 billion between 1997 and 2000, equivalent to 36 percent of total FDI inflows to developing economies in the latter period (Aykut and Ratha, 2004). FDI flows into Africa from other developing countries have increased as part of this broader trend, with two major sources, Asia (especially China) and South Africa. Asia is the leading source while South Africa is the second major source of FDI in Africa.

Since the advent of democracy in South Africa, there has been a very rapid movement of South African firms throughout the continent. About 15 percent of South Africa’s projects are in mining, very few are in agriculture, and only 20 percent in manufacturing. The vast majority is in service industries such as utilities, hospitality, banking, tourism and construction.

A recent World Bank Report on Africa’s link with Asia indicated significant FDI flows from China into Sub Saharan Africa through the latter half of the 1990s i.e. between 1990 and 1997. Chinese investments amounted to about US$ 120 million in 2002 while China-Africa trade reached approximately US$ 29.5 billion in 2004, an increase of 59 per cent over 2003 (Draper and Le Pere, 2005:157). The report also indicated that there were several hundred Chinese-owned investment projects in Africa, of which 46 percent were in manufacturing, 40 percent in services and only 9 percent in resource-related industries. According to Gelb (2005:201), in value terms, extractive and resource-related projects comprise a much higher share at 28 percent, but nonetheless 64 percent of the value of Chinese investment in Africa is in the manufacturing sector. These figures, however, need to be placed in a global context. By 2007, only about 3% of China’s overall FDI outflows were destined for Africa and there were about 800 sizeable Chinese firms in Africa, compared to about 2 500 in Singapore alone (Berndsen and Pennington 2008:30).

When analysing South-South FDI into Africa, attention has to be paid to resource-seeking investments, which are prominent amongst Chinese and Taiwanese investments. According to Gelb (2006), “resource-seeking” covers not only extractive industries such as mining or agriculture, but also includes the quest for cheap labour as a resource. The latter has become increasingly important as a result of the African Growth and Opportunity Act (AGOA). In this case, it is not host country liberalisation that is enabling and encouraging foreign investment, but rather trade access. Traders are coming to Africa seeking resources, either for export back to their home markets or for processing in Africa for export into third markets. The US particularly is important in the clothing and textile sectors.

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Table 1: China’s export destinations in Africa

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Value of exports (in US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>South Africa</td>
<td>5 768.79</td>
</tr>
<tr>
<td>2</td>
<td>Egypt</td>
<td>2 976.32</td>
</tr>
<tr>
<td>3</td>
<td>Nigeria</td>
<td>2 855.67</td>
</tr>
<tr>
<td>4</td>
<td>Algeria</td>
<td>1 951.58</td>
</tr>
<tr>
<td>5</td>
<td>Morocco</td>
<td>1 569.61</td>
</tr>
<tr>
<td>6</td>
<td>Benin</td>
<td>1 452.37</td>
</tr>
<tr>
<td>7</td>
<td>Sudan</td>
<td>1 416.87</td>
</tr>
<tr>
<td>8</td>
<td>Angola</td>
<td>894.37</td>
</tr>
<tr>
<td>9</td>
<td>Ghana</td>
<td>802.94</td>
</tr>
<tr>
<td>10</td>
<td>Togo</td>
<td>704.04</td>
</tr>
</tbody>
</table>

**Total Chinese exports to Africa**: 26 704.9

Source: Centre for Chinese Studies, in Berndsen and Pennington 2008

Table 2: African countries exporting to China

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Value of exports (in US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Angola</td>
<td>10 930.88</td>
</tr>
<tr>
<td>2</td>
<td>South Africa</td>
<td>4 095.29</td>
</tr>
<tr>
<td>3</td>
<td>Congo</td>
<td>2 784.61</td>
</tr>
<tr>
<td>4</td>
<td>Equatorial Guinea</td>
<td>2 537.59</td>
</tr>
<tr>
<td>5</td>
<td>Sudan</td>
<td>1 941.42</td>
</tr>
<tr>
<td>6</td>
<td>Libya</td>
<td>1 694.29</td>
</tr>
<tr>
<td>7</td>
<td>Gabon</td>
<td>816.85</td>
</tr>
<tr>
<td>8</td>
<td>Mauritania</td>
<td>402.02</td>
</tr>
<tr>
<td>9</td>
<td>DRC</td>
<td>368.46</td>
</tr>
<tr>
<td>10</td>
<td>Morocco</td>
<td>359.47</td>
</tr>
</tbody>
</table>

**Total Chinese imports from Africa**: 28 767.6

Source: Centre for Chinese Studies, in Berndsen and Pennington 2008

Given China’s booming demand for energy and natural resources to fuel its industrial growth, the bulk of African exports to China are minerals, petroleum, and timber. Angola, the DRC, and Sudan are significant exporters of crude petroleum to meet China’s demand for energy. Cameroon and the DRC, along with Mozambique and Tanzania, are exporters of wood, while Ghana, Namibia, and Zambia supply non-ferrous base metals. South Africa exports iron and steel products to China while Cameroon, Sudan and Tanzania export cotton. In all cases, the exports involve very limited processing within Africa (Jenkins and Edwards, 2007:127).
China’s interests in Africa

It has been argued that the new Chinese engagement with developing countries is also increasingly visible at the political level in the multilateral arena. Its leadership is reflected in the “Group of 77 plus China” (which brings together more than 130 developing countries) where it has sought to focus on addressing the adverse effects of economic globalisation, improving South-South partnerships and bridging the North-South divide. Since joining the World Trade Organisation in 2001, China has become active in confronting the trade asymmetries that exist between developing and developed countries and it plays a key role in the G20, which brings together China and 20 other major developing countries. It presents itself as a developing country and stresses the importance of South-South relations to overcome the colonial legacies (Wen Jiaboa, 2004).

China’s development cooperation was spelt out by President Hu Jintao in his 2005 speech to the UN High-Level Meeting on Financing for Development.2 According to President Jintao, China has decided to accord zero tariff treatment to some products from all the 39 Least Developed Countries (LDC) having diplomatic relations with China, which covers most of the China-bound exports from these countries. Secondly, China will further expand its aid program to the Heavily Indebted Poor Countries (HIPCs) and LDCs and, working through bilateral channels, write off or forgive in other ways within the next two years, all the overdue parts.

Thirdly, China will provide US$ 10 billion in concessional loans and preferential export buyer’s credit to developing countries to improve their infrastructure and promote cooperation between enterprises on both sides. Fourthly, China will increase its assistance to the developing countries, African countries in particular, providing them with anti-malaria drugs and other medicines, helping them set up and improve medical facilities and training medical staff. Lastly, China will train 30,000 personnel of various professions from the developing countries to expedite their human resources development.

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2 Available online at: http://www.chinaconsulatedsf.org/eng/xw/t213095.htm
The People’s Republic of China has become an important and influential player in Africa and is increasingly becoming a source of political and financial support for many African governments, particularly in countries that are resource-endowed. Africa’s rich resource base has led to a Chinese courtship, the magnitude of which was probably last seen during the days of the Cold War, albeit at the time mainly for ideological and political rather than economic reasons (Stephan, Power, Hervey and Fonseca 2006:10).

According to the Centre for Chinese Studies (2006:7), a number of incentives drive China’s commercial engagement with Africa. Fundamental among these is China’s increasing need for energy sources and raw materials to fuel its rapidly growing economy. As global demand for energy continues to rise, major players like the United States, the European Union (EU) and Japan are facing a new competitor in the race to secure long-term energy supplies, and that is China. With its GDP reaching 10.7 percent, China is intent on getting the resources needed to sustain its soaring economy, and is taking its quest to lock down sources of oil and other necessary raw materials across the globe.

According to the US-China Report (2006:7), China became the second largest international consumer of oil after the United States, with a daily demand of 5.5 million barrels per day. It was projected that in 2006 China would account for 38 percent of the total growth in world oil demand. It has been argued that the continuation of China’s dramatic year-on-year increase of nearly half a million barrels per day (an increase of approximately 16 percent in 2005 and 14 percent in 2006) in petroleum consumption will place growing stress on the world’s energy resources and distribution systems (US-Chinese Commission Report 2006:8).

China’s growing demand for energy to feed its booming economy has led it to seek oil supplies from African countries including Sudan, Chad, Nigeria, Angola, Algeria, Equatorial Guinea, and the DRC. According to the United States’ Energy Information and Administration, China accounted for 40 percent of total growth in the global demand for oil in the last four years. In 2003, it surpassed Japan as the world’s second-largest oil consumer after the United States.

Chinese companies invested a total of US$ 175 million in African countries, primarily on oil exploration projects and infrastructure (Pan, 2007). On January 9, 2007, the state-owned Chinese energy company CNOOC Ltd announced that it would buy a 45 percent stake in an offshore oil field in Nigeria for US$ 2.27 billion and take a 64 percent stake in Sudan’s oil exports. Angola accounted for half of China’s oil imports from Africa in 2005.

Sub-Saharan Africa’s natural resource exports to China have grown exponentially from just over US$ 22 billion in 2006 (Forster, Butterfield, Chen and Pushak, 2008:29). Petroleum accounts for 80 percent of total exports by value during the 2002-06 period. The bulk of Africa’s oil exports continue to go to OECD countries. Over 2001-2006, 40 percent of Africa’s oil production was exported to the United States of America, a further 17 percent to Europe and 14 percent to China. China has greater weight as a minerals trading partner, accounting for around 60 percent of Africa’s exports of cobalt and 30 percent of timber (Forster et al 2008:29).
### Table 3: Sino-African trade in selected natural resources

<table>
<thead>
<tr>
<th>Mineral type</th>
<th>Share in total export value of product from Africa to China</th>
<th>Top three African exporters to China in 2001</th>
<th>Top three African exporters to China in 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Top three African exporters to China in 2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
<tr>
<td>Copper Ore</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
<tr>
<td>Cobalt ore</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
<tr>
<td>Manganese Ore</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
<tr>
<td>Timber</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
<tr>
<td>Chromium ore</td>
<td>(Share in total export value of product from Africa to China)</td>
<td>Top three African exporters to China in 2001</td>
<td>Top three African exporters to China in 2006</td>
</tr>
</tbody>
</table>

**Source:** COMTRADE database by the UNSD, data obtained using Wits software

With overproduction and saturation of the Chinese market, China has opted to seek or develop new markets for Chinese goods. Except for the relatively small number of resource-rich countries such as Angola and Zambia, the majority of the African economies have a mounting trade deficit with China. According to the report by the Centre for Chinese Studies (2006:7), the Chinese have sought to offset these deficits with more favourable terms of trade for African products and the provision of aid in the form of infrastructure development.

Chinese involvement in Africa’s construction and infrastructural sectors has proved most effective in building relations with African governments - increasing influence and expanding access to natural resources on the continent. Chinese state-owned and private companies are making inroads into the construction and infrastructure sectors in many African economies at the expense of European and South African companies. The major concern for the traditional actors is that China’s political and business models do little to build local capacity.

**China-Africa relations: Imperialism or solidarity?**

It remains a highly contested question whether the China-Africa trade relationship is imperialistic, or driven by solidarity values aimed at developing the African continent, or a combination of both. Prof. Kwesi Prah recently described China’s position towards Africa as “enlightened self-interest dressed in Marxist garb” (ALRN 2008). It can be argued that since China’s international economic expansion is mostly driven by SOEs which are able to operate at lower profit margins than privately-owned corporations. Chinese construction companies, for example, provide services at lower
costs than other private construction companies. This is often achieved at the expense of workers as will be discussed in the section on working conditions.

On the other hand, China provides the African countries where it has some vested interest with soft loans (interest free) and also contributes to the building of schools, roads etc. In addition, China’s new expansion to Africa is unique because it goes beyond the key historical constraints of Africa being associated with risk, wars, corruption, and violation of human rights, transparency and freedom of expression whilst other trade partners are wary of risk. Some critics have argued that China’s relationship with Africa is imperialistic because it imports its material for construction and does not allow backward and forward linkages in the host countries in order to promote local economic development. Another criticism made is that Chinese companies tend to import labour from China thus undermining the potential for local job creation, skills transfer and human resource development (Tjonneland, Brandtzaeg, Kolas and Le Pere, 2006). Chinese companies were also accused of having paid limited attention to “corporate social responsibility” or environmental issues. According to Tjonneland et al (2006), there are disturbing examples of the illegal exploitation of natural resources.

There is a danger of the Africa-China economic relations following the colonial patterns. Africa, including South Africa, exports mostly raw materials to China and in return imports finished manufacturing products (Draper and Le Pere, 2007). This holds the danger of threatening domestic enterprises and eventually leading to job losses. There is also a trend of Chinese exporters displacing traditional suppliers of products in Africa (Davis 2007:157). The political standing that China enjoys with the majority of African governments may serve to offset pressure from domestic manufacturers that are coming under pressure from lower-priced imported Chinese products.

The major challenge facing African countries is how to manage China-Africa cooperation. Unlike the West, China promised to promote mineral beneficiation as a strategy to create jobs and enhance economic development on the continent. Currently there are few indications that this actually happens and Africans will thus have to assert their interests and ensure that beneficiarys will occur. Praah (2007:8) pointed out that the nature of the current trade relationship needs to be altered, if Africa is to benefit from trade with China.

China suffers from industrial overproduction and market saturation in a variety of sectors, including textiles, footwear and electronics. This has necessitated entry into new markets. Following the opening up of the domestic market, Chinese companies no longer have the market monopoly they once enjoyed and need to expand into new markets (Centre for Chinese Studies 2006:11).

China’s booming economy requires massive levels of natural resources to sustain its growth. It is expected that by 2045, China will depend on imported oil for 45 percent of its energy needs. According to the CHR Michelsen Institute (CMI) Report (2006), Africa occupies an increasingly dominant space in China’s foreign policy.

In 2006, China released its first major policy document on its relations with the continent of Africa. The policy document listed 30 major initiatives in the following
fields: political, economic, education, science, culture, health, social aspects and peace and security. According to the CMI Report (2006), the document reaffirms overriding Chinese priorities and the need for accessing African raw materials and commodities, but also stresses political co-operation and responding to African concerns.

There is also much stronger emphasis on Chinese support for peace and security on the continent. It has been argued that selling arms to African countries helps China cement relations with African leaders and helps offset the costs of buying oil from them. However, Dot Keet (2007) pointed out that unconditional government grants given to unaccountable and even corrupt governments would strengthen undemocratic regimes and help entrench such regimes. In addition, “soft loans” provided to such governments will over time result in a growing African indebtedness to the Chinese government and Chinese banks; repeating the pattern that was previously created with Western governments and institutions like the IMF and World Bank. Ajulu (2007) thus warned that Africa should avoid the past experience of colonial pitfalls by putting necessary mechanisms to manage the China-Africa relationship.³

China exports ammunitions to Sudan in exchange for oil in the country which for several decades has been experiencing civil strife. In Zimbabwe, China is now the second largest trade partner after South Africa. It supplies military hardware, including fighter aircrafts and intelligence listening devices, and is interested in Zimbabwe’s tobacco as well as platinum and other mineral reserves, which are currently dominated by South African and British companies.⁴ China also has stakes in electricity production and supply, mobile phones and transport.

China is still a relatively small, but significant arms exporter to Africa, accounting for between six and seven percent of total arms deliveries to the continent. Many of these arms deliveries are exported to conflict zones. It is reported that several of these supplies have been in exchange for lucrative contracts (such as mining concessions in the DRC and timber in Liberia). According to the 2006 CMI Report, China has avoided discussing disarmament issues affecting Africa and has not signed the Ottawa declaration on landmines.

**The Programme for China-Africa Cooperation**

The Programme for China-Africa Cooperation in Economic and Social Development in 2006 signals a growing partnership, which focuses on a number of issues such as inter-governmental co-operation, trade and investment, co-operation in engineering and other infrastructural projects, finance, debt relief and cancellation, tourism, migration, agriculture, health, capacity building, technology transfer, environmental compliance, economic diversification and beneficiation, arms control etc.

According to Stamp (2007:1), Beijing points to a pro-active record on aid and debt relief, having given more than US$ 5.5 billion in assistance and cancelled the debt of 31 countries. China has also fulfilled its commitment to grant 28 least-developed countries (LDCs) in Africa zero-tariff treatment for their China-bound exports under

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190 tax items, as of 1 January 2005 and has also trained more than 2,400 African personnel in various fields, bringing the continent within hopeful reach of the goal of training 10,000 African personnel between 2004 and 2006. In addition to the development support, China intends to provide US$10 billion in concessional loans and preferential export buyer’s credit, within the next three years, to developing countries to improve their infrastructure, and promote cooperation between enterprises on both sides.

Key to the China-Africa Cooperation Agreement is the provision of development assistance to African countries, focusing on the promotion of local industries, sourcing of local materials and the creation of employment. Furthermore, the programme advocates for the utilisation of local expertise and materials, the creation of local employment and the development of human resources of African countries. Fundamental to the creation of local employment is China’s preferential treatment or access to multi-million tenders in Africa because of its competitive advantage, which includes charging lower prices.

In supporting African countries in their economic and social development, the Chinese government undertakes to continue providing assistance to African countries, within its capacity, in light of specific economic conditions of the recipient countries and within the framework of South-South co-operation. Fundamental to the Cooperation agreement is the need to improve the production capacity in Africa and in diversifying the composition of African exports and share experiences in overcoming Africa’s export dependence on primary commodities, single products and raw materials.

China also agrees to promote investment in, as well as exploration and beneficiation of metallurgical resources in Africa. This idea of mineral beneficiation and diversification was part of the Lagos Plan of Action of 1980. However, it has never been fully implemented. If implemented, the beneficiation would boost African economies exporting raw mineral resources and create employment. This process could be perceived as a threat to western countries and their corporations, which have controlled Africa’s minerals for decades but failed to promote beneficiation on the continent.

The Agreement also noted that Chinese enterprises should enhance co-operation with their counterparts in Africa and employ as well as train more local people, including the usage of locally available resources. If properly managed, the promotion or use of locally available resources could help to develop the ailing economies of the African countries. In addition to the recent debt relief to the Least Developed Countries, China promised to cancel debts amounting to 10 billion RMB Yuan.

As a strategy to overcome the trade imbalances between Africa and China, the latter undertakes to encourage its enterprises to give preference to the import of African products in the light of market demand and conditions; strive to make its investment and trade centres in Africa a success, and to facilitate the establishment of similar centres of African countries in China. The centres are meant to play an effective bridging role in facilitating exchanges and communication between enterprises.

5 http://english.focacsummit.org/2006-09/20/content_629.html.
The need to provide better and preferential access to the Chinese market for African exports featured prominently in the cooperation agreement. China agreed to share with African countries its experience in the field of investment promotion relating to the establishment and management of free and special economic zones.

**Investment trends**

Trade between China and Africa has quadrupled since the beginning of this decade. Much of the accumulated stock of Chinese FDI in Africa is concentrated in extractive sectors such as oil and mining and because such investments are typically capital intensive, they have engendered limited domestic employment creation (Broadman 2007:12). In the past fifteen years, China’s foreign investment in Africa has risen to US$ 850 million, while China’s share as the destination of total African exports has risen from just 1 percent to nearly 10 percent. China is now Africa’s third largest commercial partner after the US and France, and second largest exporter to Africa after France. Like the former colonial countries, China backs its trading relations with aid, debt relief, scholarships, training and the provision of specialists. It is also a major supplier of military hardware, like the West, and has supplied peacekeepers to the Democratic Republic of Congo and Liberia, as well as election observers to Ethiopia.

Chinese FDI and aid is qualitatively different from European and North American sourced FDI. Historically, Western and Japanese FDI in Sub-Saharan Africa (SSA) have come from privately owned corporations and focused on profit maximisation, generally with relative short-time horizons. By contrast, much of Chinese FDI in SSA comes from firms, which are either wholly or partially state-owned (Kaplinsky et al, 2006:14). These Chinese state-owned companies have access to very low-cost capital, and hence operate with much longer time horizons. They are an integral part of the bilateral relations that China has established with African states.

According to Kaplinsky et al (2006), many of these investments are either explicitly or implicitly linked to achieving China’s strategic objectives, often those which are focused on long-term access to raw materials, and are closely bundled with Chinese aid. Gelb (2006:204) pointed out that the rise in South-South investment in Sub-Saharan Africa will not automatically change the terms of the relationship between Africa and “the North” (industrialised countries) in the short-term, but it can provide individual governments in Africa with greater bargaining power in their relations with multinational corporations.

**Trade links**

China is a significant exporter of cheap consumer goods and other manufactured products to Africa. The 2006 CMI Report argues that cheap Chinese consumer goods will increase the purchasing power of the African consumers and that African producers relying on imported inputs may see production costs fall. On the other hand, local producers may suffer due to competition from cheap Chinese imports, especially producers relying on labour-intensive production. This is most evident in the clothing and textile industries, which in some countries has suffered badly as a result of competition with Chinese imports. According to the CMI Report (2006:14), there is no conclusive evidence as to the extent to which Chinese imports have displaced local production and their total impact on poverty. However, the report
argues that there will be limited scope for Africa to compete with China in labour-intensive manufacturing.

Table 4: Trade with China and India as a proportion of trade with the industrialised countries

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1997</th>
<th>2001</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa (SSA) exports to China</td>
<td>0.43%</td>
<td>2.31%</td>
<td>4.10%</td>
<td>8.96%</td>
</tr>
<tr>
<td>SSA exports to India</td>
<td>1.37%</td>
<td>3.49%</td>
<td>4.38%</td>
<td>1.58%</td>
</tr>
<tr>
<td>China and India</td>
<td>1.81%</td>
<td>5.80%</td>
<td>8.48%</td>
<td>10.54%</td>
</tr>
<tr>
<td>SSA imports from China</td>
<td>1.76%</td>
<td>3.84%</td>
<td>6.04%</td>
<td>12.26%</td>
</tr>
<tr>
<td>SSA imports from India</td>
<td>0.83%</td>
<td>2.65%</td>
<td>2.76%</td>
<td>4.20%</td>
</tr>
<tr>
<td>China and India</td>
<td>2.60%</td>
<td>6.49%</td>
<td>8.80%</td>
<td>16.45%</td>
</tr>
</tbody>
</table>

Source: Calculated from IMF DOTS

The current trade patterns indicate that China supplies Africa mainly with capital goods and cheap consumer goods, while it imports the resources it requires to fuel its continued economic expansion. This trade relationship is meant to serve both parties but China’s export of consumer goods to Africa may displace local producers, leading to competitive impacts on workers and entrepreneurs in the concerned sectors (Kaplinsky, McCormick and Morris 2006:3). This will be examined further in chapters 2 and 3.

Table 5: China’s import dependence (%)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>Share of China imports from SSA, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>27.8</td>
<td>30.3</td>
<td>36.0</td>
<td>30.6</td>
</tr>
<tr>
<td>Iron ore</td>
<td>29.9</td>
<td>32.5</td>
<td>36.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Copper</td>
<td>36.2</td>
<td>43.2</td>
<td>44.0</td>
<td></td>
</tr>
<tr>
<td>Cotton</td>
<td>3.6</td>
<td>4.8</td>
<td>18.4</td>
<td>21.2</td>
</tr>
</tbody>
</table>

Source: Derived from Chen et al. (2005) and Sankey (2006) quoted in Kaplinsky et al; 2006

According to the CMI Report, China and the Chinese state owned oil companies have struck a number of multi-billion dollar deals in African oil exporting countries. In the first half of 2006, about 32 percent of Chinese oil imports came from Africa, with Angola emerging as China’s biggest oil supplier (ahead of Saudi Arabia and Iran).

China’s competitive advantage in Africa

The success of China’s companies, particularly state-owned enterprises, can be attributed to several factors: competitiveness in overall bidding prices, access to cheap capital through Chinese state-owned banks, access to skilled low-cost labour, access to cheap building materials through supply chains from China; and political support from the Chinese government channelled through Chinese Embassies and Economic and Commercial Councils in the respective African countries.
A study conducted by the Centre for Chinese Studies (2006:7) found that Chinese companies rarely compete with indigenous construction companies, which usually lack the capacity for large-scale construction projects. Chinese companies employ large numbers of local labour but have shown only limited interest in collaborative ventures with local construction companies due to their low levels of human capital, technological proficiency and problems with financial management.

Instead, foreign firms were found to be the preferred partners for joint ventures and are also the preferred candidates for sub-contracts on contracts won by Chinese companies. The Centre for Chinese Studies (2006) argued that despite widespread perceptions that their quality of work was inferior, when building codes and regulations are in place and effectively enforced the standard of work done by the Chinese was reported to be very high. Conversely, where quality controls are not properly enforced, especially in less developed countries such as Sierra Leone, standards of work are often low.

The Chinese construction sector
The Chinese Ministry of Commerce pointed out that there has been a 106 percent rise in the value of newly signed contracts for Chinese companies operating overseas, taking the total up to US$ 32.7 billion in 2006. Chinese turnover in overseas contracting business is expected to increase by 15 percent year-on-year during the 11th Five Year Plan period (2006-2010) (Chen, Chu Chiu, Orr and Goldstein (2007:451).

While the scale of Chinese Official Development Assistance to Africa has also increased, Chinese firms have been able to win open tenders. When considering the Engineering News Record (2006), the top 225 international contractors in Africa are still European with the largest market share (49.33% in 2005), while French firms alone captured 23.96%, more than all the Chinese construction firms combined (21.36%). Amongst the major players in the construction sector are American, British, Italian, Japanese, Chinese and Korean firms. The latter two had an average growth rate that was higher than the industry average.

According to Chiu et al (2007:2), American and Japanese companies are playing a decreasing role in the global construction market after reaching a peak in 2002 and 2003 respectively. In Sub-Saharan Africa, the countries that recorded the highest number of active Chinese construction firms are Angola and Nigeria (10), Botswana (9), Congo (8), Equatorial Guinea, Ethiopia, Ghana, South Africa, and Uganda (7); while in North Africa about 13 Chinese construction firms operate in Algeria and 12 in Sudan.
The above countries have committed themselves to the General Agreement on Trade in Services (GATS) while Angola, Botswana, Kenya, Mauritius, Mozambique, Namibia, Tanzania, Uganda, Swaziland and Zimbabwe have not. Despite being non-committal to agreements on construction services, cases of abuse and rampant exploitation by Chinese construction companies are prevalent in most countries as will be discussed in section 2.3.

Until recently, the majority of construction companies in China were state-owned. However, the privatisation of many state-owned enterprises (SOEs) and the rise of private companies have diversified the market. Rapid economic expansion has provided a continuous momentum for construction in China, which currently has the largest construction market in the world (Centre for Chinese Study 2007:9). Since 1999, the construction industry in China has achieved annual growth rates of around 20 percent. In 2003, there were 48 688 construction enterprises in China, employing 24.14 million people. Construction contributed about 7 percent to the GDP in 2004.

Up until 1979, Chinese companies operating overseas were restricted to projects that provided economic and technical aid with funds provided by the Chinese government. In August 1979, China’s State Council introduced legislation permitting specialised Chinese companies to operate overseas. This enabled Chinese companies to become major international players and by the end of 2003 there were 7 400 Chinese enterprises investing in 160 countries internationally (quoted in the Centre for Chinese Studies 2007:10). Overseas contracts undertaken by Chinese companies can be categorised as follows:

- projects funded through Chinese government loans or financial aid to developing countries;

<table>
<thead>
<tr>
<th>Table 6: Eastern and Southern African Countries Commitments on Construction Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Building</td>
</tr>
<tr>
<td>B. Civil Engineering</td>
</tr>
<tr>
<td>C. Installation and Assembly</td>
</tr>
<tr>
<td>D. Completion and finishing</td>
</tr>
<tr>
<td>E. Other</td>
</tr>
</tbody>
</table>
projects funded by loans from the World Bank, African Development Bank, Islamic Development Bank and other institutions;

- projects obtained through governmental bilateral trade agreements;
- projects won through international bidding;
- projects obtained through local clients, and
- projects obtained through local branch offices of Chinese enterprises.

The competitiveness of Chinese construction companies may largely be attributed to their access to cheap capital, low labour costs, hands-on management style, high degree of organisation, and general aptitude for hard work (Centre for Chinese Studies 2007:2). Chinese worksites are usually highly organised and all the personnel, from the executive down, invariably live and work on the site full-time. It has been argued that this “hands on” style of management saves considerable time and provides all levels of management with a profound understanding of the project and the ability to handle challenges as they occur.

China has gained an advantage in bidding for the projects in Africa because of lower costs attributed to the Chinese enterprises. For example, local and foreign construction enterprises operate on profit margins of 15-24 percent, while Chinese companies usually operate on margins of 10 percent or less making them extremely competitive and relegating the former (local and foreign companies) to the margins. An added advantage for Chinese construction companies is the support from their government while other local and foreign companies are privately owned without financial assistance from their governments.

Foreign companies such as those from Europe and South Africa were the first to experience competition from the Chinese in Africa. According to the study conducted by the Centre for Chinese Studies (2006:3), very few local companies in the countries surveyed have the capacity for large-scale projects and rarely find themselves competing with Chinese companies in the early stages of the latter’s market penetration. Although the study noted some cases of subcontracting to the local companies, the findings reflected concerns from the Chinese representatives about the low quality of the domestic contractors. Key concerns that were cited by the Chinese representatives included the inability to manage finances and meeting deadlines.

A fierce competition has arisen between the state-owned Chinese enterprises and the privately owned (especially by individual or single person operations) ones established by Chinese nationals living in host countries. The study found that while the State Owned Enterprises receive greater assistance from the Chinese government in terms of access to African governments and information on market tenders, private construction companies appear to be more efficient in project implementation (Centre for Chinese Studies, 2006).

There is a growing Chinese presence in the Mozambican construction sector and notably the recently built soya processing plant of the China Grain and Oil Group. Currently, over a third of Mozambique’s road construction programme, amounting to 600 km is being carried out by Chinese companies (Bosten 2006:5). Most tenders are awarded to the Chinese construction companies because of their relatively low prices.
Chinese companies in the construction industry have out-competed South African and European companies. According to Bosten (2006:5), Chinese construction companies offer good quality work at lower prices. The price difference is often significant and ranges between 25 and 50 percent. This is not only due to lower profit margins but also due to lower wages, often below the legal minimum wages (see chapter 2.3).

South African construction companies argue that favourable conditions based on Chinese cheap or soft loans or even zero interest rates and donations are the driving factors for the preference for Chinese companies. Unlike South African and European companies, Chinese companies do not outsource certain functions to the local enterprises but supply all goods and services – from design to decoration directly or indirectly from China. It is alleged that Chinese companies do not adhere to construction standards such as compliance to environmental standards.

**Competition and labour issues**

There are tensions in several African states around the question of labour standards and unfair competition. In South Africa, for example, the China National Overseas Engineering Corp (Covec) has won an R 420 million (US$42 million) civic works water tender for the Trans Caledon Tunnel Authority (TCTA), a state owned-water utility; while Citic Acre has been awarded a multi-million Rand contract to build a gas plant at Mittal Steel’s Newcastle Mill. The loss of these tenders to the Chinese companies has raised the ire of local firms. Many construction role players believe that the significantly lower prices put forward by the foreign bidders are heavily subsidised and not financially viable. A similar argument was presented by Namibian construction companies when they lost government tenders to Chinese competitors. They argued that the Chinese were only paying a third of the legally prescribed minimum wage and thus could easily undercut other firms.

Construction stakeholders in South Africa believed that the Chinese companies’ unrealistic pricing methods are possible because the companies are state-owned and the objective is not to make profit like the local private sector. Construction industry players in South Africa are concerned that Chinese contractors may soon bring their own labour into the country and house the workers on site. In such cases, workers would work for longer hours a week and would not be allowed to leave these camps until that particular project had been completed.

Chinese firms often import Chinese labour to work on a contractual basis on infrastructural projects. According to the Centre for Chinese Studies (2006:26), when questioned as to the desirability of Chinese contractors employing Chinese nationals as opposed to local labour, a representative of the Angolan Commerce and Industry stated that China as a populous country also struggles with unemployment problems. However, local workers still account for about 85-95 percent of the total workforce at Chinese companies.

According to the Centre for Chinese Studies, Chinese companies typically provide food and housing compounds for their workers as well as a daily stipend of US$ 1 per Chinese worker. These workers thus live below the poverty datum line and their exploitation puts a downward pressure on local wages. For example, local companies...

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in Angola are expected to pay US$ 3 - 4 per day for labourers as compared to US$ 1 that Chinese companies pay. The absence of a sectoral determination or minimum wage in South Africa tends to exacerbate the exploitation of workers, and undermines reasonable local wages.

Chinese engineers are paid approximately US$ 130 per month, one sixth of what European construction firms pay Angolan engineers. Similar to other multinational companies where local labour is used, Chinese companies use local labour for low-skilled construction site jobs and not necessarily for executive or management positions (Centre for Chinese Studies, 2006:26). In several African countries, Chinese companies are allowed to bring in foreign workers for their operations while other companies are restricted in this regard (Bosten 2006:6).

The plight and experiences of workers at Chinese companies in 10 African countries is discussed in chapter 2.3 of this book and highlights frequent cases of exploitation and abuse of workers’ rights. The chapter also examines how such labour practices impact on industrial competition and on prospects for Africa’s industrial development.

**References**


Chapter 2: Chinese investments in Africa

Anthony Yaw Baah and Herbert Jauch

2.1 Chinese investments and trade patterns

2.1.1 Chinese investments in Africa

As mentioned earlier, during the 1980s, the relationship between China and Africa shifted from political support and generous aid towards economic co-operation with the aim of achieving mutual benefits through practical results and common progress (Zhinbiao 2007; Prah 2007). By 1989, there were 33 Africa-China joint projects across Africa valued at US$ 1.7 billion. But China-funded projects in Africa remained relatively small even in the late 1990s, numbering just about fifty per annum across the continent. However, since the Forum for China and Africa Cooperation (FOCAC) in 2000, China’s shares of investments and trade in Africa have been increasing considerably. As part of its “Go Abroad” strategy, the Chinese government has established trade and investment promotion centres in a number of African countries including Egypt, Mali, Guinea, Cote d’Ivoire, Nigeria, Zambia, Tanzania, Gabon, Cameroon, Mozambique, and Kenya. China has also signed investment promotion agreements with over 20 countries in Africa. By 2004 Chinese investors had established businesses in 49 African countries and had invested a total of US$ 1.2 billion mainly in joint venture enterprises in these countries in activities ranging from mining, petroleum, agriculture, manufacturing, trade, telecommunications, electronic industries, textiles, transportation, construction and other infrastructural development projects. The main destinations of Chinese investments in Africa are South Africa, Algeria, Sudan, Nigeria, Zambia, and Angola. By 2008 the number of sizeable Chinese enterprises in Africa had reached about 800 (Berndsen and Pennington 2008).

South Africa attracts the largest share of Chinese investments in Africa. It is estimated that Chinese FDI to South Africa is worth US$ 6 billion (cumulatively). The sectors that have attracted Chinese investments in South Africa include energy, technology, mining and metallurgy, electronics, telecommunication, textiles, commercial banking, transportation, manufacturing, construction and automobiles. The single largest Chinese investment in South Africa was in the financial sector in 2007 when the Industrial and Commercial Bank of China (ICBC) bought 20 percent shares in Standard Bank of South Africa worth US$ 5.5 billion. As in other African countries, Chinese construction companies are gaining roots in South Africa. They include China Overseas Engineering Company (COVEC) which has recently won a US$ 61 million contract for the civil engineering component of Vaal River Eastern Sub-System Augmentation Project. In manufacturing, Shanghai Industrial Investment Corporation (SIIC), a subsidiary of state-owned Shanghai Industrial, is making very significant inroads in the well-developed light manufacturing sector in South Africa. The company has so far invested in fourteen enterprises, mostly in the KwaZulu-Natal province. The South African mining, transportation and retail sectors have also attracted Chinese investors. It is estimated that between 100,000 and 200,000 Chinese immigrants are engaged in retail trade in South Africa.
It is interesting to note that South Africa is the only African country with significant foreign direct investments in China. South African investments in China, mainly in mining and financial sectors, are worth approximately US$ 700 million (van der Merwe, 2008). Kumba, a South African company, invested US$ 10 million in an iron ore terminal at the Qingdao Port in China in 1994. Another South African company, SABMiller, entered into a joint venture and is currently China’s second largest brewer with stakes in thirty-three breweries across China.

Zambia is another important destination of Chinese investments on the continent (Lafarque 2005). Zambia’s relations with China date back to 1964 which makes Zambia one of China’s oldest friends in Africa (Muneku, 2008). According to Zambia Development Agency (ZDA), between 1993 and 2007, a total of 166 Chinese companies invested US$ 666 million in Zambia and created over 11 000 jobs during the period. Manufacturing, construction, mining, retail trade and tourism attracted the largest Chinese investments in Zambia. Chinese investments account for 10.5 percent of total foreign direct investments in Zambia (UNCTAD, 2006; Kragelund, 2007).

Among the major Chinese projects in Zambia in recent times is the investment in the Chambishi mines in the Copperbelt province worth US$ 20 million. Employment in the mine has since increased from 143 in 1998 to 2000, excluding 168 Chinese employees. Chinese companies invested in five more mining companies in Zambia between 2000 and 2007 worth US$ 35 million. These projects are expected to create about 550 jobs. Chinese companies are also participating in major construction works in Zambia. In 2008, the Zambian government awarded two Chinese companies seven European Union-funded road construction contracts worth US$ 19 million. Other investments in Zambia include the construction of the Government Complex (including a museum, a banquet hall and a conference centre), the Football House (a new headquarters for the Football Association of Zambia), Lumwana Power Project (a power supply for the Lumwana copper mine), Larfarge Cement Plant outside Lusaka, the Lundazi–Chamma road, and the hydroelectric plant at Kafue Gorge in southern Zambia (see Economist 2004: NCCZ 2004; Centre for Chinese Studies 2006; Kaplinsky et al, 2007).

In Angola, the Angolan Agency for Private Investments (ANIP) approved 50 Chinese-funded projects between 2005 and 2007. Prior to that, Angola had benefited from Chinese investments in the rehabilitation of the 444 kilometre Luanda Railway valued at US$ 90 million as well as the rehabilitation and expansion of electricity in Luanda, Lubango, Namibe and Tombwa worth US$ 55 million. In March 2004, China and Angola signed an economic and commercial cooperation agreement worth US$ 2 billion. It is reported that the value of the agreement has since risen to US$ 9 billion. In 2005, US$ 2.9 billion was granted by the China International Fund Ltd, a private Hong Kong–based institution, to support Angola’s reconstruction after the long civil war. The Chinese have also shown interest in Angolan diamonds. In 2005, a joint venture agreement was signed between Angola’s state-owned diamond company (ENDIAMA) and China International Holding Ltd to prospect, produce and market diamonds. Currently, over 100 Chinese companies are doing business in Angola. Two Chinese construction companies, China Jiangsu and China Roads and Bridges Corporation have planned to invest US$ 5 million and US$ 1,1 billion in Angola respectively. Chinese firms are engaged in the rehabilitation of 317 kilometres of the road between Luanda and Uige. The first phase of the project involves 31 contracts in
energy supply, water, health, education, and communication. Chinese construction companies are also involved in the construction of stadia in Cabinda, Huíla, Benguela, Huambo and Lunda for the 2010 African Cup of Nations.

**Nigeria** is another important destination of Chinese investments in Africa. With its large population and vast oil reserves, Chinese traders and industrialists were attracted to Nigeria in the 1960s after Nigeria’s independence from British colonial rule. Formal bilateral relations between Nigeria and China started on February 10, 1971 with the signing of the Joint Communiqué on the Establishment of Diplomatic Relations and the establishment of the Chinese Embassy in Lagos. China-Nigeria relations have since been smooth and steady. The two countries have supported and co-operated with each other on a number of issues at the international level. The two countries have signed agreements on trade and investment promotion. Prominent among them is the crude oil sale deal worth US$ 800 million signed in July 2005 between China’s Petro China International and Nigeria’s National Petroleum Corporation (NNPC). China’s offshore oil producer CNOOC has invested US$ 2.3 billion in Nigeria’s oil and gas fields (China Daily, 2007).

There is an increasing trend of Chinese investments in retail trade and other economic sectors in Nigeria. In 2004, it was estimated that there were more than 20,000 Chinese living and working in Nigeria, including 300 from Taiwan. By 2007, the Chinese population in Nigeria had increased to 70,000, according to the Nigeria Immigration Service. Chinese traders are engaged mainly in the retail of light industrial goods, textiles, electrical and electronic gadgets. Other sectors that have benefited from Chinese investments, apart from oil and gas, include construction, manufacturing, agriculture and services (Nigerfirst, 2006). According to the official data from the Corporate Affairs Commission (CAC), currently, there are over 1 000 Chinese companies registered in Nigeria.

The major Chinese investments in Nigeria in recent times include the construction of a 125-kilometre six-lane road in Port Harcourt (the hub of Africa’s oil industry) by China Harbour Engineering Corporation worth US$ 1 billion; the construction of a 100 mega-watt (M/V) hydro power plant for the Power Holding Corporation of Nigeria (PHCN) and Zamfara State government by China Geo-Engineering Corporation worth US$ 65 billion; China National Overseas Oil Company Limited’s (CNOOC) 45 percent stake in offshore deepwater oil field worth US$ 2.3 billion; Petro China’s crude oil sale deal with Nigerian National Petroleum Corporation worth US$ 800 million; and the modernisation of Nigeria’s one-track rail from Lagos to Kano via Abuja to be constructed in five segments over a five-year period, estimated to cost US$ 8.3 billion upon completion. In addition, two Chinese firms, Delta Services and Western Metal, have been licensed to operate power plants using coal in Kogi and Benue States respectively. The projects are worth US$ 80 million. Other Chinese investments are Huawei equipment agreement with GV Telecoms/Prestel worth US$ 250 million and the financial support given to Reliance Telecommunications Limited by China Development Bank facilitated by Huawei Technologies worth US$ 20 million.

**Kenya** and China established diplomatic relations in 1964. China encourages its businesses to import Kenyan goods, expand investment in Kenya and to participate in Kenya’s economic infrastructure, construction, manufacturing and agriculture. The
number of Chinese companies winning contracts in Kenya has been increasing in recent years. Chinese firms are gradually but surely overtaking their British and American counterparts in terms of the number of contracts won in recent years.

Tourism is a very important sector in the Kenyan economy. In order to stimulate Chinese investment in the tourism sector Kenya has been granted an “Approved Destination Status” by the Chinese government along with a few other African countries that include Egypt, South Africa, Ethiopia, Kenya, Tanzania, Zambia, Mauritius, Seychelles, Zimbabwe and Tunisia.

Chinese investments in Kenya currently number about 96 with a workforce of about 6,700 Kenyan nationals and an investment capital of US$ 52.6 million. According to the Kenya Investment Authority (KIA), the total value of FDI from China between 2000 and 2005 was US$ 32 million out of the total FDI inflow of US$ 446 million. The Chinese companies investing in Kenya are mostly wholly–owned by the Chinese government.

Chinese companies are involved in other economic activities in Kenya. For example, an offshore exploration deal has been signed between Kenya and China which has allowed CNOOC of China to explore in six oil blocks covering 44 500 square miles in the north and south of the country. A Chinese pharmaceutical company, Beijing Holley20 Cotec Pharmaceuticals, has established a drug distribution centre in Nairobi to serve the East and Central African region. In 2007, China's Jinchuan Group and a Canadian mining company, Tiomin Resources signed a US$ 9.34 million joint venture deal to finance the development of the Kwale mineral sands project in Kenya.

**Ghana**, unlike Angola, Nigeria and South Africa, attracts a relatively small share of total foreign investments in Africa. However, with the establishment of the Ghana Investment Promotion Centre (GIPC) in 1994, Ghana has made consistent efforts towards attracting foreign direct investment. Available statistics indicate that between September, 1994 and December, 2006, 2 178 projects with a total investment amount of US$ 4.6 billion were recorded. In 2006 alone, 238 projects with a total capital outlay of US$ 3 billion were registered. Together, these projects were expected to generate 12 044 additional jobs. In 2007, the GIPC registered 305 projects with a total estimated FDI component of US$ 5.56 billion. Over 25 000 jobs were expected to be generated from the 305 projects.

In line with the general upward trend, Chinese investments in Ghana have increased tremendously over the last few years, particularly after 2000. Currently, China is one of the 10 countries selected by Ghana’s investment promotion agency for increased and “focused” investment generation activity under GIPC’s Investor Targeting Strategy. These investor-targeting activities have yielded significant results in terms of Chinese investment flows to Ghana. Between September 1994 and December 2007, the GIPC registered 336 projects of Chinese origin. The estimated value of the projects was US$ 238.5 million. The projects were either wholly-owned by Chinese investors or jointly owned by Chinese and Ghanaian investors. The manufacturing and trading sectors attract a large proportion of Chinese investments in Ghana. During the period 1994 to 2007, approximately 35 percent of Chinese investments in Ghana went into manufacturing and 24 percent went into trade.
The high rate of growth in Chinese investments in Ghana has been attributed to the prevailing investor-friendly atmosphere in the country. The relative peace in Ghana, compared to other countries in the West African sub-region, has made the country the preferred destination for investors, including Chinese investors. In addition, the investor-generation activities of the GIPC targeted at China and nine other countries partly explains the upward trend. The major Chinese investments in Ghana have been in the form of official development assistance. After the 2000 Forum of China-Africa Cooperation (FOCAC), China has substantially scaled up its financial assistance to the development of Ghana’s economic infrastructure. China’s financial commitment to Ghana’s infrastructure projects over the last eight years is estimated to be about US$ 1 billion. The following are some of the China-funded projects: the construction of the military barracks in Ghana’s capital city, Accra, worth US$ 3.9 million (the project was completed in 2004); a US$ 18 million grant to help in the development of cooperatives in Ghana; the rehabilitation of the 17.9 km Ofanko-Nsawam Road in 2003 with a grant of US$ 22 million; the construction of an office complex for the Ministries of Defence and Foreign Affairs; the construction of three model basic schools; the renovation of the Peduase Lodge; and the construction of the Phase I of the National Communications Backbone Network Project which was completed in June 2008 financed with a loan of US$ 30 million from ExIm-Bank of China; the construction of two stadia in Tamale and Sekondi-Takoradi with a concessional loan of US$ 38.5 million from China EX-Im Bank for the 2008 African Cup Nations soccer tournament which was hosted by Ghana (the two stadia were constructed at a total cost of US$ 313.5 million by the Shanghai Construction Group of China while Barclays Bank of Ghana supported the project with an additional loan facility of US$ 275 million; a concessional loan facility of US$ 30 million for the implementation of a dedicated communication system for the security agencies in Ghana worth US$ 30 million (in 2007); and US$ 90 million loan facility for rural electrification. The largest Chinese investment in Ghana so far is the on-going construction of a 400 megawatt dam at Bui in the Brong Ahafo Region of Ghana by SinoHydro Corporation worth US$ 622 million (with Chinese loan facility of US$ 562 million).

China has invested heavily in various sectors in other African countries including Mozambique, Tanzania, Djibouti, Uganda, Cote d’Ivoire, Democratic Republic of Congo, Gabon, Mali, Namibia, and Sierra Leone. The state-owned China Road and Bridge Corporation alone had some 500 projects in Africa in 2004 (Pham, 2006; Konings, 2007). In Mozambique, Chinese firms are involved in the repair of more than 600 kilometres of roads and the rehabilitation of a bridge between Mozambique and Tanzania. Chinese firms are repairing water systems in Maputo worth US$ 30 million and Beira and Quelimane worth US$ 45 million (See Kaplinsky et al, 2007). In Sudan, apart from the huge investments in oil, Chinese companies have been awarded contracts to build the Merowe Dam project on the Nile River. China has supported a number of building contracts like foreign ministry buildings in Djibouti and Uganda; presidential palaces in Kinshasa, houses of parliament in Cote d’Ivoire, Gabon, and Mozambique, and soccer stadia in Tanzania, the Central African Republic, Ghana and Mali. In Namibia, Chinese firms have built show pieces such as the Supreme Court and the Police and Prison Training College in Windhoek (see Dobler, 2006; Kaplinsky et al, 2007).

China is investing in the Democratic Republic of Congo (DRC) where Fezo mining, a joint venture between the Chinese companies Wambao Resources Corporation and
some Congolese businessmen, is building a pyrometallurgic plant which will produce 1 000 tonnes of pure cobalt per year. In Gabon, a Chinese consortium headed by the China National Machinery and Equipment Import and Export Corporation (CEMEC) has been granted the licence to exploit iron ore reserves and build the rail links to the site. In Sierra Leone, China has set up an economic cooperation zone, which has attracted about 20 Chinese small and medium sized enterprises (Marks, 2007:4).

Besides the funding of infrastructural development projects, China has invested in human resource development in Africa. China’s African Human Resources Development Fund had provided training for nearly ten thousand Africans by the end of 2004 and 3 800 places were planned for each of 2005 and 2006. Over 15 000 scholarships were offered to the 52 African countries in 2005. China has provided technical assistance to more than 600 teachers. In the area of health care, 1 500 Chinese doctors have so far worked in many countries across the continent.

At the 2006 FOCAC China pledged to train 15 000 Africans. There were further pledges to send 100 senior agricultural experts to Africa; build 60 hospitals and malaria clinics across the continent; provide Chinese-made anti-malaria drugs; send 300 youth workers to Africa; build 100 schools; and increase scholarship for Africans to study in China. African and Chinese leaders seem to be fully convinced of the mutual benefits their countries derive from their cooperation. While Africa benefits from long term economic infrastructure development through Chinese investments, China benefits from the access to Africa’s oil and its vast natural resources to feed its fast-growing industrial sector. China’s interest in Africa has a political dimension but that aspect of the China-Africa relations does not seem to attract as much attention as it used to during the cold war.

Despite the concerns raised by critics about China’s “oil diplomacy” in Africa and the negative influence China may have on the development of democratic governance on the continent through its economic support for and investments in countries with repressive regimes, it seems apparent that Africa-China relations will continue to grow in leaps and bounds in the foreseeable future. This is clearly evidenced by the rapid growth of Chinese investments in almost all the countries in Africa and the rate at which trade between China and Africa has been growing especially since 2000.

2.1.2 Trade between China and Africa
China-Africa trade was relatively small in the 1990s compared to China’s trade with industrialised countries. In 1994, for example, trade between China and Africa was valued at US$ 3 billion (Zhibiao, 2007). However, like Chinese investments in Africa, China-Africa trade has been growing at a very fast rate since 2000. From US$ 10.8 billion in 2001, China-Africa trade increased more than fourfold to nearly US$ 40 billion in 2005 (Zhibiao, 2007) and further to US$ 50 billion in 2006 (Naidu, 2007). China’s share of Africa’s trade increased from about three percent in the 1990s to six percent since 2001. China is currently Africa’s third largest trading partner after the European Union and United States. China projects its trade with Africa to reach US$ 100 billion by 2010 (Chidaushe, 2007). The tables below show the volume and growth of China-Africa trade between 2001 and 2005.
Table 1. China’s Trade with Africa (2001 – 2005) – US$ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Volume</th>
<th>China’s Exports</th>
<th>China’s Imports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume</td>
<td>Volume</td>
<td>Volume</td>
<td>Growth (%)</td>
</tr>
<tr>
<td>2001</td>
<td>10.8</td>
<td>6.0</td>
<td>4.8</td>
<td>19</td>
</tr>
<tr>
<td>2002</td>
<td>12.4</td>
<td>7.0</td>
<td>5.4</td>
<td>16</td>
</tr>
<tr>
<td>2003</td>
<td>18.5</td>
<td>10.1</td>
<td>8.4</td>
<td>46</td>
</tr>
<tr>
<td>2004</td>
<td>29.5</td>
<td>13.8</td>
<td>15.7</td>
<td>36</td>
</tr>
<tr>
<td>2005</td>
<td>39.8</td>
<td>18.7</td>
<td>21.1</td>
<td>35</td>
</tr>
</tbody>
</table>


Table 2: China’s Major trading Partners in Africa in 2005 - US$ billion

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports</th>
<th>Country</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>3.8</td>
<td>Angola</td>
<td>6.6</td>
</tr>
<tr>
<td>Nigeria</td>
<td>2.3</td>
<td>South Africa</td>
<td>3.4</td>
</tr>
<tr>
<td>Egypt</td>
<td>1.9</td>
<td>Sudan</td>
<td>2.6</td>
</tr>
<tr>
<td>Algeria</td>
<td>1.4</td>
<td>Congo</td>
<td>2.3</td>
</tr>
<tr>
<td>Sudan</td>
<td>1.3</td>
<td>Equatorial Guinea</td>
<td>1.4</td>
</tr>
<tr>
<td>Other countries</td>
<td>8.0</td>
<td>Other countries</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18.70</strong></td>
<td></td>
<td><strong>21.10</strong></td>
</tr>
</tbody>
</table>


As shown in Table 2 (above), with the exception of South Africa, China’s biggest trading partners in Africa are the few oil-producing countries including Nigeria, Sudan, Algeria, Angola, and Equatorial Guinea. Together, these countries share over 70 percent of trade between China and Africa. Currently, China imports a quarter of its oil from Africa mainly from Sudan, Angola, Nigeria, Equatorial Guinea, Algeria, Chad and Gabon.

China’s economic growth over the last twenty years has increased its demand for oil to unprecedented levels. In 2003, China replaced Japan as the second largest consumer of oil after the United States. During the decade between 1995 and 2005, China’s oil consumption doubled to 6.8 million barrels per day. It is projected that by 2025, China’s oil import will increase to almost 13 million barrels per day (Taylor, 2007) and by 2030 Chinese oil imports will equal the current level of United States oil imports. As Taylor (2007) aptly puts it, China’s quest for energy security is more than an “outward-looking oil economy: it is about China’s overall development strategy”. One can, therefore, understand China’s growing interest in Africa’s oil resources.

The rapid growth of trade between China and Africa in recent years reflects in the increased trade between some individual African countries, both large and small. Table 3 (below) shows trade volumes between China and some selected African countries including those with large economies like South Africa and those with small economies such as Botswana. From a total trade volume of US$ 7.2 billion in 2005, China’s trade with South Africa reached US$ 13 billion in 2007. China currently ranks as South Africa’s fifth biggest trading partner in terms its exports after the European Union, the United States, Japan and the so-called “unallocated” countries. Whereas South Africa exports mainly base metals and chemicals to China, China’s exports to South Africa are sophisticated, high-value manufactured products such as
machinery and equipment, electrical goods, and computers. This has resulted in a trade imbalance in favour of China. In 2007, South Africa recorded a trade deficit of between US$ 3 billion to US$ 4 billion. Nicanor et al (2006) argue that South Africa’s trade deficit is almost entirely due to its trade with China.

Table 3: China’s trade with selected African countries (2005 – 2008)

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade with China</th>
<th>Trade Balance with China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>US$ 12 billion (2008)</td>
<td>NA</td>
</tr>
<tr>
<td>Nigeria</td>
<td>US$ 2.83 billion (2005)</td>
<td>- US$ 1.77 billion</td>
</tr>
<tr>
<td>Botswana</td>
<td>US$ 115.8 million (2007)</td>
<td>- US$ 89 million</td>
</tr>
<tr>
<td>Namibia</td>
<td>US$ 400 million (2007)</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: Country case studies in Chapter 3

The figures (in Table 3 above) confirm that Angola and Nigeria are among China’s most important trading partners in Africa alongside South Africa, Sudan, Algeria, Equatorial Guinea, Algeria, Chad and Nigeria. China is the second largest oil importer from Angola after the United States of America. 18 percent of China’s total oil imports come from Angola and 30 percent of Angola’s crude oil is exported to China. China has overtaken Brazil and South Africa to become Angola’s second largest trading partner after Portugal.

Nigeria and China have signed various agreements covering trade and investment protection (Nigeriafirst, 2006). China’s main exports to Nigeria include motorcycles, machinery and equipment, automobiles and auto parts, rubber tires, chemical products, textiles and garments, footwear, cement, electronics and electrical appliances (National Bureau of Statistics, 2008). Recently, there has been an influx of cheap Chinese hand sets (mobile phones) on the Nigerian market and they are fast displacing long-established and more durable brands from the OECD countries.

But like many other countries in Africa, including South Africa, whereas China imports raw material (mainly oil) from Angola and Nigeria, the two countries import finished products from China. The result is a trade imbalance in favour of China.

2.1.3 Common Features of Chinese Investments and Trade in Africa

Firstly, it has been argued that China’s interest in Africa is driven mainly by its quest for oil and other natural resources to feed its fast-growing industries (Taylor, 2007). This is evidenced by the nature and destination of Chinese investments and trade in Africa. The oil-rich Sudan, for instance, attracts disproportionately high Chinese investments despite the international community’s concerns over Darfur. The China National Petroleum Corporation (CNPC) has secured exploration rights in Sudan through its 40 percent stake in the Greater Nile Petroleum Operating Company. China has invested over US$ 8 billion in oil exploration contracts in the Sudan. Similar concerns have been expressed about the economic relations between China and Zimbabwe, where President Robert Mugabe has adopted dictatorial measures to stay in power.
As noted above, the top ten trading partners in Africa, except South Africa, are oil-producing countries. Pham (2006) and Konings (2007) report that China has signed more than forty oil exploration and production agreements with a number of African countries including Congo-Brazzaville, Namibia, Kenya, Ethiopia and Madagascar. Beside oil, there is a great demand in China for other raw materials from Africa. China consumes large quantities of zinc, nickel, copper, aluminium as well as tropical woods. Chinese companies are becoming increasingly involved in logging in Africa since the early 1990s. China’s import of timber products from Africa has more than tripled since 1993. In 2004 alone, China imported 120 million square meters of timber (Chan-Fishel, 2007). China consumes nearly 13 percent of Africa’s total log exports mainly from Cameroon, Congo, Equatorial Guinea, Gabon and Liberia. Critics accuse Chinese logging companies of dealing with unlicensed loggers or companies with environmentally-unfriendly logging practices. It is estimated that the proportion of illegal timber imports from Gabon to China could be as high as 70 percent of Gabon’s total timber exports (see Butler, 2005; Konings, 2007; Chan-Fishel, 2007).

Chinese companies have penetrated the agricultural sector including the fisheries sub-sector. Already, Chinese investors have leased vast tracts of agricultural land in Tanzania, Zambia, and Zimbabwe and joint fish-processing ventures have been established in Gabon to process the catches from Chinese industrial trawlers (Konings, 2007). In Mozambique, Chinese companies are moving into soya processing and the production of prawns (Kaplinsky et al, 2007).

It is feared that, if this trend continues unchecked, China with its ever-growing industrial sector will use up Africa’s natural resources, which could serve as a strong base for its own industrialisation and development in future when Africa and Africans develop the appropriate technology to process and add value to the continent’s vast natural resources.

The second key feature of China-Africa cooperation is the strong link between the Chinese government’s foreign aid policy objectives and Chinese investments on the continent. Unlike Western investors, most of the Chinese companies operating in Africa are either wholly state-owned or they receive substantial financial support from the Chinese government. Chinese investments in Africa are, therefore, strongly linked to China’s priorities in Africa. This was clearly demonstrated at the 2006 FOCAC conference in Beijing where 11 Chinese companies signed 14 agreements with some African countries worth US$ 1.9 billion. The agreements covered infrastructure, communications, technology, equipment, energy and resource development, finance and insurance. The biggest deal, worth US$ 938 million was undertaken by China’s state-owned Citic conglomerates in an aluminium plant in Egypt. Other deals included the plans to construct a US$ 55 million cement factory in Cape Verde, a US$ 230 million mining contract in South Africa, a highway in Nigeria, and the 400-megawatt hydroelectric power project at Bui in Ghana worth US$ 622 million (Marks, 2007; Baah et al, 2008).

Thirdly, Chinese investments in Africa are characterised by the use of large numbers of Chinese workers. This is a great concern to Africans because for most Africans the only visible benefit of foreign investments, particularly investments directed towards the exploitation of Africa’s natural resources, is employment because these natural
resources are usually exported in their raw state and processed outside Africa. Therefore, the increasing use of Chinese workers in China-funded projects has attracted a lot of criticisms. A good example is the employment of 25,000 Chinese workers in the construction of the TAZARA railway linking Tanzania and Zambia, as far back as the 1970s. This trend has continued to this day. For example, in Ghana, the Chinese company, Shanghai Construction Group, which constructed the Sekondi-Takoradi Stadium, employed 150 Chinese out of the total workforce of 230. Currently, 250 Chinese companies are registered in Ghana. Most of these companies are engaged in trade. The number of Chinese living and/or working in Ghana is estimated to have grown from 500 in 2001 to 6000 in 2004 (Mohan, 2008). In Angola, 25,000 Chinese construction workers are currently engaged in various projects across the country. A similar situation can be found in Namibia, Sierra Leone, Sudan and many other African countries.

As reported in the Angola case study, Angolan cities and towns are “littered” with Chinese small businesses. In 2008 alone, 17,000 Chinese nationals applied for visas to Angola in addition to the 38,000 visas issued to Chinese nationals between 2004 and 2007. These figures exclude more than 25,000 registered Chinese construction workers in Angola, mentioned above. The Chinese population in Kenya is estimated to be 8000, most of them traders involved in importing Chinese products to Kenya. In Botswana, the estimated Chinese population stands at about 5 000.

It should be noted, however, that some Chinese projects employ larger proportions of local workers. An example is the Chambishi Copper mine in Zambia, which employs 2000 Zambians. The on-going Bui Hydroelectric power project in Ghana employs 560 Ghanaians and 110 Chinese. The TAZARA railway which was constructed in the 1970s employed 50,000 Zambians and Tanzanians, compared to 25,000 Chinese workers.

However, it is also true to say that the local people employed in China-funded projects are usually employed as casuals with very low pay and poor working conditions. For example, in the Chambeshi Copper Mine, only 72 were permanent workers. The rest were casual labourers without employment and income security. Some of these workers earned as low as US$ 14 per month. The poor safety standards in that mine led to an explosion which killed fifty workers in 2005 (Konings, 2007).

Furthermore, as amply and consistently demonstrated by the 10 country case studies in Namibia, Nigeria, South Africa, Zambia, Malawi, Zimbabwe, Botswana, Angola, and Kenya, Chinese companies operating in Africa usually do not adhere to the International Labour Organisation’s (ILO) conventions and basic national laws governing labour and industrial relations and occupational health and safety. Chinese firms flout basic labour laws that allow workers to form or join trade unions of their choice and the right to collective bargaining. For example, in a study of Chinese investments in Zambia, Kaplinsky et al. (2007) reported that the Chinese state-owned
Non-Ferrous Metal Industries Corporation undermined Zambian national labour law by demanding an exemption from complying with the National Pension Scheme Regulation. The researchers detected forced and compulsory labour in Chinese firms in Zambia, particularly in non-unionised firms.

Some Chinese companies operating in Africa have been accused of violating environmental rights of the people in the local communities where they operate. For example, a Chinese logging company in Nigeria, WEMPCO, has been accused by a local NGO of discharging untreated effluents into the Cross River in South-Eastern Nigeria, thereby damaging the health and livelihood of people in that area (Obiorah, 2007). According to Lemos and Ribeiro (2007), a Chinese ship docked in Maputo harbour in October 2005 with around four tonnes of illegal shark fins.

Furthermore, there is a trend of apparent lack of concern on the part of China for human rights violations in its investment drive across Africa. Critics, especially those from the West and their NGOs operating in Africa, have expressed strong opinions on how some of China’s major investments in Africa are undermining democracy in the continent through their support for repressive regimes. Sudan and Zimbabwe are usually cited as countries that China has actively supported. Weapon deals between Nigeria and China have also come under attack by critics in recent times.

Another important aspect to consider is the relatively small volume of Chinese investments and trade in Africa, compared to other parts of the world. Although Chinese investments in Africa are growing at a fast rate, Africa’s share of Chinese foreign direct investments remains insignificant compared to Western FDI in China and Africa. Zhibiao (2007) attributes the relatively small-scale Chinese investments in Africa to the “unstable political situation in Africa” and the Chinese enterprises’ lack of understanding about African markets.

Similarly, the volume of China-Africa trade currently is relatively low, despite the steady growth in recent years. Currently, China accounts for just about nine percent of Africa’s trade while Africa accounts for only four percent of China’s trade with the rest of the world. African countries that source very significant shares of their total imports from China include Sudan (14.2 percent of its imports), Ghana and Tanzania (9.1 percent of their imports), Nigeria (7.1 percent), Ethiopia and Kenya (6.4 percent) and Uganda (5.1 percent) (Jenkins and Edwards 2005). Almost all of these imports are manufactured products.

Some African states are concerned about the issue of competition for local firms, especially in the clothing, textiles and furniture sectors (Zhibiao, 2007). There is evidence that China’s growing competitiveness in global markets is having a harmful effect on local employment. Lesotho, Swaziland, Madagascar, Kenya, South Africa and Ghana have all been hit hard. As Kaplinsky (2007) noted, employment loss has been high, with distributional and poverty impacts. South Africa’s clothing and textile sectors have been badly affected by imports from China since the elimination of the Multi-Fibre Agreement in January 2005. In 2006, the South African government announced quotas on 31 categories of textile and clothing imports from China for a period of two years. This was to allow the local industry to restructure and prepare for competition with China. South African manufacturers are also accusing China of dumping heavily subsidised products on the South African market. An example is the
alleged dumping of stainless steel kitchen sinks. In spite of the 20 percent import duty on stainless steel, the prices of imported products mainly from China were still lower than the cost of raw material in the local market. A South African company, Franke Kitchen Systems, alleged that the kitchen sinks from China were being subsidised by nearly 48 percent of the value of the product.

In response to Africa’s concerns, the Chinese government has granted some trade concessions to a number of African countries. Currently, the 25 least-developed African countries enjoy zero tariff and special preferential tariff rate for exports of 190 products (or over 90 percent of exports) to China.

It may be the case that the cheap imports from China to Africa could have some welfare effects on poor African consumers. The availability of cheap made-in-China products has widened access to goods for many of Africa’s poor. Thanks to the cheap clothing from China, poor people in Ghana and other countries across the continent are able to afford new clothes instead of the ‘second-hand’ used items imported from the West. A case has also been made that the competition from China has forced some African manufacturers to improve the quality of their products and efficiency of their operation.

Generally, African markets seem to have welcomed the availability of low-priced Chinese goods. Traders and merchants have seized the opportunity to source their goods from China in order to increase profit margins. Likewise, Chinese companies and merchants have been reaping high dividends by promoting their products in the new and emerging markets of Africa. This has been observed in some African countries such as Lesotho, Kenya and Swaziland, which increased their clothing exports to the United States through the African Growth and Opportunity Act (AGOA).

But the net effects on Africa’s development may be negative especially in countries where there is ample evidence that domestic manufacturers are being out-competed by the cheap goods from China. Competition from Chinese imports has led to closure of industries and loss of jobs in both formal and informal sectors in some African countries. In Zambia, trade unions complain that imports of Chinese clothes have undermined the clothing and the electrical sector. In 2007, a textiles factory at Mulungushi in Zambia which employed 2000 workers was closed down leading to the loss of jobs for hundreds of people, mostly women. The National Union of Commercial and Industrial Workers has lost one fifth of its membership due to the closure of the textile and apparel companies in Zambia. The Zambian government also lost the tax revenue from the company. The closure affected not only workers in the factories and shops but also cotton farmers. Unions in Ghana have attributed the closure of Juapong Textiles and the subsequent loss of hundreds of jobs to the unfair competition from China. Trade unions and the Association of Ghana Industries (AGI) have called for some protection from cheap imports from China. Similarly, Nigerian unions blame Chinese imports for the loss of 350,000 jobs. Also in Ethiopia, a study of 96 micro, small and medium local enterprises reported that 28 percent of these enterprises were forced into bankruptcy and 32 percent downsized activities as a result of direct competition from Chinese products (Tegegne, 2006). Sudanese entrepreneurs have called for protection from government against increased Chinese
imports that have made local goods retreat in the face of Chinese dumping (Khalil
2007, Large 2008).

However, in assessing the impact of China-Africa trade, it has been suggested that the
analysis must go beyond the direct China-Africa bilateral trade and take into account
the indirect effects of China’s participation in the global market. This is because, in
general, African economies may be reaping some enormous gains because of the
cheaper goods from China and the growing Chinese competitiveness on the
international market. At the same time China’s growing demand for raw materials
may be among the factors pushing the prices of Africa’s exports. Lafargue (2005), for
instance, argues that China’s participation in world trade is driving up world prices of
Africa’s commodities thereby reversing the long decline in prices and giving the
African exporters of these materials a much-needed boost.

But there is another dimension to China’s influence on global trade which has to do
with the ability of China to attract cheap raw materials from Africa through reduced
tariff incentives to feed its industries leading to increased output of Chinese firms
which in turn introduces competition for African products on the international market.
Already a tough competition in favour of Chinese firms has been detected in the
export of finished wood products, including furniture. Ghana and South Africa used to
be the major source of garden furniture in Europe. They lost their position to China
and Vietnam. The single reason for this was that Africa did not appear price-
competitive. For example, in 2005, a garden furniture product imported from South
Africa cost US$ 60. The same piece of furniture cost US$ 50 when imported from
Ghana but US$ 38 and US$ 30 when imported from Vietnam and China respectively
(Kaplinsky, 2008:15).

The pattern of China-Africa trade is reportedly shifting to areas other than natural
resources (from Africa) and traditional finished goods (from China). For example,
China sold arms to both Ethiopia and Eritrea during their border conflict between
1998 and 2000. In Zimbabwe, China is reported to have supplied President Robert
Mugabe’s government with fighter jets and other military equipment worth millions
of US dollars that threaten security in the African nation, which is in political crisis.
Nigeria’s military has benefited from China’s technical assistance in the areas of
training and hardware supply in Nigerian Federal government efforts to curb the
violence in the oil-rich Delta region. And China’s support to Al Bashir’s government
in Sudan continues to be of concern to the international community.

We cannot conclude this discussion without mentioning another important feature of
China-Africa economic relations - the rapid growth of Chinese traders in many
African cities and towns. Dobler (2006) reports the growing Chinese community of
traders in Namibia. Officially, there are 3 000 Chinese nationals in Namibia but the
actual number could be significantly higher. Kaplinsky et al. (2007) report that the
number of Chinese traders in Lusaka, Zambia, increased from 3 000 to 30 000 over
the past decade and that over 160 000 Chinese live in South Africa in and around
Johannesburg. Some estimates put the number of Chinese traders in both urban and
rural areas in South Africa at between 200 000 and 300 000. There are over 70 000
Chinese nationals currently working in Nigeria; most of them are located in and
around Lagos in the south and Kano in the north.
2.1.4 The future prospects of China-Africa economic and trade relations

China claims that its relationship with Africa is guided by the principles of equality, mutual benefit, achievement of practical results, diversity in the forms of interaction, and attainment of common progress (Shelton, 2007). But it is obvious from the foregoing that China’s economic and trade relations with Africa are everything but equal. Africa-China trade is growing at a very fast rate, but at the same time Africa’s trade deficit with China is growing at equally rapid rate if not higher rate. Many Africans, especially those in the textile and clothing, footwear and furniture sectors have lost their jobs because of what many African entrepreneurs see as unfair competition from cheaper Chinese goods. Nearly 70,000 jobs are estimated to have been lost in the textiles sector in South Africa due mainly to the importation of cheaper Chinese substitutes. A total of 2,000 Zambians lost their jobs when a local textiles company closed down. The situation in Ghana, Sierra Leone and other countries in the sub-Saharan African region is not different. This has serious consequences for Africa’s effort to take millions of its people out of poverty and destitution.

Chinese investments in Africa tend to concentrate in the oil sector which means a few countries (mainly the oil-producing countries) are actually benefiting from Chinese direct investments in Africa. Chinese companies are winning many contracts in Africa due to the support they receive from the Chinese government. A loan from the Ex-Im Bank, for example, often requires the debtor to select Chinese companies which tend to source a significant proportion of their equipment, materials, technology, and labour from China (Konings, 2007). This practice effectively deprives the local communities of jobs. Those who are employed by Chinese companies often have to endure harsh working conditions and very low levels of pay. As mentioned earlier in this section, 50 employees lost their lives in Zambia at an explosives factory run by a Chinese firm in 2005 due to poor health and safety conditions in the factory.

China’s support for controversial regimes like those of Sudan and Zimbabwe, and especially the supply of weapons to them is a threat to political, social and economic stability. Furthermore, China’s apparent lack of concern for human and labour rights has come under attack from unions and other civil society organisations. Chinese companies have also been accused of violating environmental rights in some local communities in Africa.

Clearly, there are negative aspects of the China-Africa relations. But there is a positive side too. African leaders are particularly happy with China’s offer of trade, aid and investments without strings. The following statements from African leaders describe their perception about Africa’s relations with China.

“…the Chinese do not peg their economic activity or aid to political conditions... You never hear the Chinese saying that they will not finish a project because the government has not done enough to tackle corruption. If they are going to build a road, then it will be built.” (A Kenyan Government Spokesperson, quoted in Obiorah, 2007).
“The Chinese are doing more than the G8 to make poverty history...If G8 country had wanted to rebuild the stadium, we’d still be holding meetings! The Chinese just come and do it. They don’t hold meetings about environmental impact assessment, human rights, bad governance and good governance. I’m not saying it’s right, just that Chinese investment is succeeding because they don’t set a high benchmark” (Quoted in Kaplinski et al. 2007).

Most European companies abandoned Sierra Leone long ago, but where Africa’s traditional business partners see only difficulty, the Chinese see opportunity. They are the new pioneers in Africa, and – seemingly unnoticed by aid planners and foreign ministries in Europe – they are changing the face of the continent” (Government official from Sierra Leone, quoted in Hilsum, 2005).

Chinese firms, with the support of their government, are engaged in the various sectors across the continent. They are constructing roads and building hydroelectric dams and hospitals. As mentioned earlier, the state-owned China Road and Bridge Corporation alone had over 500 projects on the continent by 2004 (Pham, 2006; Konings, 2007). In Zambia, the construction of the Government Complex, a new headquarters for the Football Association of Zambia, a power supply for a copper mine, a cement plant outside Lusaka, the Lundazi-Chamma Road, and the hydroelectric plant at Kafue Gorge were enough to win the hearts and minds of the Zambian authorities and the people. The foreign ministry buildings in Djibouti and Uganda; the presidential palaces in Kinshasa; the houses of parliament in Cote d’Ivoire in Gabon and Mozambique; and soccer stadia in Tanzania, the Central African Republic, Mali and Ghana; the Supreme Court and the Police and Prison Training College in Namibia have all received admiration. Chinese firms are involved in oil, transportation and communications sectors. They are also involved in water management and industrial technology.

Some of these projects, particularly the infrastructural development projects, are what Africa needs to lift millions of her people out of poverty. But these are areas in which donor fatigue is felt most. As Taylor (2007) noted, China’s investment in Africa’s crumbling infrastructure is needed and welcomed by Africa.

China’s demand for some African commodities has had indirect but positive effects on the prices of African exports, especially oil and other raw materials. Some have even attributed the higher economic growth in Sub-Saharan Africa in the last few years partly to the positive effects of China’s participation on the international commodity market and its trade with Africa (Marks, 2007).

African leaders consider their engagement with China as a viable alternative to the neo-colonial relations they have had with the West in the past 50 years. China’s principle of non-interference in domestic affairs has enabled Angola, Sudan and Zimbabwe to effectively avoid the international financial institutions and other bilateral donors (Chidaushe, 2007).
In the telecommunications sector Huawei Technologies has expanded its business into nearly 40 countries in Africa, including the US$ 800 million contract to build the infrastructure for Nigeria’s lucrative cell-phone market (Konings, 2007)

China’s does not limit its relations with Africa to the exploitation of Africa’s natural resources and infrastructural development, although these are the areas in which China’s impact is mostly felt across the continent. In an attempt to keep its principle of “diversity in forms of interaction”, the Chinese government has provided aid not only for selfish economic gains but also for social progress in Africa. According to the Chinese Academy of Social Sciences, by 2006 the Chinese government had provided aid for over 800 projects across Africa worth nearly US$ 6 billion. China had also provided debt relief worth US$ 10.5 billion for 31 African countries. China’s African Human Resources Development Fund had provided resources to train about 10 000 Africans in China by the end of 2004. In 2005, China offered scholarships to nearly 16 000 Africans from 52 countries and more than 600 Chinese teachers and 1 500 Chinese doctors have worked in these countries.

At the 2006 China-Africa Summit in Beijing, China committed itself to doubling aid to Africa by 2009 and to increase funding for development projects particularly in health and agriculture. China has also pledged further debt cancellation for the poorest African countries and to give further preferential customs treatment to African exports to China and to establish trade and economic zones on the continent. There were further pledges in human resource development and health, including training for 15 000 Africans, construction of 60 hospitals, malaria clinics and schools, provision of anti-malaria drugs, and increased scholarships for Africans to study in China.

China-Africa relations can grow stronger because African leaders perceive their relations with China as a viable alternative to the neo-colonial relations with Western countries. But to ensure equity, there is need for joint efforts on the part of both China and Africa to develop appropriate policies to bring about trade relations that are truly complementary. The Chinese government has shown some sensitivity to the negative impacts of its manufactured exports on the survival of African industries and has taken some initiatives to promote local industries in some African countries. For instance, in 2006, the Chinese government publicised a planned investment package of US$ 300 million in Zambia, which included a US$ 100 million in a ‘high-tech’ economic zone for the manufacturing of television sets, mobile phones and other “electronic items” (Centre for Chinese Studies, China Briefing June 2007), Kaplinsky, 2008). In Nigeria, there are plans by Shaoxing Textiles Company of China to build a US$ 50 million textile park (Centre for Chinese Studies, China Briefing June 2007). In 2004, the Chinese Ministry of Commerce trained more than 2 400 Africans from 48 countries in the fields of trade and investment and economic management among others to develop the capacity of local men and women. Such initiatives may go a long way in supporting the development of local industries.

African governments could draw on lessons from many Asian countries to make strategic investment in education and infrastructure to promote economic development. Such investments would also facilitate their abilities to attract and benefit from efficiency-seeking and export-oriented FDIs (UNCTAD Press Release, March 2007). In addition, African governments must strengthen their monitoring capacity to ensure that investors, including Chinese investors, do not divert their focus
from manufacturing for which they have been granted licenses. There is also the need for African governments to regulate the use of expatriates as a means of building the capacity of local experts. There have been cases where some African governments, in their quest for foreign investments, have flouted their own rules and regulations in favour of Chinese investors. Tender regulations, investment acts (including affirmative action and employment acts), labour acts, pension acts as well as minimum wage regulations have been flouted in some African countries in favour of Chinese companies at the expense of local entrepreneurs. In Ghana, local entrepreneurs have complained that foreign enterprises find it easier to access loans from local banks.

A mutually-beneficial relationship would also entail that African governments should ensure that Chinese investors operate in a safe and stable environment. As reported in the Ghana country study in Chapter 3, the Chinese Embassy in Accra, Ghana, has received several complaints relating to extortion, corruption and the rising crime rate from Chinese investors operating in the country as well as from those preparing to establish businesses in Ghana. Chinese companies have also complained about the “worsening policy environment” which has to do with the attempt by government to scale down the number of incentives for foreign investors. Other complaints relate to multiple taxation, poor attitude towards work and poor infrastructure, particularly the lack of reliable supply of electricity and water. These weaknesses have to be addressed to ensure that there is appropriate business environment for all investors to participate constructively in Africa.

China-Africa relations will continue to generate debate among researchers, policy makers and development partners. The negative aspects of the relationship will continue to be highlighted, especially by the West. African leaders and intellectuals will, on the other hand, continue to perceive these criticisms from the West as a reflection of the fears of the ex-colonists to lose their grip on the continent. There is no doubt that the Chinese presence in Africa has produced some mutual benefits, albeit in a few African countries, in terms of infrastructural development, technology transfer, and even in terms of job creation. However, evidence suggests that the conduct of some Chinese companies operating in Africa is unacceptable.

Critics in the West point to the tendency of China to corrupt African leaders with loans and grants. In spite of these criticisms, it is fairly easy to predict that in the foreseeable future, China-Africa relations will grow stronger. The reasons for such optimism are outlined by Zhibiao (2007) as follows: First, China-Africa friendship has developed over a long period of time dating back to the 1950s and 1960s. This has laid a solid foundation for a stronger cooperation in the future. Second, there are no “historical grudges between China and Africa nor are there any border disputes or any religious and ethnic conflicts between them”. Thirdly, (arguably) Africa and China are complementary to each other in economic and industrial cooperation. And finally, unlike the neo-colonial and the patronising relationship that exists between Africa and the West, China’s relationship with Africa is based on the principle of non-interference in internal affairs of its partners. This is generally welcomed by African leaders.

For as long as China needs material resources from Africa for its own economic growth and development and African countries continue to receive Chinese aid and
investments in key sectors of their economies without policy conditions, African
governments will continue to welcome China to Africa and their relations are likely to
grow from strength to strength.

2.2 Working conditions and labour relations in China

Apo Leong, with editorial assistance from Saliem Patel

2.2.1 Introduction

“The compensation from the Italian Chicco Company and the local government
cannot be offset against my ruined youth!” said XiaoYing, a 15-year-old child worker
who was a survivor of the Zhili toy factory fire 15 years ago in Shenzhen, China. She
had 75% body burns.

Central questions for African workers and their trade unions are: What are the
conditions of workers in China? How are workers organised in China? How do we
build solidarity between the progressive Chinese labour movement and ours?

Although the rise of China in the world economy is new, its relationship with Africa
is not. The people to people exchange between China and Africa has a history of 3
000 years. The most famous one is the sea expedition led by Cheng He from the Ming
Dynasty from 1412 to 1433 which helped to promote trade and cultural exchanges for
many years. After its founding in 1949, the People’s Republic of China assisted
numerous African countries in their struggle for political and economic independence
from European colonial rule. Likewise African countries supported China in the
international arena, for example, 26 out of 76 votes that allowed China to re-enter the
United Nations were African.

The challenges in building working class solidarity between Africa and China are
becoming more relevant as the Sino-Africa relations grow. The effects of being
ravaged by neo-liberalism for more than 30 years are conspicuous in Africa – a
decline in its contribution to world production, world trade and world investment;
inability to meet the Millennium Development Goal targets; the prevalence of poor
working conditions, cheap labour and high levels of unemployment; and democracy
remains as allusive as human rights violations are rife. It is in this context that Africa
is asking whether the rise of China is a threat or an opportunity. This section argues
that only working class solidarity can divert threats and ensure that opportunities are
turned into real benefits for workers and the poor multitudes in both Africa and China.
But solidarity requires understanding of different contexts and so this paper is an
attempt to inform African workers of China’s economy, of the working conditions in
China, of workers’ experience of oppression in China and their responses to it as well
as trade unions in China. The ability to develop strategies for solidarity can only be
improved if the working classes of Africa and China are better informed and have a
better understanding of each other.
2.2.2 China’s Economy

The year 2008 marked the 30th anniversary of the economic reforms that China embarked upon in 1978. These reforms were what the Chinese Communist Party calls ‘socialism with Chinese characteristics’ but in essence it was a process of liberalising the economy and moving towards a capitalistic market system. Deng Xiao Ping’s famous motto is: “Let a few get rich first” and the Communist Party is determined to remain on this course announcing that it has “no regret” for embarking on the reforms (17th Party Congress, 2007).

The economic statistics affirm the position of the Communist Party. The economy has grown very fast as depicted in the table below (the exchange rate in January 2009 was 1 USD=6.85 RMB) and the GDP of China represents 6% of the world total. During the 1980s, China’s economy grew by 32% and this increased to 195% during the 1990s. Between 2000 and 2007 the economy grew by 175%. In 2007 it recorded a 22.6% increase while recent annual increases were all over 17%.

Table 4: Nominal GDP Growth in China for selected years

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<tbody>
<tr>
<td>GDP (US$mil)</td>
<td>306,520</td>
<td>404,494</td>
<td>1,192,836</td>
<td>1,647,918</td>
<td>1,936,502</td>
<td>2,282,554</td>
<td>2,681,265</td>
<td>3,286,881</td>
</tr>
<tr>
<td>% Increase</td>
<td>32.0</td>
<td>194.9</td>
<td>17.5</td>
<td>17.9</td>
<td>17.5</td>
<td>22.6</td>
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Source: Unctad Hand Book of Statistics 2008

Analysing the composition of the economy in China shows that agriculture has declined from 27% to 13% of the economy between 1990 and 2006 while industry has grown from 41% to 46% and services from 32% to 39% over the same period.

Table 5: Changing Structure of China’s Economy: 1990 - 2006

<table>
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<tr>
<th></th>
<th>Agriculture (%)</th>
<th>Industry (%)</th>
<th>Services (%)</th>
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<tbody>
<tr>
<td>1990</td>
<td>27</td>
<td>41</td>
<td>32</td>
</tr>
<tr>
<td>1995</td>
<td>20</td>
<td>47</td>
<td>33</td>
</tr>
<tr>
<td>2000</td>
<td>15</td>
<td>46</td>
<td>39</td>
</tr>
<tr>
<td>2006</td>
<td>13</td>
<td>47</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Unctad Hand Book of Statistics 2008

Figure 1 below (which is based on the table above) shows that industry and services have grown consistently and at similar rates during this period.

Figure 1: Changes in the importance of China’s economic sectors, 1990-2006
At the end of 2007, the labour force was 769.9 million, of which 193.5 million were urban workers. Comparing the percentage change of the labour force in the various sectors since the introduction of the economic reforms to the percentage contribution of GDP of the various sectors over the same period, the following observations can be made:

1. The tertiary sector has grown both in terms of employment as well as contribution to GDP. However, employment growth has been faster resulting in a slight difference between the percentage people employed in the sector and the percentage contribution of this sector towards GDP.
2. The secondary sector has grown in terms of employment. However, its contribution to GDP has remained static but is still much higher than the percentage of people employed in the sector.
3. The primary sector has declined in terms of employment and contribution to GDP. The fact that 42.6% of the working population contributes only 11.8% to the GDP in the primary sector is a strong factor driving the rising levels of inequality.

4. What is being achieved in the tertiary sector namely that the percentage of people employed is equivalent to the percentage contribution has not been accomplished for the other two sectors.

Other key economic indicators are:

- Foreign exchange reserves in 2008 amounted to US$ 1,900 billion, the highest in the world.
- Total import/export growth rate was 23.5% in 2007 compared with 2006. China is now known as the ‘factory of the world’ and was ranked number three in world trade in 2007 compared to number 29 in 1976.
- In 2007, the non-financial foreign direct investment (FDI) was valued at US$ 74.8 billion, a growth of 13.6% compared with 2006.
- The overseas direct investment by Chinese investors was US$ 18.7 billion in 2007, an increase of 6.2% over 2006 which is encouraged by the government’s “going out” policy.
- Profits growth is very high, especially in privately-owned enterprises.
- The inflation rate has been quite low, ranging from 1.2% to 4.8% in the last 5 years.

| Table 6: Inflation Rate in China (Consumer Price Index) |
|--------------------------------|--------|--------|--------|--------|
| 2003 | 2004 | 2005 | 2006 | 2007 |
| 1.2% | 3.9% | 1.8% | 1.5% | 4.8% |

<table>
<thead>
<tr>
<th>Table 7: Type of Ownership</th>
<th>Profit Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>State-Owned Enterprises</td>
<td>36.70%</td>
</tr>
<tr>
<td>Collectively-Owned Enterprises</td>
<td>25.20%</td>
</tr>
<tr>
<td>Shareholders Enterprises</td>
<td>35.10%</td>
</tr>
<tr>
<td>Foreign-Owned Enterprises</td>
<td>34.30%</td>
</tr>
<tr>
<td>Privately-Owned Enterprises</td>
<td>50.90%</td>
</tr>
</tbody>
</table>

These enormous economic achievements make China the envy of every developing country. China now occupies fourth place in terms of size of its economy moving from 11th place in 1978. It is thus no surprise that African governments are interested in developing economic relations with China.

2.2.3 Human Development Indicators in China

An outline of human development and social indicators is required to place this immense economic growth in a broader developmental perspective. The African
experience shows that economic growth does not necessarily lead to improved socio-economic development and this section points out the Human Development Indicators for China to understand if there is a difference of experience.

Very noticeable is the drastic drop in poverty from 250 million people in 1978 to currently 23 million people. Income has also risen as shown by its ranking in GDP per capita of countries. Before the economic reforms China was number 175 out of 188 countries – or 13th from the bottom. Currently it ranks 129 out of 209 countries. According to official statistics the poor represent a 10th of the total population. Of these 5,968 million are from the rural population, 4,616 million from the urban population and 2,5 million are migrant workers (Li, Social Harmony and Stability in China Today, 2008).

Of concern, however, is the rise of unemployment which, although officially at four percent, is more likely to stand at about eight percent if one includes workers laid off from State Owned Enterprises. They are not counted as unemployed due to their continued relationship with the company. These are called “xiagang” workers and their number has grown to between 30-40 million in the past 10 years. Also not accounted for is the growing number of unemployed migrant workers.

Inequality has also become a huge feature of the socio economic landscape in China. The Gini coefficient of China is 0.496 (2006), equivalent to that in Latin American countries, but could be better than quite a few African countries. The form that inequality is taking, however, shows that the new middle class based in the cities has improved earnings while the earnings of farmers in the rural areas have declined. The divide in income between the population of the farmers and urban people has widened from a ratio of 2.57 to 1 in 1978 to 3.33 to 1 in 2007. The biggest disparity is, like in most countries of the world, that between the small size of the employer class and the huge proportion of national income it accrues. The employer class represents 3.15% of the labour force, but their income share constitutes 15.94% of the total. The new middle class’ share of the labour force is 7.76% but their income share is 16.95%; the working class share of the population is 30.61% and their income share is 35.76%, while the rural farmers account for 47% of the population, but only 17.91% of the national income.

China’s growth can be compared with the Victorian “primary accumulation of capital”, which is driven by intensified exploitation of the country’s farmers and workers (Hart-Landsberg and Burkett 2008). In the old days, the government regulated everything under the planned economy; however, in the reform period the government plays a minimum role in labour relations and redistribution of wealth and public goods leaving this in the hands of company bosses and their management.

The Chinese population is concerned about the manner in which China is developing as shown by opinion polls conducted in China. The Blue Book on Society in China in 2008 identified the top five concerns as: rising prices (96%), the gap between the rich and the poor (89%), corrupt officials (78%), air pollution (74%), and unemployment (68%) (CASS 2008).

The Chinese government has come to recognise the problems of growing unemployment and inequality as well and publicly argues that there needs to be
countervailing measures to the “growth first” economic policy. Towards this end, it has adopted what it calls a balanced approach, such as the ‘green GDP’ measurement which includes the respect for human rights and ‘putting people first’ (State Council Policy Statement 2004). The government believes that business interests should be protected and pursued, and has also instituted some mechanisms to relieve the pressure of unemployment.

One of these mechanisms is the policy of sending workers overseas. The number of overseas workers in October 2008 was 838,000 according to the Ministry of Commerce, an increase of 81,000 compared to the previous year. This is an underestimated figure as many Chinese go overseas without proper documents, which are arranged by “snake heads” (labour brokers). It is well documented that Chinese migrant workers are badly treated and there are numerous labour disputes and wildcat strikes. Unscrupulous employment agencies exploit overseas Chinese workers who are vulnerable (South China Morning Post website). There appears to be a new trend, however. This is the signing of the bilateral labour service treaties such as between the governments of Mauritius and China in 2005 on labour cooperation and the reduction and avoidance of labour disputes for 8,000 Chinese overseas workers stationed there.

Other mechanisms include focusing on new entrants to the labour market, creating jobs in the rural areas and retraining unemployed workers in the city. Accordingly, the Ministry of Human Resources and Social Security (MHRSS) has set targets for employment of 10 million new people, retraining 50 million “xiagang” workers and maintaining the unemployment rate of 4.5%.

2.2.4 Working Conditions in China

It took China 40 years to enact the first comprehensive Labour Law (Guan 2007). On paper the Chinese Labour Law looks good. Enacted in 1994, it stipulates the basic rights of a worker in terms of employment contract, rest days, wages, dismissals and layoffs, working hours, occupational health and safety, social insurance, and labour disputes (Handbook of Chinese Labour Law, 1999). This is a direct result of the early market reform in China where private sector workers needed protection against unscrupulous business. More recently, in 2008, two further laws were enacted due to the rise of migrant labour: the Labour Contract Law and the Labour Disputes Conciliation and Arbitration Law of 2008. The new Labour Contract Law says every employee should have a contract which stipulates all the workers’ rights and entitlement, failure of which will compel the employer to pay twice the compensation to the workers.

A Chinese worker earns on average 2,000 RMB a month (US$ 250). The government has different minimum wage rates for different cities but these apply to workers formally employed who are largely in State-Owned Enterprises. Numerous workers are informally employed in privately owned enterprises or joint ventures and are mostly migrant workers. The wage difference between migrant and traditional state workers is significant, without counting benefits. A migrant worker earned 921 RMB (US$ 115) a month compared with an urban worker whose average monthly wage was 2,364 RMB (US$ 295) in 2007. In other words, a migrant worker would have to get a 156% increase to match the wage of a worker in a state-owned company even if
they are doing similar work. In addition, migrants are not entitled to benefits such as
maternity or unemployment benefits and are excluded from many social security
measures such as social assistance.

The old social security system dates back to 1951 and provided workers with cradle-
to-grave benefits. This system has been dismantled due to rapid reforms or
privatisation (though this term is rarely used because of political sensitivity) or lack of
funds. Previously it did not require any workers’ contribution and was based on the
former Soviet Union (USSR) model. The new central system is not yet in place and a
bill on Social Insurance Law is pending at the National People’s Congress. There are,
however, numerous schemes currently operating under the social security system in
China:

- Old age grants - the retirement age is 60 years for men and 55 for women.
- The labour insurance medical system aims at protecting the health of
  enterprise employees, with medical expenses subsidized if they are sick or
  injured at work.
- The unemployment benefits extend for a maximum of 2 years, but the length
  is determined by the length of subscription and the amount is 80% of the
  minimum wage.
- Industrial injury covers medical allowance and subsidies for work injuries,
  disability allowance and compensation according to the assessment; and
  compensation and allowance for work-related deaths.
- Maternity benefits cover medical expenses for child delivery, birth allowance
  (10 weeks), and family planning cost.

The social security system in 2007 had 201,070,000 people on old age grants. It
catered for medical needs of 220,510,000 and provided industrial injury and
unemployment benefits to 121,550,000 and 116,450,000 people respectively.
Furthermore, it provided maternity benefits to 77,550,000 women (Ministry of
Human Resources and Social Security).

The problems that the forthcoming Social Security Bill is attempting to deal with are:

1. Low coverage: There are many private enterprises which fail to pay the premium
   and their employees are thus excluded from benefits. Furthermore, the large
   number of migrant and informal economy workers is not protected.
2. Not transferable from city to city or, province to province: The funds accumulated
   in the fund by an employee in one city are not transferable when the employee
   moves to another city.
3. Rural workers unprotected: Some villages have remedial or limited security
   schemes.
4. The Social Security System is underfunded: There is no central pool system
   which can allow cross subsidisation.
5. Corruption: Due to the power of politicians in their cities they are able to
   misappropriate funds as was the case of the Shanghai Mayor (he appropriated
   RMB 3.2 billion from the pension scheme).

In terms of international regulations, China has ratified 25 International Labour
Organisation (ILO) conventions. Of the eight core labour standards, China failed to
ratify the conventions related to forced labour (conventions no. 29 and no. 105) because prison labour and the “re-education” labour system still exist. The conventions related to freedom of association and the right to organise (no. 87 and no. 98) have also not been ratified because of one single union structure. According to the International Confederation of Free Trade Unions (now International Trade Unions Confederation or ITUC) submissions to the ILO, much work needs to be done. From 1989 to early 2007, the ITUC has submitted 17 submissions to the ILO on China.

In addition, China is a signatory to the Universal Declaration of Human Rights (UDHR) and is a founding member of the United Nations. Under the UDHR there are several clauses (article 23 for example) related to labour rights, so China has a duty to fulfill all these labour rights.

Under the UN system, there are many international conventions, covenants and agreements which have labour clauses, or clauses related to labour. Again, China is a signatory to around 25 pieces of international instruments and has a duty to submit periodic reports to the related authorities for scrutiny.

One of the most important pieces is the International Economic, Social and Cultural Rights Covenant (ICESR 1966), which has specific labour rights articles. China signed the Covenant in 1997 and the National People’s Congress approved it in 2001, while making a reservation on Article 8 on freedom of association. The Committee on ICESR called upon the Chinese government to undertake necessary measures to ensure that all persons under its jurisdiction enjoy the economic, social and cultural rights enshrined in the Covenant without discrimination. On the Civil and Political Rights Covenant, China is a signatory but the NPC has yet to approve it (Leong 2008).

2.2.5 Workers’ Experiences

Despite the extensive legal protection of workers through government enacted national laws and approved international regulations, there are undoubtedly unfair practices and large and growing numbers of workers remain oppressed and exploited in the following manner:

1. The Household Registration System

The hukou (household registration) system, which dates back to 1958, makes it difficult for migrant workers to change their status to an urban one, unless they are rich enough to do so or are professionals. It was a measure by the government to segregate the rural from the urban population and to exploit the farmers to subsidise the urban population. A native from the countryside, for example, is confronted with all forms of discriminatory measures due to his or her rural status. Some academics compare this with South Africa’s apartheid system, which discriminated against black people. The Civil Affairs department and the Public Security Bureau keep a close eye on the hukou status of each individual.

Recently, a lawyer and a scholar listed 10 of Beijing’s laws and regulations that limit the civil, political and social rights of migrants. For example:
• the election regulations prevent migrants from voting or standing for election other than from where they are from;
• the low cost housing measures only apply to the Beijing residents;
• the regulations governing taxi drivers and mini-bus drivers only apply to those who have a Beijing resident permit and
• the social assistance scheme, the maternity scheme, the medical scheme do not cover the migrants.

A ‘Citizen Recommendation’ which advocates for equal rights for migrants in terms of social insurance, right to vote, subsidised housing, education for children and right to work as urban Beijing citizens has been submitted to government (Lu Jun 2008).

It is not uncommon to find migrants taking up “three D jobs” (dangerous, dirty, and difficult). Assembly line jobs are taken up by the migrant workers or the unemployed workers after re-training. The number of migrant workers now surpasses the number of traditional state workers. The recent estimate is those migrant workers constitute between 150 million – 200 million people.

According to the CASS researchers, migrant workers are ranked as the lowest strata and have the lowest status. The 10 strata identified by CASS are as follows: administrators (government and private), managers, private entrepreneurs, professionals, office workers, individual private business people, commerce and business staff, industrial workers, migrant workers and unemployed or underemployed.

Another issue that has affected workers was the dismissals at State-Owned Enterprises. This dismissal had severe repercussions far beyond wages. Workers also lost their social benefits such as subsidised housing, schooling for their children, etc. A common lament among dismissed SOE workers is that they are no longer ‘masters of their society’ (May Wong 2007). In other words, they lose their status and self esteem even though they are still entitled to limited social security benefits.

There is a growing trend of informal or dispatch workers. This is confirmed by the Informal Employment Development Report (2006). It is estimated that informal workers represent 40-50% of the urban workforce, and contribute 35% of GDP. Most of them are migrant workers or xiagang workers (Asian Labour Law Review 2008).

1. Gender discrimination

Women workers suffer further through lower wages, gendered job segregation and discrimination. The cases regarding women workers are numerous. For example, women are asked to retire earlier (55 or 50) than men (60). In mass lay-offs, women are usually the first victims, being asked to “return to the kitchen”. In export-oriented factory work, assembly line women are required to produce a “family planning” certificate (a paper certifying married women’s family planning status or unmarried status because of the one child policy) before employment can be granted.

2. Health and Safety
There were 101,480 reported work-related deaths in 2007. A 2006 report by the Panyu Migrant Centre says most of the accident victims in Pearl River Delta in South China are migrant workers in metal, furniture, electrical appliances, plastics and other industries. These accidents are more likely to occur in small and medium size factories (less than 1,000 employees) in Chinese-owned enterprises and in Taiwanese factories. The survey shows that the majority of migrants had no occupational health and safety training, nor were they provided with proper protective gear. They were required to work overtime (10 or more hours shift a day). Furthermore, most of the small and medium-sized factories used outdated or second hand machinery from Japan, Korea, Taiwan or Hong Kong.

An example of the lack of health and safety is the Zhili fire. It is acknowledged that this was not an accident but a man-made tragedy. In fact, the factory had been served warnings by local officials several times before. Due to corruption both the employer and authorities, however, turned a blind eye to the hazard of management locking workers inside the factory and barring all the windows. The reason they provided for doing so was that this prevented workers from stealing. Workers, however, viewed it as a way to force them to work overtime.

The most accident prone work in China is coal mining. Through combined efforts of heavy punishment, enforcement, closing small mines and installation of preventive measures, the number of casualties has been reduced from 6,000 people per year to less than 4,000.

Occupational diseases which take a longer latency period are rampant in China. Over 600,000 workers suffer from lung diseases, not to mention chemical poisoning, deafness and other health complications (ANROAV website).

3. Environment

The recent case of milk product poisoning by melamine has not only affected China, but the whole world which imports from China. Air pollution is a major concern for workers and this situation was highlighted in preparation for the 2008 Olympics when the number of cars in Beijing was limited and industrial factories closed. This, however, was only a temporary measure to ensure a “blue sky” during the Olympics itself. The other cities in the country were less fortunate. According to an opinion poll in 2006 by the China Environment and Culture Promotion Association, 82% of the respondents were affected by unsafe food, 81% by polluted water and 73% by air pollution (Blue Book on Society of China, CASS 2008).

4. Corruption

Corruption plays a major role in the exploitation of workers either directly through politicians appropriating workers’ funds or indirectly through preventing reforms or not monitoring violations. The government and the Communist Party condemn corruption and it appears that in more recent times, senior Party members or officials have been exposed, including an official from the Central Political Bureau from Shanghai. From December 2002 to June 2007, the Disciplinary Authority handled 677,924 cases and condemned 518,484 Communist Party and government officials.
5. Access to Farm Land

At present each farmer is given a small piece of land. Due to rapid industrialisation in the coastal provinces and other factors, the seizure of farmland has made more than 55 million farmers landless. Neither local governments nor the developers compensate dispossessed farmers and so they not only lose their means of subsistence, but are excluded from the social security system and are the “new poor” in China.

6. Education and the Girl Child

The government policy is to provide free education for nine years. However, there is no free pre-school education and as a result only 1.3% of the child population is enrolled. Another issue related to education in the villages is that children drop out after completing primary or junior high school especially girls who are frequently asked to give up their further studies in favour of their brothers. Furthermore, migrants face difficulties getting their children into public schools. According to an official report, 72% of the children of the migrants in the city are enrolled in public schools, 22% are enrolled in private school, and 1% has no access to schooling.

2.2.6 Worker Responses to Oppression and Unfair Labour Practices

There was a record of 94,000 ‘disturbances’ in China during 2006, most of them being labour disputes, land issues and farmers’ resistances (Global Labour Strategies website). On the labour front, disputes have grown at a rate of 30% per year. Between October 1986 and December 1987, the labour arbitration machinery only handled 5606 cases. However, in 2006, the figure reached 317,000. Collective labour disputes increased from about 300 cases in 1991 to 14,000 in 2006. In 2006, this involved 350,000 workers. In the labour courts, workers’ cases constituted more than 50%, which indicates the high level of violations of workers’ rights, especially in privately owned enterprises. Most of these cases revolved around wage issues and Guangdong (where Hong Kong investment is concentrated) had the highest record of cases. The resort to courts has increased the waiting period for cases to be resolved, especially after the introduction of the new Labour Contract Law and Labour Disputes Conciliation and Arbitration Law of 2008.

In many instances, however, workers get what they want through direct action such as work stoppages, sabotage, go-slow or blocking highways. Thousands of women workers took part in the ‘winter of discontent’ in the Pearl River Delta before the Chinese New Year towards the end of 2007 and in early 2008. The fact that in most instances workers won their demands for wage increases, back pay and improvements of working conditions has further encouraged this form of response and issues are resolved through direct negotiation between management and workers or through the intervention by the unions’ labour department.

The recent economic downturn and closures, however, may impact negatively on this trend. Hundreds of toy, garment, metal and electronics factories closed down in South China, due to withdrawal or reduction of overseas orders. Local governments have been paying wages to workers on behalf of the run-away employers to avoid further
disturbances (China Daily). It was estimated, however, that more than 10 million migrant workers returned to their hometowns in 2008 with little hope of finding jobs.

### 2.2.7 Trade Unions in China

The Chinese government recognises only the All China Federation of Trade Unions (ACFTU). In terms of membership, this is the biggest union on earth. The profile of the ACFTU in 2007 is captured from their website: “There are 31 provincial trade union federations, 10 national industrial unions and 1 324 million grassroots trade union organisations (in 2 753 million enterprises and institutions) affiliated to the ACFTU. The membership of the ACFTU totals 169,94 million (of which 61,778 million are women, accounting for 36.4% of the total number of union members, and 40,978 million are migrant workers, accounting for 24.1% of the total).” The unionisation rate is 73.6% and there are 543 000 full-time trade union cadres and 4 568 million part-time cadres (http://www.acftu.org.cn/).

The ACFTU has a heroic historical background. Formed in the midst of workers’ struggle against capitalism and imperialism in 1925, it led big campaigns and was closely linked to the Chinese Communist Party (CCP) and the Communist Red International. After the purge by the Nationalist government in 1927 in which hundreds of activists were killed or imprisoned, this militant federation went underground to continue its operation. In 1948, it was resurrected as a pillar of people’s organisation (Wang, Gao 2008).

Although it still identifies with its militant history, the ACFTU’s position today is radically different in that it identifies itself with the government. It has adopted the role of being a ‘bridge and link through which the Party keeps in contact with the masses of the workers and staff members, an important pillar of society for the political power of the state’ (ACFTU, 2002). Its objectives are to defend workers’ rights, to educate workers, to promote the construction of socialist market economy, and to participate in public affairs and management and it sees itself as an indispensable partner in what has been termed ‘building a harmonious society’ (Gao, Wang 2008).

Most workers, however, particularly the migrant workers, see the ACFTU as an extension of the government, as the human resources department of management or as a relief agency as it plays no supportive role in the direct action of workers so prominent today.

The international labour movement represented by the ITUC and the global union federations (GUFS) have, since the 1989 crackdown on the Tiananmen democratic movement, complained that the ACFTU does not serve working class interests internally and externally. They have lodged numerous complaints to the ILO over the suppression of free trade unions and violations of labour rights. They also adopted an isolationist strategy towards the ACFTU.

Since December 2007, however, the ITUC executive made a shift in approach by adopting a new critical dialogue to normalise its relationship with ACFTU. Furthermore, in 2008 the ACFTU got the subtle consent of the ITUC to win a seat as a substitute member in the governing body of the ILO. Exchanges have been more
frequent between union officials of the ACFTU and many national federations, regional federations and some Global Union Federations. However, the ACFTU seems to take ‘Third World countries’ unions more seriously and has maintained a cordial relationship with the World Federation of Trade Unions and many Third World country unions.

The breakthrough in organising Wal-Mart, Foxconn and a number of big TNCs has won much applause for the ACFTU. This is particularly significant since there is no single trade union in the US that successfully organised at that level. However, the Wal-Mart union in China recently encountered a dilemma where the local unions preferred decentralized bargaining with the company while the ACFTU signed a memorandum of understanding with the company to bargain centrally and this has no doubt caused tensions in the union (Anita Chan 2008).

The bottom-up approach in organising is very different from the traditional top-down approach that the ACFTU is used to and which makes them reach agreements with employers first before consulting workers (China Labour News Translations, Global Labour Strategies, Labour Notes). In fact, it is not uncommon to find a union chair concurrently holding a management position such as human resources manager, being a party official and being a close relative of the employer - what is called “three in one”. These “union officials” are quite open and proud in playing this role, claiming it is the most effective and convenient way to settle any labour dispute. And in the rush of setting up unions to meet the targets, this approach is being tolerated by the superior unions. As a result of traditional top-down practices, many union officials are pro-management or de facto management staff themselves.

On a day-to-day basis, the ACFTU acts mostly as a social club. In times of crisis when there are work stoppages, the ACFTU is criticised for not siding with workers, or only playing a “fire-fighter” role. In recent years, the active promotion of “collective consultation” (the term “bargaining” is rarely used), “wage consultation” and tri-partite consultations with the facilitation by the ILO certainly help to frame a better image of ACFTU.

Open recruitment in public, at the factory gates, home visits and direct elections of union officers which are common tactics in other countries are adopted.

There have been attempts to form independent unions in China but this was either ruthlessly suppressed or the unions have been co-opted into the mainstream union federation. The crackdown on the Beijing Workers Autonomous Federation was illustrative. These groups were formed to support the students’ movement in 1989, and to vent workers’ frustration over corruption and the malpractices of the factory management. Similar independent workers’ organisations were formed in other cities during that period. At one stage, the ACFTU showed sympathy towards the democratic movement but this changed after the movement was suppressed and hundreds of worker activists were arrested or forced underground. Learning from the lessons of the Polish Solidarnosc and the East Bloc, the Communist Party and the Chinese government reacted swiftly to any independent union and civil society movement (Zhang 2008).
The new surge of labour NGOs in South China is a particular feature that is worth more investigation. Influenced by the Hong Kong labour organisations, these groups began to emerge as workers’ centres, health clinics and cultural groups in industrial districts providing legal aid, evening classes, and library services for migrant workers. The organisers are mostly ex-factory workers who regularly visit industrial victims in hospitals, and help them to claim compensation. Right now, there are around 100 labour NGOs in China, the majority of them are in South China, with many being funded by overseas bodies. There is a weak link between intellectuals in China and these NGOs, unlike in the Polish case and the authorities keep tight surveillance over developments and are ready to suppress any alliance of these groups. As these groups cannot register under with the Civil Affairs department as a society, they either register as business entities or they operate clandestinely (Zhang 2008, SCMP 2/11/08).

Apart from police harassment, NGO workers face intimidation or violence from some business people. In November 2007, one organiser from Dagongzhe (a local labour NGO), Huang Qingnan, was assaulted and seriously wounded by several assailants allegedly hired by local businessmen. It is said that his work of promoting labour rights and helping workers in labour cases in the locality upset the local business circle (ALU 64). After the arrest of five suspects, two hearings were held one year later but it was clear that the process was biased after the court set up hurdles to deter a public hearing.

As most of the industrial actions are spontaneous, the ACFTU plays no role in organising them. It may intervene as a mediator. If there is a gross violation of labour rights, the ACFTU will publicise these cases or inform the Labour Department to seek a remedy. The ACFTU has not been very assertive in taking up violations of labour rights as indicated by the example of the Danish electronics factory, Ole Waff, in Yantai, Shandong province. The factory management resisted the reinstatement of union officials and back pay after a dispute. While the ACFTU did not show much interest in this case the Danish unions intervened and the matter was then settled in favour of the workers (Globalisation Monitor website).

In contrast to the passive role of the ACFTU, NGOs play a more active role, trying to mobilise as many workers as possible, providing guidance and assistance. If disputes emerge in a TNC-related factory, NGOs will appeal for international solidarity.

On legal reform, ACFTU has many advantages. It is an ex-officio party in the drafting and consultation process of regulations and is well represented at the Political Consultative and National People’s bodies. It is also well connected with the Party. The present chair of the ACFTU is a high ranking Communist Party member, and it is a position that the ACFTU holds dearly and proudly. The labour NGOs are less fortunate as they have to go to great lengths to get their voices heard at any level. Their advantage, however, is their connection to the overseas labour movement and civil society. They are able to assist Chinese workers to get support, especially in disputes with TNCs, from fellow workers overseas.

Most of the Chinese workers overseas are not organised. Only state employees sent overseas are members of a union (if one exists for them) and the ACFTU does not have a plan to assist overseas workers when they return home, for example, to take up
the unfair practices they were exposed to or labour rights violations they experienced while they were away.

2.3 Working conditions and labour relations at Chinese companies in Africa

This is the most controversial aspect of Chinese investments in Africa. It has pitted African workers and their trade unions against Chinese businesspeople and government officials as well as local politicians who believe that the Sino-African relations are beneficial for Africa, even if working conditions are poor. This was very prominently expressed in Namibia where officials of the Chinese Embassy and Namibian government officials alike called on workers to “suffer now” so that future generations may benefit (see chapter 3.4).

The 10 country case studies on which this book is based, are not pointing to the same practices in each country, as there were differences between countries, sectors and individual companies. In Nigeria, for example, there were Chinese companies with exemplary working conditions and labour relations alongside others where workers' rights are frequently abused. However, there were some common trends at Chinese businesses in Africa, which included tense labour relations, hostile attitudes towards trade unions, various violations of workers’ rights, poor working conditions and several instances of discrimination and unfair labour practices. These incidents are outlined below, drawing on the various country case studies.

2.3.1 General working conditions

A common feature of working conditions at Chinese companies was the absence of employment contracts and the arbitrary determination of wages and benefits by the owners or managers. There was, therefore, no record of employment, which made enforcement of local labour laws difficult. Even in countries with clearly defined legislation and procedures for dispute resolution – for example South Africa – the absence of contracts and records of employment often hindered enforcement.

Another common feature was the employment of African workers as “casual workers”. Even in countries where labour laws provide for the classification of workers as permanent employees after a few months of employment – such as Angola – Chinese companies tended to continuously treat African workers as casuals, depriving them of the benefits that they are legally entitled to. There were, however, some cases where strong unions managed to convert casual jobs into permanent ones, for example at a Chinese company that manufactured explosives in Zambia.

Despite stipulations in national labour legislation, many Chinese employers ignored the provisions for breaks and forced their workers to either work continuously or with only a very short lunch break. In Malawi, for example, a significant number of workers at Chinese companies had to work for 12 hours without a break.

2.3.2 Wages
Wages varied significantly between countries and a comparison was made difficult due to the varying strengths of local currencies in relation to hard currencies like the US Dollar. Thus a comparison between the wages paid by Chinese employers and those paid by other employers in the same industry in the same country was carried out. It revealed that Chinese companies tended to pay the lowest wages. In South Africa, Chinese-owned textile companies paid significantly below the country’s minimum wage. Likewise, Chinese construction firms in Ghana, Namibia and Angola pay their workers lower wages than local and other foreign firms and in some cases wages were below the applicable sectoral or national minimum standards. In Zambia, the Chinese copper mine paid its workers about 30% less than other copper mines in the country. In Nigeria, on the other hand, some Chinese companies established good labour relations and were paying reasonable wages while others were not. The Nigerian case study further pointed out that in some instances, Indian, Lebanese and Israeli-owned companies were paying even less than the Chinese.

Wages above the national average were only found at companies with a strong trade union presence such as a textile company in Nigeria as well as some mining companies and an explosives manufacturer in Zambia.

2.3.3 Benefits

The benefits offered at Chinese companies varied but were usually confined to those that are compulsory by law, such as those contained in national social security laws. In some instances, Chinese companies even ignored those provisions and paid their workers merely a basic wage. In other instances, workers were provided with transport or a transport allowance and incentive bonuses. Other benefits such as a pension scheme, medical aid or a housing allowance were virtually unheard of. As a large part of African workers at Chinese companies were regarded as “casual workers”, they were generally denied any meaningful benefits.

The conditions of Chinese staff tended to be quite different as they enjoyed higher wages and significantly more benefits. In Botswana, for example, Chinese staff received subsidised housing, paid annual leave and paid sick leave while their Batswana counterparts did not. Likewise in Kenya, Chinese employees received subsidised transport, paid annual leave, paid maternity leave, interest-free loans and education bursaries. These benefits were not offered to Kenyan workers.

In blatant violation of local labour laws, most Chinese companies denied African workers annual leave, sick leave, maternity leave and compassionate leave. In some instances, workers went on leave and then discovered that they were not paid for the leave period. In Angola, many female workers at Chinese companies were unaware of their right to paid maternity leave and as a result worked until they gave birth and returned to work shortly afterwards. Ghanaian workers were also not aware of their right to have paid annual leave and thus worked at Chinese construction companies without taking leave.

Another frequent problem was the accommodation provided to workers. This applied particularly to construction companies, which often carried out projects in remote areas and thus had to provide accommodation for their staff on site. In most cases
workers complained bitterly about the quality of accommodation with overcrowding and lack of ablution facilities being common problems.

2.3.4 Relations with trade unions

At most Chinese companies, trade unions were not welcome and workers who joined trade unions risked losing their jobs. The country case studies provided many examples of union-bashing strategies. Collective bargaining was rare at Chinese companies in Africa. Trade unions encountered many problems when trying to organise workers there as many workers feared for their jobs and thus were forced to endure highly exploitative conditions. In some countries, such as Namibia and South Africa, workers expressed doubts about the ability of trade unions to represent them effectively and to protect their rights while in other countries, such as Angola and Malawi, many workers never had any contact with trade unions.

Chinese businesses tended to see trade unions as “trouble-makers” and preferred to determine wages and working conditions for their staff unilaterally. In many instances, Chinese businesses were openly or indirectly supported by host governments who defended Chinese investments against the demands of labour. In the few cases where collective bargaining occurred, wages and working conditions tended to be improved in line with conditions elsewhere in the country. In Ghana, for example, there were significant differences in the conditions of employment of unionised and non-unionised Chinese construction companies.

All the 10 country studies covered in this book show that workers in Chinese firms find it difficult to exercise their rights. The General Secretary of the construction union in Ghana expressed the view and frustration of unions in Africa when he said that Chinese firms “present unique challenges for the organisational work of unions” especially those in the construction and mining sectors. Generally, unionisation of workers on short-term employment contracts, as in many construction projects, is complicated and tedious. But unions complain that it is more challenging to unionise workers in Chinese companies. Unions see the entry of Chinese companies on labour markets in Africa as a “direct threat” to the limited social protection unions have achieved for workers over the years through collective bargaining. Even in cases where workers are unionised, the Chinese employers are reluctant to engage the unions in collective bargaining. And where they agree to engage in bargaining, they pretend that they cannot communicate effectively in the official language (English) or any of the local languages. Unions complain that negotiation with Chinese employers is painfully slow and tedious because they claim to take their mandates from their bosses in China. In most African countries, there are local employers associations which facilitate negotiations between their members and trade unions. But the Chinese companies have refused to join these associations. Unions are becoming more frustrated because dealing with Chinese companies has stretched them to the limit both in terms of finance, human resources and time.

2.3.5 Victimisation and violation of workers rights

Several of the core ILO conventions were frequently violated by Chinese employers. These included the rights to join trade unions, to bargain collectively, to receive equal remuneration and to be protected against discrimination. Also, basic rights such as
paid leave were often ignored and forced overtime work (often without additional compensation) occurred in several countries. In most cases, workers felt that they had no choice but to work long hours of overtime, even without any extra pay. They feared that refusal to do so would result in their dismissal. In Botswana, workers were threatened with dismissal if they reported labour rights abuses to the government labour office. In Zimbabwe, most workers at Chinese companies were simply forced to work overtime and in Ghana workers at a Chinese construction site were simply told to work 9-12 hours per day for seven days per week – in contravention of the national labour law. Workers knew that a refusal to work such long hours would lead to automatic dismissal.

A particularly grave case of workers’ rights violations was the “locking-in” of workers during working hours. They were unable to leave the factory premises even during break times and thus their basic right of freedom of movement was violated. In Malawi, our researchers had to communicate with workers through a window because they were locked inside the factory during their lunch break. Such practices also placed workers at an enormous personal risk as was demonstrated during several tragic events. In Nigeria, for example, 20 workers were killed by a fire while locked inside a Chinese rubber and plastic factory. In Kenya, 29 workers that had been locked up were killed when their factory caught fire in 2007.

In some instances, Chinese companies used virtual slave labour that they obtained through international labour brokers. This was reported from Botswana where a Chinese national had to work for Zheng Ming Knitwear in forced labour without pay. Cases of physical assault and verbal abuse were reported at Chinese firms in Malawi.

2.3.6 Health and safety

Health and safety issues seemed to enjoy little attention at Chinese companies. An almost uniform picture emerged across the case studies as precautionary measures were ignored. There was no training on health and safety issues at any of the Chinese companies. Only very few Chinese employers provided their staff with protective clothing and equipment while local requirements to protect workers’ health were largely ignored. In Malawi, for example, workers had to mix cement with their bare hands while at a Chinese construction company in Botswana, workers had to pay for their boots and overalls. In Namibia, work at a Chinese construction company was halted until the basic health and safety requirements were adhered to.

The toilets at most Chinese companies were found to be in a deplorable state and posed severe health risks for workers. In some cases, toilets were also used as change rooms and even “canteens” where workers ate from.

2.3.7 Discrimination and unfair labour practices

The case studies found many instances of discrimination and unfair labour practices. Sexual harassment was found in Namibia and Kenya while all female workers in Malawi were treated as “casuals”, thus denying them some of the benefits enjoyed by men. The case studies also found violations of the right to paid maternity leave – even if they were enshrined in national labour legislation such as in Angola. Furthermore, in some countries Chinese employers tended to terminate the
employment of female workers once they fell pregnant. These cases constituted violations of basic international workers’ rights as well as locally enshrined rights.

In South Africa and Namibia, Chinese companies violated the provisions of affirmative action legislation, locally known as “employment equity”. Chinese employers seemed ignorant about the legal provisions, which aim to promote the employment and promotion of women, people with disabilities and those citizens who were disadvantaged during the Apartheid era. Chinese companies tended to employ African workers for basic tasks at very low pay while importing Chinese managers and supervisors for higher paid positions. In Zambia, there was a clear case of discrimination as local managers earned substantially less than their Chinese counterparts – even when carrying out similar tasks at the same company. The same trend was observed in Kenya.

Overall, the labour relations at Chinese companies in Africa were found to be poor, characterised by widespread abuse of workers rights.

2.4 Possibilities for trade union intervention

The acceleration of Chinese investments in Africa has come at the time many African trade unions are facing very difficult challenges. Unions in many sub-Saharan African countries have not recovered from the membership and financial losses they suffered in the 1990s as a result of the IMF/World Bank-sponsored policies of mass lay-off of their members in the public sector as well as the privatisation of state enterprises. In most African countries public sector workers constitute the majority of trade union membership. The retrenchment and privatisation policies, therefore, had very devastating effects on unions.

The combined effects of privatisation and mass retrenchment policies were the drastic decline of union membership across Africa in the 1990s. In Ghana, the Trades Union Congress (TUC) lost nearly a quarter of its membership during that period and has since not recovered fully from the losses. An affiliate of the Ghana TUC, the National Union of Seamen (NUS), lost over 80 percent of its members when Ghana’s state-owned shipping line, the Black Star Line, was privatised. The same policies were implemented in Zambia, Tanzania, Uganda and many other sub-Saharan African countries with similar effects on trade unions. Consequently, unions were deprived of their main source of income, i.e. membership subscriptions, and have remained weak.

Botswana did not experience structural adjustment programmes. But even there, trade union membership has been declining in the past several years due partly to neo-liberal economic policies that favour capital at the expense of labour. Recent reports show that there are between 100,000 and 120,000 unionised workers in Botswana out of the total of 301,978 workers employed in the formal sector of the economy. This represents an estimated union density of about 30 percent of those in formal employment. The construction sector in Botswana remains non-unionised since the Construction and Wood Workers’ Union folded up some years ago. The Botswana Manufacturing and Packaging Workers’ Union is surviving but has managed to unionise just about one percent of the workers in the sector. The Botswana Commercial and General Workers’ Union, Botswana Wholesale Furniture and Retail
Workers’ Union and Botswana Beverages and Allied Workers’ Union, have had insignificant impact on labour conditions in the retail and trade industry. There have been no changes in the labour legislation in Botswana and collective bargaining is still restricted in many organisations. The labour movement does not have adequate capacity to analyse and monitor national labour trends and to promote decent employment nationwide. Unions in Botswana seem powerless in the face of government drive and determination towards attracting and retaining foreign investments.

The financial difficulties facing unions have had negative impact on their recruitment drives and their capacity to effectively engage employers and government. The situation has worsened due to the growing informalisation of employment. Already about 90 percent of the economically active population is employed in one form or another in Africa’s informal economy. Since it is difficult to unionise informal economy workers, unions have traditionally drawn their members from the formal sector which forms just about a tenth of the total workforce in most African countries. Some unions are making efforts to increase their membership through the recruitment of informal economy workers. But there is still a long way to go. Union membership has continued to shrink in Africa. Currently, the union density (unionised workers as a percentage of the total workforce) in most Sub-Saharan African countries is less than 10 percent.

Again, as part of the structural adjustment programmes, African governments were forced by the international financial institutions to implement labour law reforms with the objective of attracting and retaining foreign investors. Consequently, some categories of workers are, by law, not allowed to form or join unions. In Ghana, the current labour law which came into effect in 2003, bars the police, the fire service, and the prison service from forming or joining trade unions. Even amongst those who are allowed to form unions, some categories of workers, the so-called essential workers, are not allowed to embark on strike action. For example, all health workers in Ghana are, by law, not allowed to strike. Employers in Ghana are allowed to terminate the employment of their workers without any reason. This has resulted in the creation of less secure jobs and incomes.

Employers are taking undue advantage of the flexible labour market. Chinese companies are particularly notorious in terms of the impunity with which they flout national labour laws, including health and safety standards. In some cases these companies receive the support of government agencies to violate labour regulations. For example, as discussed earlier, in Zambia, a Chinese company applied for and was granted an exemption from complying with the National Pensions Act. Again, in Zambia, fifty workers died in a Chinese company in 2005 partly because the Chinese employers failed to comply with safety regulations. In Ghana, a Chinese company, Sino Hydro, which is building the 400-megawatt Bui Hydroelectric Dam failed to sign employment contracts with all the 560 Ghanaian workers until the Construction and Building Material Workers’ Union (CBMWU) of the Ghana TUC stepped in to unionise the workers one year after the commencement of the project. Workers in Chinese companies usually work long hours but they receive lower pay, compared to their counterparts in other companies within the same industry. Some workers are even forced to work over time without pay. Studies in many African countries have consistently shown that there is a very high tendency for Chinese companies to ignore
internationally-recognised ILO labour standards including those that have been ratified by the country in which they operate (see Kaplinsky, 2005; Kaplinsky, 2008; Power and Mohan, 2008). This was confirmed by our country case studies. In most African countries the labour inspection system has collapsed due to poor funding and labour laws are not strictly enforced.

Historically, collective bargaining has been the most effective tool for trade union intervention. Unions have relied on collective bargaining (backed by strikes when negotiation fails) in their struggle for improved pay and working conditions. But this tool can only be employed when workers are unionised and the union is recognised to be the legitimate representative of workers. Employers who want to avoid collective bargaining usually do so by blocking the unionisation of their employees. That is precisely what many Chinese employers do. They use both open and subtle methods to discourage their employees from forming or join trade unions thereby denying the unions the opportunity to use their most effective tool – collective bargaining – to intervene in Chinese companies that are openly flouting the labour regulations.

Despite these frustrations, trade unions in Africa have managed to unionise workers in a few Chinese firms and are taking steps to address the concerns of their members. The construction union in Ghana provided detailed information on how the union is dealing with Chinese firms. First, the union lodged complaints with officials of the Chinese Embassy in Ghana. The meetings with the embassy officials afforded the union the opportunity to officially bring to their notice the appalling labour practices in Chinese companies operating in the construction sector. Second, the union lodged several complaints of labour right violations by Chinese contractors with the National Labour Commission (NLC) – the body charged with the responsibility of preventing and settling industrial disputes. Third, the union is currently collaborating with its Nigerian counterparts to develop a common (regional) approach to deal with the special challenges posed by Chinese investors in both countries. Lastly, the union has reported the unfair labour practices in Chinese companies in the construction sector to government through the ministry responsible for works and housing. In its submission to the Ministry of Works and Housing, the union recommended the involvement of unions in the negotiations with Chinese investors in the construction sector. The union also suggested that government should promote labour standards in the procurement process so that Chinese investors would be aware of these standards and regulations even before the take up contracts in the country.

Like their Ghanaian counterparts, Namibian trade unions are experiencing many challenges in their dealings with Chinese companies. Workers interviewed in Namibia, as part of this study, put the blame at the doorstep of the Namibian government for the labour rights violations in Chinese companies. They argued that government has the power to protect Namibian workers but it refuses to do so because of the fear that Namibia may lose foreign investors if labour laws are strictly enforced. The Metal and Allied Namibia Workers’ Union (MANWU) proposes the setting up of a committee made up of representatives of all stakeholders including the union and ministries in charge of works and labour to monitor compliance with labour standards in the construction sector. At the time of the study, preparations were under way to set up a Council for the Construction Industry. The council will serve as a regulatory body that will ensure compliance with all relevant laws in the construction industry. The Economic and Commercial Counsellor at the Chinese Embassy in
Namibia hinted that the Chinese Embassy has set up a Chinese Construction Association to ensure that Chinese companies understand the national laws and comply with their provisions. Workers in the retail sector in Namibia suggested an industry-wide minimum wage as a way of protecting them from exploitation by their Chinese employers. They further suggested that unions operating in Chinese companies should unite and build a common front to deal with the Chinese employers.

In South Africa, initially, the unions were able to organise workers fairly easily. But the Chinese companies started adopting a wide range of strategies to frustrate unions. For example, they started employing workers on short-term contracts. Workers who join trade unions risk not having their contracts renewed. Workers are, therefore, reluctant to join unions because they have been made to believe that unions are ineffective in protecting their rights and interests.

To get the Chinese companies to conform to the labour practices, it is recommended that unions should form alliances with community-based organisations and possibly boycott products made by Chinese firms that do not comply with labour standards. Unions can use the ILO core standards and the national labour laws as a basis for mobilisation communities and workers against Chinese companies which do not adhere to national labour laws, norms and practices. Unions must also seek to deal with Chinese companies at the regional level through the International Trade Union Confederation (ITUC-Africa) and Organisation of African Trade Union Unity (OATUU). Cooperation between the continental trade union organisations (i.e. ITUC-Africa and OATUU) and the Chinese trade union centre, All China Federation of Trade Unions (ACTFU), is recommended as a means of bringing the bad practices of Chinese companies operating in Africa to the attention of the Chinese authorities.

In Zambia, the trade union response to the excesses in Chinese companies is mixed. Like other African countries, workers in Zambia are allowed by law to form or join unions of their choice. But Chinese companies usually employ casual labour in order to avoid unionisation. An example is the Chinese-owned NFC Africa Mining Plc Chambishi copper mine. Out of a total local workforce of 2,000 employed by the company, only 52 were unionised. The rest were either on fixed contracts ranging from one to five years or casual workers. The mining union continued to put pressure on management to end casual contracts and to allow all workers to join the union. The unions have since organized and recruited the casuals into the union.

The experience in Zambia affirms the need for a more aggressive organising strategy in Chinese companies. In addition, it is important that the union decision-making structures in the enterprises are made to work to ensure effective representation. The role of the Global Union Federations (GUFs) will be crucial in this regard. The GUFs can support their affiliates across Africa to deal with the Chinese in a more coordinated manner. They can help the unions to build the capacity of their affiliates to develop collective responses to foreign investors. Building alliances aimed at promoting Africa-wide or sub-regional framework agreements may also help to improve working conditions and to restore confidence in unions.

Trade unions in Malawi, led by the Malawi Congress of Trade Union (MCTU) have adopted various approaches to deal with the Chinese. First, like their counterparts in
Ghana, they have brought the bad labour practices in Chinese companies to the notice of the Chinese Embassy. Through dialogue, the Chinese ambassador has assured the Malawi Congress of Trade Unions (MCTU) leadership that the embassy will cooperate with the trade unions and the government to ensure that the Chinese investors abide by national labour laws. In addition, the unions are planning to embark upon a more aggressive organising campaign including educational campaigns on radio to encourage workers to exercise their rights to join or form unions of their choice. Unions are also encouraging the Employers Consultative Association of Malawi (ECAM) to extend their membership to cover the Chinese employers. The unions are of the view that the ECAM can effectively facilitate the engagement between unions and Chinese companies in the unionisation process and in collective bargaining. The Chinese companies will also benefit from ECAM’s cultural orientation programmes. The MCTU is planning to raise issues regarding working conditions in Chinese companies in their national tripartite dialogue.

African unions generally agree on measures that need to be taken to ensure social and legal protection for workers in Chinese companies.

**Unions Organisers should learn the Chinese Language (Mandarin)**

Unions identified language barrier as one of the factors hampering smooth labour relations in Chinese companies. Chinese managers find it difficult to communicate in English, which is the official language in all the countries where the study was conducted (except Angola where the official language is Portuguese). It was suggested that union organisers dealing with the Chinese must learn the Chinese language. In order to reduce cost of learning the language, it was further suggested that ITUC-Africa and OATUU should liaise with All China Federation of Unions (ACFTU) to facilitate this process. The Tom Mboya College in Kisumu in Kenya can serve as a venue for organising such language skill programme for trade union organisers. The capacity building in language skills should not be limited to trade union organisers. Trade union centres must work with their governments, employers’ organisations and Chinese Embassies to translate all the relevant legal documents into the Chinese Language to make it easier for Chinese managers to familiarise themselves with the laws.

**Minimum wage and other labour legislation**

Low pay is one of the common features in Chinese companies across the continent. Unions, generally, agree that one way to deal with this is to get a national legislation on minimum wage. In countries where there is national minimum wage legislation, some employers still pay their workers below the minimum wage because the relevant institutions are unable to enforce it. Unions must start vigorous campaigns to pressure their governments to resource their labour inspection units to monitor working conditions at the enterprise level in particular in the Chinese companies known to be notorious for labour rights violations. In this regard it may be useful to lobby labour-friendly parliamentarians to raise pertinent labour issues in parliament and to influence labour legislation in favour of workers. Unions will also have to become more forceful in their approach to collective bargaining and bring Chinese firms to the negotiation table.

**Need for coordinated approach at the regional and continental level**
Governments in Africa are desperate to attract and retain investors in their countries. The quest for increased investments leads to the ‘race to the bottom’ in the sense that governments relax or ignore labour regulations in order to attract or not to scare off investors. The way to tackle this issue is to adopt a common investment polices either the regional level or at the continental level. Again, ITUC-Africa and OATUU can push for such a coordinated approach by first developing proposal by the African labour movement and then lobbying the African Union and its member governments to adopt a more selective and strategic common foreign investment policy.

**Capacity building for union leaders and negotiators in the labour laws and industrial relations**

Unions admit that, in some cases, their officials are unable to deal with the Chinese managers because of their weak capacities in negotiation. This is particularly so at the enterprise level. Unions must therefore intensify education for shop stewards and other enterprise level union leaders. Unions also need to build their research capacities to monitor working conditions in Chinese enterprises in sectors where they operate.

**Social Dialogue**

In most African countries there are mechanisms for tripartite or bipartite consultation among workers, employers and government. But such consultations are usually done on an *ad hoc* basis and the issues discussed at such forums are usually limited in scope. Within the framework of the Decent Work Agenda of the ILO, unions must begin to widen the scope of tripartite consultations to include other workplace issues such as hours of work, sick leave with pay, paid annual leave, rest periods, social security, medical care, protection of workers with special needs, maternity leave and rights of pregnant women, migrant workers, home workers, indigenous people, occupational safety and health, community protection, settlement of labour disputes, labour brokers and human resource development. Unions, through their research units, should be able to document the systematic violations in Chinese companies on regular a basis and bring them to the notice of the other social partners (i.e., employers and government). Unions may also consider reporting the serious violations to the International Labour Organisation for further action at the international level, if governments and employers are unwilling or unable to deal with such cases at the national level.

**Alliances, Advocacy and Campaigns**

Unions seem to agree that they cannot fight alone and that there is the need to form alliances with other civil society organisations to mobilise workers, students, and communities around the Decent Work Agenda. Such campaigns and advocacy must be extended to include terms, contents and conditions of investment policies as a means of pressuring governments and to prevent labour issues from being sacrificed for the sake of attracting foreign investment.

**Advancing Alternatives to the Neo-liberal Agenda**

Even more crucial will be the building of strategic alliances with progressive organisations in Africa and beyond to deal with the results of rampant global capitalism. The current global economic crisis has had devastating effects on working people, including those in industrialised countries. This, no doubt, has been the result of the neo-liberal globalisation which placed economic growth above all social
considerations. Excessive capitalist tendencies have relegated social welfare to the sidelines of development paradigms. The global crisis provides the opportunity for unions to intensify advocacy and campaigns for alternative policies to the neo-liberal agenda in Africa. An important example in this regard is the initiative known as “Alternatives to Neo-Liberalism in Southern Africa” (ANSA).

2.5 Conclusion

The importance of the Sino-African relations has increased significantly over the past few years and this trend is set to continue. At present, the “traditional” economic relations with Africa’s former colonial power in Europe as well as the US and Japan are still far stronger. Africa now has the opportunity of shaping her relations with China differently. At a political level, this seems fairly easy due to China’s policy of non-interference into domestic affairs and due to its willingness to accommodate Africa’s concerns. The term “Beijing Consensus” was used to describe the way in which China deals with other countries. China’s approach focuses on bilateral trade and a strong role for the state rather than on privatisation and free trade. The “Beijing Consensus” thus “replaces the widely-discredited “Washington Consensus”, an economic theory made famous in the 1990s for its prescriptive, Washington-knows-best approach to telling other nations how to run themselves” (Ramo 2004, quoted in Mulder 2009). Unlike the neo-liberal Structural Adjustment Programmes that the World Bank and IMF imposed on Africa, China does not demand privatisation, trade liberalisation or cuts in social spending, and instead renders project-based support, based on bilateral agreements (Mulder 2009). However, the policy of “non-interference” may become problematic when translated into support for dictatorial regimes, which may prolong their stay in power.

At an economic level, the challenges of shaping the Sino-Africa relations for Africa’s long-term benefits are far greater. There are substantial differences in the level of development and capacity between China and African states. Dot Keet (2007) has warned that “Africa may indeed receive (some) quantitative returns, but it is China that will achieve the further vast qualitative transformation of its economy, using the material and financial resources it gains from Africa. There cannot be genuine win-win development scenarios in such a situation” (quoted in Mulder 2009). The current trade relations with China follow largely the colonial and neo-colonial pattern of Africa being an exporter of raw materials and an importer of finished products. This pattern may be beneficial to Africa’s trading partners but holds little promise for the continent in the struggle to address the burning social problems of mass unemployment and poverty. Thus the quality of Sino-African economic relations needs to be altered substantially if Africa is to benefit.

A new economic relationship will have to be built around Africa’s own strategic development agenda. The Chinese cannot be blamed for pursuing their particular development objectives, including access to the raw materials and energy resources needed to sustain the country’s industrialisation programmes. African governments will have to set their own agenda as far as local beneficiation, skills and technology transfers and industrialisation is concerned. Based on these objectives, Africa then has to negotiate the best possible deals with potential investors, including those from China. In the absence of a strategic approach by African governments, Chinese investments in Africa will remain of limited benefit for Africa’s development.
African workers have borne the brunt of labour relations and practices that are simply unacceptable. This was expressed by Namibian workers who experienced Chinese businesspeople as the new colonisers who treated workers in the same exploitative and condescending manner like the former colonisers (see chapter 3.4). Trade unions across the continent have expressed deep concerns about the way they and their members are treated by Chinese companies. The systematic violations of workers’ rights undermine the legitimacy and credibility of trade unions, including the continental and regional trade union organisations. The relevance of trade unions will continue to be questioned in a situation where they cannot prevent the exploitation of workers. In practice, the majority of workers in many African countries enjoy very few or no rights; a large proportion of workers are employed as casuals with no job security, low levels of income and social security. The ILO Decent Work agenda remains a distant dream for many African workers.

Unions are aware of the threat of being rendered useless if they cannot stop exploitative practices at Chinese and other companies. In many cases, Chinese companies are not the only culprits but often they are amongst the employers that offer the worst working conditions. This was clearly confirmed by our country case studies. African trade unions struggle to recruit members and to represent them effectively at Chinese companies. Little progress has been made to eliminate or at least significantly reduce labour rights violations as Chinese employers tend to disregard unions and discourage workers from joining through the threat of dismissal.

Unions need to reaffirm their commitment to the core values of trade unionism in order to deal effectively with the challenges posed by the increasing presence of Chinese companies in Africa. Social dialogue and cooperation with “social partners” at the national level might be one strategy to expose rogue employers and to pressurise them to accept workers’ rights and better working conditions. Likewise, pressure can be exerted on Chinese Embassies to call on “their” companies to behave better. However, the success of any trade union is determined to a large extent by its own organisational strength, that is the ability to recruit and retain members and to successfully advance their interests. This fundamental building block has to be laid at local and national level but there is also a need for a coordinated approach at continental level through the African trade union organisations, ITUC-Africa and OATUU. Workers’ rights violations will stop only if workers are unionised and have a collective voice, which they can use effectively to protect their own interests at the enterprise level. Capacity building for enterprise level union representatives is therefore crucial. That is the most effective way unions can deal with the challenges confronting them when dealing with Chinese enterprises. National trade union centres must therefore lead the struggle towards the achievement of decent work for all including workers in export processing zones, those employed in Chinese companies and many others who continue to suffer abuses despite the existence of unions and protective legislation.

At continental and international level, trade unions will have to jointly fight for a more selective and targeted approach when dealing with foreign investors - including the Chinese. As mentioned before, this has to be based on Africa’s own development priority and respect for workers rights as non-negotiable. The apparent trade-off between less protection for workers and higher levels of investment and employment...
has to be exposed as false. The “low wage – low skills” strategy of achieving employment and industrialisation has not worked and resulted merely in the creation of a large number of “working poor” – people in employment that are trapped in poverty. Trade unions need to advance a very different strategy based on decent work, human dignity and a life free from poverty. African unions are not alone in this endeavour and can forge strategic alliances with progressive organisations on the continent and beyond, including workers in China who are themselves struggling against exploitative practices.

There are possibilities for developing a meaningful dialogue between the labour movements in Africa and China. Currently much of the labour movement and NGOs activities are dominated by the western NGOs, who tend to shape their understanding and facts to their needs. Chinese and African labour activists get to meet each other only through international conferences or exchanges held in the USA or Europe and therefore do not get a chance to develop an independent agenda. It is the responsibility of Chinese and African trade unionists and labour activists to think creatively about how to develop a dialogue that can deepen their understanding of each other’s contexts and which provides alternative strategies of engagement.

Global companies operate in China and Africa alike and use similar strategies to exploit workers. Social and working conditions are largely the same in both Africa and China and it appears that the progressive labour movement and labour activists confront similar challenges of trade unions’ inability to take up workers’ demands effectively and to organise workers in new forms of work and in new forms of employment.

Although many African union officials visit China at the invitation of the ACFTU there is no real exchange about conditions of workers and developing strategies to build solidarity around pressing issues of informalisation and precarious work, social protection and the organising of migrant workers. For example, African unions should inform the ACFTU of labour violations at Chinese operations in their countries and request assistance and solidarity. If African unions can not show that they are getting anything from the ACFTU, their visits to China it will continue to be viewed as “trade union tourism”. The need to understand each other must take priority and thus there is a need for an exchange programme targeting workers at grassroots level rather than just trade union officials. Understanding each other’s environments and struggles may not only counter racism and divisions, but might also pave the way for co-ordinated actions at international level in future.

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Chapter 3: Country Case studies

5.7 Chinese investments in Ghana

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1: Introduction and Background

1.1 Introduction

For almost half a century, China has been active in Africa. Hundreds of major Chinese businesses and tens of thousands of Chinese labourers, retailers and tourists are found in all parts of the African continent. The presence of Chinese businesses and people in Africa has social, economic and political implications for both China and Africa especially when China is working very hard to acquire leadership status of the Global South and strategic resources for its industrialisation while Africa struggles to lift millions of its people out of severe poverty, war and squalor. Strong China-Africa relations will not only boost China’s progress toward becoming a leading force in global affairs but also it could contribute significantly towards the re-definition of Africa’s place in the international political economy.

China’s presence in Ghana dates back to 1960 immediately after Ghana achieved independence. China and Ghana have since maintained diplomatic ties and have exchanged high level official visits. In recent times the relationship has been strengthened further. Chinese financial assistance is helping Ghana to build economic infrastructure across the country. China now ranks among the leading countries with foreign direct investments in Ghana. Trade between Ghana and China has also grown at a very high rate in recent years.

However, it has been difficult to assess the general perception of Ghanaians about Chinese businesses and investments. This is partly due to the scarcity of information not just on Ghana-China relations but also on Sino-Africa economic relations generally. The lack of relevant information on the China-Africa relations is an indication that China’s increasing engagement with Africa has gone largely unnoticed in African studies. Most of the existing literature concentrates on the Cold War era (Larkin, 1971, Ogunsanwo, 1974, Snow, 1981). In recent times, the media has attempted to fill the information gap through coverage of flagship projects financed by China. Some have also focused on sensational reportage of negative impacts of Chinese investments which normally fits well into the emerging China-bashing syndrome (Konings, 2007).

This study is, therefore, an attempt by the African Labour Research Network (ALRN) working in collaboration with the Labour Research and Policy Institute (LRPI) of the Ghana Trades Union Congress to fill the information gap. The study is one of 10-country studies being conducted by institutions linked to trade unions across Africa to provide information that will enable the African trade union movement to participate
meaningfully in the on-going debate regarding the activities of the Chinese government and businesses on the African continent.

The study focuses on the construction sector in Ghana for two main reasons. Firstly, the construction sector has received significant investments from the Chinese government in the past few years. Most of the high-profile Chinese investments in the last two decades have been in this sector. Chinese construction firms are also gradually establishing themselves in the industry. They are now able to win mega contracts that are not financed by the Chinese government. Secondly, Chinese investments in the other sectors of the Ghanaian economy such as manufacturing have largely been small-scale in nature. Most of them normally employ less than 10 workers including Chinese.

In the construction sector, two projects were chosen for the study. These are the Bui Hydroelectric power project and the Essipon stadium in Sekondi-Takoradi. The choice of the two projects is informed by the high number for workers employed for the projects. The Essipon stadium project employed about 280 workers and the Bui project over 580 workers at the time of the study. The latter project was expected to generate about 3000 jobs at its peak.

1.2 Research Methodology

This chapter is based on information gathered from field work in Ghana. Background information was gathered through interviews with officials/representatives of the Ghana Customs Exercise and Preventive Service, Ghana Investment Promotion Centre, Ghana Immigration Service, Ministry of Finance and Economic Planning, Ministry of Trade and industry, Ministry of Foreign Affairs, Bui Power Authority, Local Authorities and the Chinese Embassy in Ghana. Discussions with the officials focused on two main issues – the impact of Chinese investments on the economy of Ghana and labour standards in Chinese projects.

On the basis of the information gathered from these official sources, two main construction projects were selected for the case study component of the research. These were the Bui hydroelectric power project in the Tain District of the Brong-Ahafo Region, which is being constructed by SinoHydro Corporation Ltd and the Essipon Stadium project at Sekondi-Takoradi in the Western Region which was constructed by Shanghai Construction Group. Primary data were gathered on these projects through structured interviews with workers and management representatives. The field visits also afforded the researchers the opportunity to observe the conditions under which workers are employed in these projects.

To compare working conditions in these two Chinese companies with conditions in other Ghanaian and foreign-owned companies (including other Chinese construction companies) operating in the construction sector in Ghana, information was gathered from the Construction and Building Materials Workers’ Union (CBWU) of the Ghana TUC through a structured interview with the General Secretary of the union. Further

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7The study is being conducted in the following countries: Namibia, Zimbabwe, South Africa, Namibia, Angola, Nigeria, Tanzania, Kenya, Malawi, and Zambia.
information was collected from the collective agreements between the union and some foreign and local companies. The foreign companies included China International Water & Electric Corporation (Chinese company), Moniz Da Maia Serra and Fortunato (Portuguese company) and Aarsleff-Ghana J.V (Danish company). CBWU has one (sector) agreement with the Association of Road Contractors of Ghana (ARCG) which comprises the majority of Ghanaian road contractors. The collective agreement between CBWU and the ARCG provided information on employment conditions in all the local companies affiliated to the association. The information in the agreement allowed us to compare wages and working conditions in some local construction companies and those in the two Chinese companies selected for the case study (i.e. the SinoHydro Corporation Ltd and Shanghai Construction Company Ltd).

1.3 Structure of the Report

The report is structured as follows: Section 2 discusses diplomatic and economic relations between Ghana and China. Other issues discussed include trade between Ghana and China, Chinese investment in Ghana, Chinese development assistance to Ghana and some concerns raised about the negative effects of Chinese investment in Ghana. Section 3 presents the findings of case studies of employment conditions in two Chinese construction companies – SinoHydro Corporation and Shanghai Construction Group. SinoHydro Corporation is currently constructing a hydroelectric dam at Bui in the Brong Ahafo Region of Ghana (about 600 kilometres northwest of Accra). Shanghai Construction Group constructed the Essipon Stadium in Sekondi-Takoradi. The issues covered in the case studies include employment, wages, benefits, working conditions, health and safety of workers, labour relations, and community relations. Section 4 assesses the compliance with national labour laws and ILO conventions in SinoHydro Corporation and Shanghai Construction Company. Section 5 discusses trade union responses while section 6 presents the summary and conclusion.

2: Ghana-China Diplomatic and Economic Relations

As mentioned in the introductory section, Ghana’s relations with China date back to the 1960s. In the first part of this section we discuss these relations under two main headings - political/diplomatic and economic relations. The second part deals with trade between Ghana and China. The third part deals with Chinese investments in Ghana as well as Chinese aid to Ghana. We discuss some reasons for Ghana’s reliance on Chinese investment and assistance in section 4 and conclude in section 5 with a discussion of some general concerns that have been raised about the Ghana-China relations.

2.1. Ghana-China Bilateral Relations

2.1.1 Diplomatic Relations

Ghana established diplomatic relations with the People’s Republic of China on July 5, 1960. The first Chinese Ambassador to Ghana, Mr. Huang Hua, presented his credentials to the President of Ghana on 5 July 1960, while the first Ghanaian ambassador to China, Mr. Kobina Kessie, assumed duty in Peking on 26 March 1961. The cordial relation between the two countries was consolidated with the signing of a
Peace Treaty of Friendship and Cooperation on 18 August 1961 (Peking Review, 1961). Under President Nkrumah, Ghana enjoyed friendly relations and active political cooperation with China. Both Ghana and China recognised imperialism as the source of war and enemy of national liberation and world peace. They therefore, made it their duty to support all the oppressed African countries, which were struggling for independence from imperialism and colonialism.

The overthrow of Nkrumah’s Government in February 1966 resulted in the suspension of Ghana’s diplomatic relations with China for six years. The relation was restored on 29 February 1972 by the National Redemption Council, headed by General I.K. Acheampong.

Ghana and China did not only share common aspirations in liberation struggles but they also supported each other on critical issues at the level of the United Nations, particularly on issues concerning Africa and China’s human rights. Ghana’s active cooperation with China is also reflected in the consistency with which Ghana has followed a policy of recognising One China. Ghana fully supported the People’s Republic of China to reclaim her lost UN permanent seat in 1971 which China lost to Taiwan in 1949.

Since 2000, there has been an increase in the frequency of diplomatic visits between Ghana and China following the first Forum on China-African Cooperation held in October 2000. In June 2006, Chinese Premier Wen Jiabao paid an official visit to Ghana during which he held bilateral talks with President John Kufuor. President Kufuor led a delegation from Ghana to participate in the Sino-Africa summit in China in November 2006.

2.1.2 Economic relations
Between 1961 and 1989, trade between Ghana and China was conducted mainly on a barter basis under trade and payments agreements. This agreement was, however, terminated in 1991 during the second session of the Ghana-China Joint Commission for Cooperation held in Accra. Ghana began bilateral trade with China using a convertible currency under a 1989 trade protocol.

Since 2000, there has been a phenomenal growth in trade between Ghana and China. From a low level of US$ 117.86 million in 2000, trade between Ghana and China increased by 360 percent to US$ 542.80 million in 2006. China’s share of Ghana’s total export over the past seven years has, however, been very low compared to Ghana’s traditional export-bound destinations such as the United Kingdom, The Netherlands, Switzerland and the USA. But China continues to establish its presence as a major trading partner of Ghana. Imports from China to Ghana have been increasing at a very fast rate particularly since 2000. The growing importance of China as a major source of imports for Ghana has implications for Ghana’s long term economic development. It may be the case that the cheaper goods from China may enhance consumer welfare. But it is also possible that these same goods may squeeze out domestic manufacturers. The implications for employment in Ghana are obvious.

China is one of the ten countries Ghana has targeted for increased investment under the Ghana Investment Promotion Council’s (GIPC) investor-targeting strategy. According to the Ghana-Chinese Chamber of Commerce, there are approximately 250
Chinese companies registered in Ghana. These investments have been primarily in manufacturing and general trade. The impact of China’s foreign direct investments in developing countries including Ghana have been well documented by several authors (See Jenkins and Edwards (2005), Naidu (2007), Kaplinsky et al (2007), Davies et al (2008) and Tsikata et al (2008)).

In addition to foreign direct investment, China has provided various forms of financial assistance to Ghana within the framework of bilateral cooperation. These have generally been in three forms: loans, grants and technical assistance. The majority of these projects have been concerned with infrastructure development. Other sectors covered include health, food and agriculture, education, and culture. While Chinese aid to Ghana has been instrumental in helping to close Ghana’s infrastructure gap as well as stimulating economic growth the increased lack of transparency about the components of Chinese aid and the subtle conditionalities on the use of Chinese contractors and labour are issues of interest in this study.

Related to the deepened economic and political relations is the growing presence of the Chinese in Ghana. The first significant wave of Chinese migration to Ghana occurred in the 1950s, a few years before independence in 1957 (Ho, 2008). Numbering a little over a hundred, many of the earliest Chinese migrants in Ghana were Hong Kong-Chinese engaged in tobacco farming and small-scale manufacturing. A few Chinese from mainland China joined later. From the 1950s to the late 1980s Chinese involvement in Ghana was primarily in manufacturing especially in the textiles sector. A few factories for metal works were also established. While some of the Chinese factories continue to employ some Chinese, many individual Chinese migrants from mainland China come to Ghana now as traders in imported Chinese goods in and around the capital city (i.e., the Greater Accra Region). The Chinese are also investing in the restaurants sector (Ho, 2008).

It is difficult to obtain official figures on the current Chinese population in Ghana, because the Ghana Immigration Service was unwilling to disclose such “security-related” data. But it is estimated that the number of Chinese in Ghana increased from 500 in 2001 to 6000 in 2004 (Sautman, 2006 cited in Mohan, 2008: 6). Given the increasing trend of economic cooperation between Ghana and China, this trend is likely to continue for a long time.

2.2 Trade

Trade between Ghana and China has been growing at a fast rate especially since 2000. As shown in Table 1, China’s share of Ghana’s total external trade increased from 3 percent in 2000 to 5 percent in 2006 (Ministry of Trade & Industry). From a low level of approximately US$ 118 million in 2000, trade between Ghana and China more than quadrupled to US$ 543 million in 2006 (see Table 2). However, as shown in Table 2, trade between the two countries is skewed in favour of China. While Ghana’s export to China has increased by more than 50 percent, China’s exports to Ghana (or Ghana’s imports from China) have increased by more than five-fold over the last eight years. The negative trade balance Ghana has recorded with China increased from US$ 68.40 million in 2000 to US$ 465.40 million in 2006.
Table 1: Ghana’s External Trade with China and the rest of the World (US$ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade with China</th>
<th>Total Trade</th>
<th>China’s share of Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>117.86</td>
<td>4,086.53</td>
<td>2.88</td>
</tr>
<tr>
<td>2001</td>
<td>144.89</td>
<td>4,457.49</td>
<td>3.25</td>
</tr>
<tr>
<td>2002</td>
<td>132.81</td>
<td>4,246.34</td>
<td>3.12</td>
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<tr>
<td>2003</td>
<td>211.91</td>
<td>5,534.49</td>
<td>3.83</td>
</tr>
<tr>
<td>2004</td>
<td>383.15</td>
<td>7,254.57</td>
<td>5.28</td>
</tr>
<tr>
<td>2005</td>
<td>465.00</td>
<td>8,244.57</td>
<td>5.64</td>
</tr>
<tr>
<td>2006</td>
<td>542.80</td>
<td>11,367.81</td>
<td>4.77</td>
</tr>
</tbody>
</table>

Source: Ministry of Trade & Industry

Table 2: Ghana’s External Trade with China (US$ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Trade</th>
<th>Total Exports</th>
<th>Total Imports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>117.86</td>
<td>24.73</td>
<td>93.13</td>
<td>-68.40</td>
</tr>
<tr>
<td>2001</td>
<td>144.89</td>
<td>22.69</td>
<td>122.20</td>
<td>-99.51</td>
</tr>
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<td>2002</td>
<td>132.81</td>
<td>13.14</td>
<td>119.67</td>
<td>-106.53</td>
</tr>
<tr>
<td>2003</td>
<td>211.91</td>
<td>32.28</td>
<td>179.63</td>
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</tr>
<tr>
<td>2004</td>
<td>383.15</td>
<td>18.34</td>
<td>364.81</td>
<td>-346.47</td>
</tr>
<tr>
<td>2005</td>
<td>465.00</td>
<td>31.26</td>
<td>433.74</td>
<td>-402.48</td>
</tr>
<tr>
<td>2006</td>
<td>542.80</td>
<td>38.70</td>
<td>504.10</td>
<td>-465.40</td>
</tr>
</tbody>
</table>

Source: Ministry of Trade & Industry

In terms of products, Ghana’s exports to China over the years have consisted mainly of raw materials. The SITC classification of Ghana’s exports to China and China’s share in each category for 2000 and 2006 is shown in tables 3 and 4. In 2000, China’s share of total exports from Ghana in most of the categories ranged from 0 to 1.35 percent. However, in the crude materials category China’s share was about 9 percent. Crude materials included timber, aluminium alloys and aluminium waste products.

The top ten products exported to China consisted mainly of aluminium ores, manganese ores and concentrates, assorted timber products, cocoa beans, cotton linters, aluminium waste and scraps and frozen fish.

Table 3: China’s Percentage Share of Exports by Commodity Groups (2000)

<table>
<thead>
<tr>
<th>Commodity Groups</th>
<th>Total (US$)</th>
<th>China’s Share (US$)</th>
<th>China’s Share as Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; live animals</td>
<td>83,501,406.58</td>
<td>484,399.00</td>
<td>0.58</td>
</tr>
<tr>
<td>Beverages &amp; tobacco</td>
<td>514,795,926.84</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Crude materials excluding food &amp; fuel</td>
<td>166,259,709.40</td>
<td>14,148,842.00</td>
<td>8.51</td>
</tr>
<tr>
<td>Minerals</td>
<td>813,715,275.59</td>
<td>10,953,710.00</td>
<td>1.35</td>
</tr>
<tr>
<td>Animal/veg.oil/fat/wax</td>
<td>5,807,929.06</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Chemical products</td>
<td>8,083,621.72</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>143,474,793.16</td>
<td>237,580.00</td>
<td>0.16</td>
</tr>
<tr>
<td>Machinery, transport &amp; other equipment</td>
<td>1,149,138.86</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source: Ministry of Trade and Industry
### Table 4: China’s Percentage Share of Exports by Commodity Groups (2006)

<table>
<thead>
<tr>
<th>Commodity Groups</th>
<th>Total (US$)</th>
<th>China’s Share (US$)</th>
<th>China’s Share as Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; live animals</td>
<td>1,347,570,666.23</td>
<td>24,248,308.00</td>
<td>1.80</td>
</tr>
<tr>
<td>Beverages &amp; tobacco</td>
<td>1,433,242.99</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Crude materials excluding food &amp; fuel</td>
<td>115,523,212.23</td>
<td>1,350,475.00</td>
<td>1.17</td>
</tr>
<tr>
<td>Minerals</td>
<td>1,375,630.74</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Animal/veg.oil/fat/wax</td>
<td>2,268,683.36</td>
<td>307.86</td>
<td>0.01</td>
</tr>
<tr>
<td>Chemical products</td>
<td>38,705,325.12</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Manufactured goods</td>
<td>737,315,208.40</td>
<td>246,038.00</td>
<td>0.03</td>
</tr>
<tr>
<td>Machinery, transport &amp; other equipment</td>
<td>11,591,206.76</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*Source: Ministry of Trade and Industry*

By 2006, China’s share of Ghana’s export in all the commodity groups had declined to below 2 percent. The composition of the top 10 products had also changed. The export of frozen food accounted for almost 50 percent of the total. This was followed by sesanum seeds, other palm oil and liquid extracts, cashew nuts, vegetable seeds, liquorice roots, cotton linters and cocoa beans in that order.

On the other hand Ghana’s imports from China have consisted of manufactured products. The top 10 products imported from China are food, Beverages and Tobacco, crude materials, minerals, animal/vegetable oil/fat/wax, chemical products, manufactured goods and machinery, transport and other equipment. Imports of manufactured goods from China increased from about 15 percent of Ghana’s total imports of manufactures in 2000 to almost a quarter in 2006. The notion that imports from China are displacing Ghana-made goods and foreign traders (including Chinese traders) are out-competing Ghanaian traders is fast gaining currency.

### 2.3 Chinese Investments in Ghana

#### 2.3.1 General Investment Trend in Ghana

With the establishment of Ghana Investment Promotion Centre (GIPC) in 1994, Ghana has made consistent efforts towards attracting foreign direct investment. Available statistics indicate that between September, 1994 and December, 2006, 2,178 projects with a total investment amount of US$ 4.6 billion were recorded (GIPC). In 2006 alone, 238 projects with a total capital outlay of US$ 3 billion were registered. Together, these projects were expected to generate 12,044 additional jobs. In 2007, the GIPC registered 305 projects, showing an increase of 28 percent over the 2006 figure. The total estimated value of the projects was GHS 5.27 billion (US$ 5.67 billion) in 2007 with new cash investments of GHS 1.15 billion (US$ 1.2 billion) in that year alone. The FDI component was GHS 5.18 billion (US$ 5.56 billion) while the local currency component was GHS 92.93 million (US$ 99.9 million). The number of jobs that were expected to be generated from the 305 projects in 2007 was 25,367 (approximately 48 percent more than the expected employment from FDI projects in 2006).

In the first quarter of 2008, 92 new projects were registered with a total estimated value of GHS 2,971,98 million (US$ 3,032,6 million). This represents a very huge
increase compared to the GH¢ 36,02 million (US$ 36,75 million) recorded for the same period in 2007.

2.3.2 Chinese Investments in Ghana
China and Chinese investors have played a significant role in the growing foreign investments in Ghana. In line with the general trend, Chinese investments in Ghana have increased tremendously over the last few years particularly after 2000. China is one of the ten countries selected by the GIPC for increased and “focused” investment generation activity under GIPC’s Investor Targeting Strategy. As part of the strategy, the GIPC has undertaken several investment missions to mainland China and Hong Kong. According to the Chief Executive of GIPC, the Centre will soon open an office in Shenzhen, a sub-provincial city of Guangdong province in southern China, north of Hong Kong, to facilitate business opportunities between China and Ghana. In addition, the Centre has hosted several Chinese investment missions. In 2000 alone the Centre received six different Chinese delegations that came to explore investment opportunities in the country. Again, in April 2008, a 63-member delegation under the leadership of Mr. Hu Deping, President of CABC\(^8\), undertook a four-day business tour to seek investment opportunities in Ghana and in other parts of Africa.

These investor-targeting activities have yielded significant results in terms of Chinese investment flows to Ghana. Between September 1994 and December 2007, the GIPC registered 336 projects of Chinese origin. The total estimated cost of these projects was US$ 238,536,350. The projects were either wholly-owned by Chinese investors or jointly owned by Chinese and Ghanaian investors. Table 3 shows the trend of Chinese investments in Ghana between 1994 and 2007.

<table>
<thead>
<tr>
<th>Sectors</th>
<th>No. of Projects</th>
<th>Local Equity (US$ million)</th>
<th>Foreign Equity (US$ million)</th>
<th>Local Loan (US$ million)</th>
<th>Foreign Loan (US$ million)</th>
<th>Total Cost (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>9</td>
<td>97.52</td>
<td>518.07</td>
<td>150</td>
<td>4,390</td>
<td>5,155.59</td>
</tr>
<tr>
<td>Construction</td>
<td>17</td>
<td>107.44</td>
<td>5,382.79</td>
<td>468</td>
<td>1,242</td>
<td>7,200.23</td>
</tr>
<tr>
<td>Export Trade</td>
<td>7</td>
<td>20.55</td>
<td>453.17</td>
<td>-</td>
<td>485</td>
<td>958.72</td>
</tr>
<tr>
<td>General Trade</td>
<td>81</td>
<td>3,278.42</td>
<td>32,088.07</td>
<td>200</td>
<td>8,464.11</td>
<td>44,030.59</td>
</tr>
<tr>
<td>Liaison</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>117</td>
<td>724.13</td>
<td>15,006.15</td>
<td>236.95</td>
<td>148,615</td>
<td>164,582.50</td>
</tr>
<tr>
<td>Services</td>
<td>47</td>
<td>699.51</td>
<td>3,824.05</td>
<td>261.34</td>
<td>7,951.2</td>
<td>12,736.10</td>
</tr>
<tr>
<td>Tourism</td>
<td>52</td>
<td>299.90</td>
<td>3,264.34</td>
<td>20</td>
<td>613.42</td>
<td>4,197.67</td>
</tr>
<tr>
<td>Total</td>
<td>336</td>
<td>5,227.47</td>
<td>60,536.63</td>
<td>1,336.29</td>
<td>171,760.96</td>
<td>238,861.35</td>
</tr>
</tbody>
</table>

Source: Ghana Investment Promotion Centre

The manufacturing sector of the economy continues to attract investments from China. During the period (1994-2007) more than one-third (34.8%) of the investment projects went into the manufacturing sector and about a quarter 24 percent went into trading. In terms of value, more than two-thirds of the estimated investment costs of the registered projects over the period went into the manufacturing sector followed by

\(^8\) The CABC is a joint project of the United Nations Development Programme (UNDP), the Ministry of Commerce of the China and the Guangcai programme established in 2005 to deepen the economic relations between China and Africa.
the general trading sector with 18.43 percent of the total investment cost. The other sector that attracted significant investments from China is the tourism sector.

In the past five years, China has led the countries with the highest number of investment projects in Ghana. In 2007 out of a total of 294 investment projects with foreign participation registered in Ghana, 65 came from China representing 22 percent of foreign investment projects registered in Ghana. China was followed by India, Lebanon, Nigeria and Great Britain in that order.

In terms of values of investment projects, however, Britain topped and China came second. Britain registered only 16 projects in 2007 with a total investment value of US$ 4.6 billion compared to the US$ 152 million for all the 65 projects that originated from China. In the first quarter of 2008, China came second to India with 16 projects. In terms of value, however, China was sixth.

<table>
<thead>
<tr>
<th>NUMBER OF PROJECTS</th>
<th>VALUE OF PROJECTS (US$ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td><strong>Registered Projects</strong></td>
</tr>
<tr>
<td>China</td>
<td>65</td>
</tr>
<tr>
<td>India</td>
<td>49</td>
</tr>
<tr>
<td>Lebanon</td>
<td>45</td>
</tr>
<tr>
<td>Nigeria</td>
<td>17</td>
</tr>
<tr>
<td>Britain</td>
<td>16</td>
</tr>
<tr>
<td>USA</td>
<td>9</td>
</tr>
<tr>
<td>Korea</td>
<td>8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>5</td>
</tr>
<tr>
<td>Canada</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>294</strong></td>
</tr>
</tbody>
</table>

*Source: Ghana Investment Promotion Centre, 2008*

The high rate of growth in Chinese investments in Ghana has been attributed to the prevailing investor-friendly atmosphere in the country. The relative peace Ghana is enjoying compared to other countries in the West African sub-region has made her the preferred destination for investors. In addition, the investor-generation activities of the GIPC targeted at China and nine other countries partly explains the trend.

The Centre offers generalised incentives under the GIPC Act (Act 478) to foreign investors of all nationalities. These incentives include tax concessions, immigrant quotas, repatriation of profits, and guarantees against expropriation. It is important to note that the GIPC does not offer any special incentives to attract Chinese investors.

As noted above, the share of Chinese investments in total investments in Ghana remains below 10 percent. In 2001 the share of Chinese investments in total investment was 7 percent. In 2006, it had declined to less than 1 percent (see Table 5).
Table 7: China’s investments as a proportion of total investments in Ghana (2001 -2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment from China (US$ Million)</th>
<th>Total Investment (US$ Million)</th>
<th>China’s Share as a % of Total Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>6.93</td>
<td>97.31</td>
<td>7.12</td>
</tr>
<tr>
<td>2002</td>
<td>3.13</td>
<td>65.13</td>
<td>4.8</td>
</tr>
<tr>
<td>2003</td>
<td>2.17</td>
<td>118.31</td>
<td>1.84</td>
</tr>
<tr>
<td>2004</td>
<td>3.09</td>
<td>186.28</td>
<td>1.66</td>
</tr>
<tr>
<td>2005</td>
<td>17.87</td>
<td>201.95</td>
<td>8.85</td>
</tr>
<tr>
<td>2006</td>
<td>15.20</td>
<td>236.78</td>
<td>0.64</td>
</tr>
</tbody>
</table>

Source: Ghana Investment Promotion Council

2.3 China’s Development Assistance to Ghana

2.3.1 Loans and Grants

China’s Development Assistance to Ghana dates back to the early 1960s. Since 2000, after the first Forum of China-Africa Cooperation (FOCAC), China has substantially scaled up its financial assistance to Ghana. China’s official development assistance to Ghana like other countries on the continent has focussed largely on infrastructural projects. The intention has been to support Ghana’s effort towards addressing the huge infrastructural deficits that impedes the country’s economic development.

It is difficult to estimate China’s official development assistance to Ghana because official statistics on actual values and details of financing arrangements have often not been made public, though Chinese development assistance is widely reported in the press. Based on discussions with officials of Ghana’s Ministry of Finance and Economic Planning (MOFEP) and the data gathered from domestic and international sources, we estimate China’s financial commitment to Ghana’s infrastructure projects over the last 8 years at about US$ 1 billion.

Following the first FOCAC Summit in 2000, China undertook to finance a series of projects aimed at helping Ghana close its infrastructural gap. The following are some of the projects financed by China.

- The construction of the military barracks in Accra, which was financed with a Chinese grant of US$ 3.9 million. The project was completed in 2004.
- US$ 18 million grant to help in the development of cooperatives in Ghana;
- The agreement in 2003 for the rehabilitation of the 17.9 km Ofanko-Nsawam road which is part of the Accra-Kumasi trunk road rehabilitation project. The project was financed with a Chinese grant of US$ 22 million.
- The construction of separate office complex for the Ministries of Defence and Foreign Affairs which are all under construction;
- The construction of three model basic schools at Assin Nkran in the Central Region, Weija in the Greater Accra Region and Mpohor in the Western Region;

9 This road construction project was jointly commissioned by President of Ghana and the Chinese Primier, Wen Jiabao.
• The renovation of the Peduase Lodge which was partly financed with Chinese grant.
• In 2006, Ghana received a concessionary loan of US$ 30 million from the ExIm-Bank of China for the Phase I of the National Communications Backbone Network Project which was completed in June 2008.
• In 2007, China increased its financing of infrastructural projects in Ghana with the agreement to extend a loan facility of US$ 562 million for the construction of the Bui Dam Complex. The first part of the loan comprising US$ 292 million was contracted by the Government of Ghana as a buyer credit facility from the China Ex-Im Bank. The second part of US$ 270 million is a concessionary loan extended by the Chinese Government to Ghana via EX-Im Bank of China. Ghana is to provide a counterpart funding of US$ 60 million or 10 percent of total project cost. The Bui Dam project is currently being constructed by SinoHydro Corporation of China (see section 3 for details).
• Ghana received a concessionary loan of US$ 38.5 million from China EX-Im Bank towards the construction of two new stadia in Secondi-Takoradi and Tamale which were used for the 2008 African Cup Nations soccer tournament which was hosted by Ghana. The two stadia were constructed at a total cost of US$ 313.5 million by the Shanghai Construction Group of China. Barclays Bank of Ghana supported the project with additional loan facility of US$ 275 million.
• Again, in 2007 the Chinese Government extended a concessionary loan facility of US$ 30 million for the implementation of a dedicated communication system for the security agencies in Ghana.
• Ghana received a Chinese loan amounting to US$ 90 million to facilitate rural electrification.
• In addition to the direct transfer of resources and financing of major infrastructure projects, China has since 2001 delivered two debt relief packages to Ghana. The first relief package was in 2003 when China cancelled US$ 66 million bilateral debt owed it by Ghana. The second relief was granted in 2007 with the cancellation of US$ 24 million.

2.3.2 Technical Assistance to Ghana
A significant proportion of Chinese assistance to Ghana takes the form of technical cooperation. This involves training of Ghanaians in various fields in China and technical support for Chinese-funded projects in Ghana. The Chinese Government has over the years granted scholarships to Ghanaians to study in China and has also organized training courses and seminars in Ghana. Since 1960, China has accepted 104 Ghanaian students and at the end of 2000, there were 13 Ghanaian students studying in China. In 2006, the number of Chinese scholarships to Ghanaian students doubled from 20 to 40. China has also provided technical training in agriculture, management, healthcare and traditional acupuncture for various ministry officials. In 2006, more than 300 Ghanaian professionals and government officials benefited from training programmes and seminars. In addition, two Chinese trainers/coaches came to Ghana in December 2006 to train Ghanaian school children in gymnastic displays in preparation towards Ghana’s 50th independence anniversary celebrations in 2007.

Technical cooperation in the form of infrastructure development has included the construction of a rice-grinding mill, the Afefi Irrigation Project and grain depot, the Nobewam Farmland Irrigation Project and the Ghana Vocational and Technical
Training Centre. China has also provided Ghana with cotton-textile machinery and methane gas equipment.

2.4 What explains Ghana’s growing reliance on China for support?

Ghana is increasingly relying on China for financial and technical assistance for various reasons. First, the Chinese are willing and ready to finance projects that are critical to the long-term development prospects of Ghana, which the traditional bilateral and multilateral donors are unwilling to finance (e.g. the Bui Dam Complex).

Second, Chinese financing has come with little or no conditionalities that usually characterise assistance from the traditional donor community in the West. Even where conditionalities are imposed, they usually are considered more benign compared to those of traditional donors. For example, China will typically require that Chinese companies that execute projects financed with Chinese grants procure Chinese equipment and use Chinese expertise. These conditions, in the opinion of Ghanaian officials that were interviewed, are in themselves beneficial to Ghana since they facilitate transfer of technology and knowledge sharing.

Third, Chinese financing and execution of infrastructure projects are cost-effective. For example, the cost of the Bui Dam Complex was initially estimated by French contractors to be almost US$ 1,2 billion. With Chinese financing and expertise the project is being implemented at a total cost of US$ 622 million. Officials of the Bui Power Authority were of the view that that if this project had been financed and executed by traditional donors, the cost to Ghana would have been much higher.

Fourth, the entry of China into the financing of infrastructure in Ghana gives the country a certain leverage that it has lacked in its relations with the traditional donors. With the ‘China option’, the country can avoid financial assistance with intrusive conditionalities that could be injurious to the long-term development of the country.

In the area of private investments, the large number of Chinese investors that have registered to undertake manufacturing activities is good for the revival of the domestic manufacturing sector, which has been declining. It falls in line with government’s objective of making the manufacturing sector a significant contributor to both GDP and employment creation.

The future of Ghana-China relations looks promising. The willingness of the Chinese to go into areas of the Ghanaian economy that have been shunned by traditional partners provides the tonic that will nourish the relationship. While challenges remain (see below) many of the people we talked to as part of this report are of the view that with tact and diligence the two countries are set to enjoy warmer relationship in the years to come.

2.5 Concerns about Chinese investments in Ghana

Concerns have been raised about the negative effects of Chinese investments in Ghana. In the area of trade, the large and growing trade deficit Ghana is recording with China is a clear indication that Ghana is not benefiting adequately from its trading relationship with China (MOTI, 2008). The influx of cheap Chinese goods
Chinese investments and trading activities are having negative effects on employment creation for Ghanaians. The flooding of the Ghanaian market by made-in-China products has led to the collapse of domestic enterprises. An example is the closure of the Juapong Textiles Ghana Limited due to large-scale importation of textile products from China. Moreover, Chinese investors use Chinese labour in most of the infrastructure projects that are financed by China and for which the skill requirements are relatively higher. For example, as many as 150 Chinese “experts” were employed in the construction of Essipon Stadium in Sekondi-Takoradi which was financed by China. The investment laws of Ghana allow foreign investors including Chinese investors to use certain amounts of foreign labour. But the system has been abused not only by the Chinese investors but also by investors of other nationalities.

A related problem has to do with the labour practices of the Chinese entrepreneurs who employ local staff. There is a general perception in Ghana that Chinese employers do not respect labour rights. Workers in Chinese enterprises typically work long hours and receive low pay. Some workers especially in the construction sector have complained about the negative attitude of their Chinese employers towards trade unions and collective bargaining.

But the Chinese also have concerns about the business climate prevailing in Ghana and the general orientation towards work in Ghana. The Chinese Embassy in Accra has received several complaints from Chinese investors operating in Ghana and those seeking to establish businesses. These complaints include increased extortion and corruption, rising crime rate and insecurity in the country, poor infrastructure and in the words of one embassy official a “worsening policy environment”. Chinese investors are particularly worried about the spate of armed robberies and what appear to be contract killings in Ghana. Already some Chinese investors have fallen victim to armed robbery. Top Construction Company Limited, a Chinese company with its headquarters in Accra was recently robbed of US$ 30,000 by armed robbers (Chinese Embassy, Accra).

The poor state of infrastructure in Ghana has also been a source of concern to Chinese investors. In particular, mention is made of the irregular supply of electricity and water as well as the delays one has to endure before getting access to essential

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10 Statistics available at the GIPC indicated that in 2007, 17 trading companies, some of which were not properly registered, were closed down. The violating organisations were mainly from China, India, Germany, Holland and Nigeria (Ghana News Agency, 2007).
services like telephone. The unreliable supplies of electricity and water have meant that they sometimes have to rely on generators and water tanker services all of which go to increase investment costs (Chinese Embassy, Accra).

The biggest concern of the Chinese investors in Ghana relates to what one Embassy official described as “a worsening policy environment”. This has to do with the attempt at the policy level to scale down the number of incentives that foreign investors generally enjoy in Ghana. They include the attempt to reduce the number of foreign nationals that can be employed as well as the increase in the fee for work permits for expatriates. The Chinese are also unhappy about the plans to raise the minimum capital for foreigners who want to engage in trading from US$ 300,000 to US$ 1,000,000. The issue of multiple-taxation is also an issue of concern to Chinese investors (Chinese Embassy, Accra).

Despite these challenges, Ghanaian and Chinese officials who were interviewed as part of this study were optimistic that the relations between Ghana and China will continue to improve. The non-interference approach the Chinese bring to development assistance is very attractive to the Ghanaian government. This can be discerned from our interactions with officials in charge of Chinese projects at the various ministries. In their individual assessment both Ghanaian and Chinese officials were upbeat about the ability of the two countries to overcome the challenges enumerated above and propel their relations to a greater height.

3: Employment, Labour Relations and Working Conditions in Chinese Companies: Case Studies

3.1 Case Study 1: The Bui Dam Complex

3.1.1 Background Information
The Bui Hydroelectric Power Project is the single largest Chinese-funded project in Ghana. In fact, it is the largest foreign investment in Ghana since the construction of the Akosombo Hydroelectric Power project in the early 1960s. The Bui Dam Complex consists of the construction of a Dam, which is expected to generate 400 megawatt of electricity when completed. It also involves the construction of a power house, the erection of transmission lines from Bui to Kumasi and Kenyasi, the construction of access roads in and around the Dam site, construction of irrigation systems and the building of the Bui City.

The Dam is expected to augment Ghana’s energy generation capacity and to reduce Ghana’s overdependence on the Akosombo Dam, which serves as the source of power for the entire country. Construction work is expected to be completed within five (5) years at a cost of US$ 622 million. The project is being financed with both concessional and commercial loans from the China Exim-Bank. The Government of Ghana is contributing 10 percent of the total cost of the project.

The construction of the Dam Complex is being undertaken by the state-owned SinoHydro Corporation Ltd of China. The construction work is being supervised by the Bui Power Authority (BPA) for and on behalf of the Government of Ghana. The
BPA was established by an Act of Parliament in 2007. As the client of SinoHydro, the BPA ensures that the construction of the Dam and all its components is done in conformity with the contract document. Some of the requirements in the contract document include adherence to the laws of Ghana and the respect for the environment.

Though the Bui Power Authority (BPA) does not directly employ the workers, officials of the authority have the responsibility of ensuring that the contractors do not pay their workers below the national minimum wage and that workers are provided with the appropriate health and safety equipment. The Authority is also to ensure that communities affected by the construction are properly resettled. The Dam will be handed over to BPA to manage upon completion.

The choice of the Bui Dam project as part of this study is informed by its immense significance to Ghana’s economy. As mentioned above, it is expected to generate 400 megawatts of electric power. This is envisaged to help fuel Ghana’s economic growth towards a middle income status by the year 2015. In addition, the Bui Dam is by far the largest foreign-funded project in the recent history of the country. The Bui Dam project, in spite of its capital intensity is also expected to generate high levels of employment. Labour disputes are already beginning to dog the project and take the shine out of it.

The project is expected to generate about 3000 jobs in its full cycle. The quality of these jobs is the focus of this component of the study. The study also looked at the potential impact of the construction work on the environment and the livelihoods of people and communities within the catchments area of the Black Volta – the river on which the Dam is being constructed.

In the following sections, we assess the impact of this large-scale project on employment and employment conditions.

3.1.2 Data Sources
The background information on the project was gathered through interviews with officials at the Chinese Embassy, SinoHydro headquarters and the Bui Power Authority all in Accra. Additional information on the project was obtained from other sources including the internet and the local media.

On the basis of the information obtained from these sources separate interviews were conducted with officials of BPA, SinoHydro (at the Dam site at Bui) and the Tain District Assembly (the Local Authority in the Dam area) in July 2008. In addition, personal interviews and focus group discussions were conducted with the workers of SinoHydro at the Dam site. The discussions with the officials and workers focused on local employment and livelihoods, labour practices, working conditions, and the impact of the construction work on the environment. Further information was gathered through direct observation by the researchers.

3.1.3 Employment and Working Conditions
The construction of a Dam of this nature is naturally capital-intensive. But the Bui project is expected to generate high levels of employment as well. As of July 2008, a total of 560 Ghanaians (including 15 female employees) and 110 Chinese had been
employed on the project. According to officials of SinoHydro at the Dam site, about 3000 workers will be employed on the project when it reaches its peak. This will include about 2600 Ghanaians.

Almost all the Ghanaians currently working on the project are employed as casual workers. Not a single worker has been given a contract of employment. Most of them are unskilled and they are mainly engaged in the construction of temporary structures. Once the construction work on these structures is completed there will be no work for them.

But the terminal nature of their employment has not been sufficiently communicated to the workers. Some of the workers have already had their employment terminated. The following statements from two of the workers represent the views of the workers about their job security.

“Once they [the Chinese] are done with you all they need is for you to make a little mistake and you are gone”.

“We have worked for 9 months now but we have no letters of appointment; we are still considered as temporary workers; they can dismiss us at anytime; it has happened to some our colleagues already”.

The labour laws of Ghana require employers to regularise the employment of casual workers after six months of continuous employment. Clearly, this practice is a violation of the law. According to the General Manager of the Company at the Dam Site the workers have been assured that they would be issued with their contracts of employments by the end of August, 2008.

**Hours of Work**

The laws of Ghana mandate normal working hours of eight hours per day or forty hours per week. This includes rest periods during working hours. The law also allows for overtime work which must be fully paid for. Overtime work is supposed to be voluntary except in cases where the nature of work of the enterprise requires compulsory overtime in order to be viable or profitable.

According to officials of SinoHydro, all workers work for a minimum of nine hours a day from Monday to Friday. The additional hour is considered overtime and it is compulsory since, according to Management, that additional hour is necessary for the completion of the project on schedule. There is also overtime work for Saturdays and Sundays as well as public holidays. But this, according to Management, is optional.

However, in our discussions with the workers’ leaders and later at the workers’ forum, the workers said working hours vary significantly among the various classes of workers. For instance, the security guards work twelve hours, seven days a week. According to them, it is compulsory for them to work for the additional four hours of overtime per day but they are not paid for working overtime. According to the workers, when the security guards were employed, they were told that their working hours will be 12 hours per day and that they will work every day. The workers also complained that work on Saturdays and Sundays is compulsory but it is not clear to them how much they earn for working on those days. Workers at the catering section
start work at 4.00 am and close at 8.00 pm and those on night shift work for long hours but they not know how much they earn from the extra hours.

Based on the information gathered from the Chinese contractors and the officials of the Bui Power Authority, we concluded that, in principle, overtime work is not compulsory during weekends and on public holidays. In practice, however, workers do not appear to have much option since failure to work overtime can either lead to immediate termination of one’s appointment or to a reduction in wages. One of the workers said:

“If for some reason you are not able to come to work on Saturday or Sunday then you have to be prepared for your dismissal on the following Monday”.

Wages and Benefits
The pay level is perhaps the biggest of the problems that face the workers on the project. While no worker is paid below the official national minimum wage of approximately US$ 61\(^\text{11}\) per month, the prevailing wage rate is woefully low when measured against the expectations of the workers and the rising cost of living at the Dam site.

According to the Management of SinoHydro, the minimum basic pay for the local staff is GH¢ 3 per day for eight hours of work which translates into GH¢ 81 a month\(^\text{12}\) (compared to the national daily minimum wage of GH¢ 2.25 for eight hours of work or GH¢ 61 per month). The maximum basic pay is GH¢ 7.00 a day or GH¢ 189 per month. However, the representatives of the workers insist that some workers are paid below US$ 3 a day. Some workers in the general services section (the cleaners), for example, are paid GH¢ 2.50 per day. According to the workers representatives, some of their colleagues receive GH¢ 48 per month which is below the national monthly minimum wage.

When asked about the pay levels of the Chinese expatriates, the Administrative Manager at the SinoHydro head office in Accra said he did not know how much his colleague expatriates are earning. SinoHydro consists of a group of companies with over 100,000 workers including those currently working on the Bui project. These are employees of the Chinese government and their pay level is in line with the pay policy of the Government of China. Management, however, admitted that the expatriates are paid higher than the local staff.

With regard to benefits, the labour laws of Ghana require employers to provide their employees with certain benefits. These include basic social security under the Social Security and National Insurance Trust (SSNIT), paid annual leave and maternity leave (with full pay). These are statutory benefits and employers could face prosecution if they fail to provide them. In addition to these benefits, employers often provide some other benefits such as free or subsidized accommodation, sick leave with pay, free transport, subsidized meals, and training. In some cases workers benefit from cash allowances such as clothing allowance, rent allowance, etc.

\(^{11}\) The exchange rate was approximately GH¢ 1 = US$1 in July 2008.

\(^{12}\) The monthly pay is calculated as the daily minimum wage x 27 days in accordance with the Labour Act.
With regard to social security, employers contribute 12.5 percent of each employee’s monthly basic pay into the SSNIT Fund on behalf of the employee. Employers are also required to deduct five percent of every employee’s basic pay (at source) and pay it directly into the same fund every month. Therefore, every employer is required to transfer a total of 17.5 percent of every employee’s basic salary to the SSNIT fund every month.

According to the Management of SinoHydro, all their employees are members of SSNIT and the company pays their contribution in accordance with the law. This was confirmed by officials of BPA and the employees.

**Annual Leave**

All employees are entitled to at least fifteen working days leave with full pay in any calendar year. The law further provides that workers are given unbroken annual leave but when it becomes necessary for an employer to interrupt the leave, the affected worker still retains the right to the remainder of the leave. In addition the cost incurred as a result of the interruption of the leave is borne by the employer. The law also provides that public holidays and absence from work on account of sickness are not part of the annual leave of a worker.

According to Management of SinoHydro, workers are entitled to paid annual leave of 15 days a year. However, after almost a year of employment no worker has gone on leave. The discussions with the workers revealed that the majority of them were not aware of their right to paid annual leave. Even those who were aware of their right to paid annual leave have made no attempt to apply for it because, in their opinion, Management will not grant them that right. Their doubt is further strengthened by the fact that Management has refused to regularise their employment and continue to consider them as casual workers.

When the research team asked the workers why they have decided not to exercise their right to paid annual leave one worker said:

“How can a casual worker, who has seen his colleagues dismissed for failing to work on holidays, ask for leave. If you [the worker] are lucky they [Management] will just ignore you, otherwise you will have your dismissal”.

Another worker had this to say:

“Right now, some of us want to go home to register for the upcoming general elections but they [Management] will not allow us. We are afraid that we will lose our jobs if we should go. ... You [the researchers] need to help us”.

**Paid Sick Leave**

According to officials of SinoHydro, workers are entitled to sick leave of a maximum of eight days in a year. In the case of serious occupational injury, workers are entitled to sick leave of up to a maximum of 6 months. Management, however, requires that sickness must be certified by the Chinese medical doctors at the Dam site before application for sick leave can be granted. The workers confirmed that they enjoy sick leave in the event of normal sickness or occupational injury. But they are not paid for the days they are absent from work whether or not their sickness is certified by the Chinese doctors at the Dam site. Evidence was presented by workers to prove that
they are denied the benefit of paid sick leave. This is what a worker\textsuperscript{13} who had just been dismissed said:

“The machine I was using chopped off part of my left thumb and I was excused to be off duty for two weeks. Now check my salary slip. I was paid for only the two weeks that I was at work; and they have dismissed me”.

Further investigations showed that, in principle, the Chinese provide sick leave with full pay. The problem is that, like many other things at the Dam site, the procedure for accessing sick leave with pay has not be explained to the workers. The Chinese management require that a form completed by the doctors be sent directly by the affected worker to the personnel office before they can grant sick leave with pay. But the workers do not know this procedure.

**Maternity leave**

The labour laws of Ghana require that employers grant at least three months maternity leave with full pay. SinoHydro currently has 15 female workers at the Bui Dam site. These are young ladies working in the kitchen. Since the beginning of the project no woman has applied for maternity leave. Management gave the assurance that they are prepared to follow the law on maternity leave when the time comes.

**Accommodation**

Despite its immense tourism potential\textsuperscript{14}, Bui and its adjoining communities are among the most deprived communities in Ghana. Finding decent accommodation at Bui is extremely difficult. Since most of the workers come from outside the Bui area, Management of SinoHydro has provided temporary accommodation for the workers. The temporary structures are built in the form of cubicles. Each cubicle houses about 12 workers. Six double-decker wooden beds with mattresses are provided in each cubicle. Bathrooms and toilets have also been provided. Management has also provided space within the camp for food vendors so that workers can have food to buy every time of the day.

However, accommodation has proven to be one of the most contentious issues at the project site. Workers are totally dissatisfied with the accommodation that has been provided by Management. The workers complained that the rooms are too small for 12 people. Second, the rooms are not sufficiently ventilated. Each room has two small windows in front and at the rear. For the most part these windows have to remain closed to prevent black flies\textsuperscript{15} and mosquitoes from entering the rooms. With no air conditions or ceiling fans, the rooms are very hot, especially at night. With the large number of workers at the site the risk of communicable diseases spreading in the camp remains very high. Thirdly, workers complain that the water they are provided with is tapped directly from the Black Volta (the river on which the dam is being built). The water is untreated and they are concerned that they might suffer water borne diseases. The following are some of the workers’ views on their accommodation:

\textsuperscript{13}This young man was dismissed for failing to turn up for work one particular Tuesday without notifying his superiors. This was after he had recovered from the injury.

\textsuperscript{14}The Bui National Park is located in the area.

\textsuperscript{15}Black fly which causes river blindness is very endemic in Bui and the surrounding areas.
“The rooms are overcrowded and everyday new workers are brought in; they are treating us like prisoners”.

“Providing us with ceiling fans will help solve some of the problems, but the Chinese will not listen to our pleas”.

According to Management they are aware of these problems and are doing everything to make life comfortable for the workers. One of Management representatives said:

_We know some of these problems; but we cannot solve all the problems in a day. You [the researchers] have to help us to explain to the workers that they need to be patient while we make the effort to solve the problems_”.

**Health and Safety**

Management of SinoHydro, conscious of the high level of occupational risks involved in the construction of a dam of that scale, has put in place facilities at the project site both for prevention and management of occupational injuries. All workers are provided with protective clothing, which includes uniforms, boots and helmets. The welders and drillers wear protective glasses and masks. A clinic with four Chinese medical doctors has also been established at the project site to provide health services to the workers.

In addition, all the employees working on the project are insured against occupational accidents and injuries. This allows management to grant workers who sustain serious occupational injuries and diseases up to 6 months of sick leave with full pay. In the event of permanent incapacitation as a result of occupational injuries workers are fully compensated in accordance with national labour laws (Workman’s Compensation Act of 1965).

Our discussions with the workers showed that they are not aware that they are insured. They also do not know that they have 6 months leave with pay in case of occupational injury. There is no safety committee and so Management takes all decisions related to health and safety without the involvement of the workers. Furthermore, there are no emergency response plans and evacuation procedures or referral systems in place at the project site which is quite remote from healthcare facilities. Occupational safety and health statistics are not compiled, and procedures for reporting and investigating accidents and injuries are not clear. The workers complained that they are sometimes forced to work even when they are ill because the Chinese medical officers at the project site sometimes refuse to grant permission for sick leave.

**Unionisation and Labour Relations**

At the time of the field work (in July 2008) the workers had not formed or joined a union. According to the workers, their initial attempt to form a union was rebuffed by the Chinese contractors through open intimidation and victimisation. The resident engineers of the Bui Power Authority attempted to fill the void created by the absence of unions by taking up concerns of the workers with the Management of SinoHydro. This intervention by the BPA Resident Engineer was misconstrued by the Chinese as unnecessary interference in their work. The Resident Engineer was ordered by his superiors in Accra to stop interfering in the affairs of the Chinese.
Workers had no other channel through which their concerns could be addressed. This led to the resignation of a number of the aggrieved workers. Those who remained sought to seek redress through the mass media. They got their issues published in the major local newspapers and discussed on national television and FM stations across the country. This worsened the already negative perceptions the public have about the Chinese and their labour practices. The mass resignations on a daily basis also had a significant negative impact on operations because those who were resigning were those who had already attained appreciable level of experience on the job. The Chinese Management admitted that the high labour turnover was affecting their operations.

“We [Management] are particularly afraid of pay days; some of the workers will not come back after receiving their pay, others will come after a week or two. And this is affecting the work”.

The relationship between the Chinese Management and Expatriate Staff on the one hand and the Ghanaian workers on the other hand continued to deteriorate. To salvage the situation, the BPA asked the SinoHydro Management to encourage the workers to form a union. The Brong Ahafo Regional secretariat of the Ghana Trades Union Congress (TUC) based in Sunyani (the regional capital) was contacted and together with the Industrial Relations Officer of the Construction and Building Materials Workers Union (CBMWU) of Ghana TUC, the process of organising the workers into a union has begun in earnest. The union has since facilitated the election of the Interim Representatives of the workers and is waiting for the issuance of a collective bargaining certificate by the Chief Labour Officer to grant the union a formal recognition to represent the workers in dealing with their Chinese Management. Both the workers and the Management of SinoHydro believe that forming the union will go a long way to improve their relationship.

The following are samples of views of the workers in regard to unionisation:

“We have been waiting for you [TUC] far too long. Now that you are here you have to help us to talk to the Chinese. You are our last hope”.

“We know that forming the union will help us. Please TUC, what has happened to the collective bargaining certificate? We need it so that we can negotiate with the Chinese”.

“I have been telling my colleagues to be patient and wait for TUC, once they come in the Chinese can no longer cheat us”.

The labour laws of Ghana entitle any two workers to form a union. Article 79(1) of the consolidated Labour Act adopted in 2003 (Act 651) confers on workers the right to form or join trade union of their choice for the promotion of their economic and social interests. At the time of the interview, the company had not recorded any strike action. There have, however, been two demonstrations. The first demonstration was over the alleged insensitivity of the Chinese Management to the plight of three workers who got drowned in the river on which the dam is being built. The second demonstration was over a pay increase for the mechanics which, according to the workers, was unfair and discriminatory.
Since the workers are not unionised pay levels and other conditions of work are determined by Management. According to Management, the pay levels are based on the skills and competencies of the workers. Management was confident that the pay levels for their employees are not different from average wage in the construction industry in Ghana because they consulted other Chinese employers in the industry and reviewed a number of collective bargaining agreements before they fixed the wages for their employees.

Management also claims that wages are determined on the basis of a pay structure they have designed for the local staff. The structure has five levels for the unskilled, semi-skilled, skilled, high skilled and foremen. There are different categories of workers within each group. Each group is headed by a Chinese designated as a “Chief”. However, the pay structure is unknown to the Ghanaian workers. Workers, therefore, find it difficult to understand the basis of pay differentials among them. For instance, two electricians may be paid different wages. The workers were of the view that wages are determined by the “Chiefs” based on factors known only to them. Workers also complained bitterly about the way their pay levels fluctuate from month to month. They attribute the fluctuations to what they called “unwarranted deductions” by the Chinese.

3.1.4 The Bui Resettlement Plan and the Environment

Seven communities along the Black Volta River have been earmarked for resettlement to make way for the construction and subsequent operations of the Bui Dam. Out of the seven communities, three have been resettled. One community was scheduled to be resettled at the end of July, 2008. The three remaining communities have relatively larger populations so they will be incorporated into the proposed Bui City which is to be built as part of the Bui Dam Complex.

The three resettled communities had relatively small populations and more importantly were directly at the point where the Dam was to be built. Each household within the resettled communities was provided with a two bedroom house with kitchen and bath. In addition, every member of each household is to be paid a daily allowance equivalent to the daily minimum wage (GH₵ 2.25) for the next eight months. Again, each individual has been given two acres of land for farming.16

The communities have also been provided with two toilets, two mechanised boreholes and water tanks for the storage. Each community has been provided with solar panels for the supply of electricity and community centres are currently being constructed for all the newly-created communities. A nursery school building was scheduled to be completed by the end of August, 2008. In addition, since most the people in the affected communities are fishermen, the BPA is assisting them with facilities to enable them do fishing.

All the relevant stakeholders expressed satisfaction with the resettlement package and the way it is being managed. According to the District Chief Executive (DCE) of the

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16 Apart from the two acres which is guaranteed, vast acres of land have been acquired for the use of the resettled communities and one could farm as many acres as one could for free.
Tain District Assembly (the local authority), the Assembly in collaboration with Government is determined to ensure that communities living along the banks of the Black Volta River do not suffer similar fate of those who live along Volta Lake after the construction of the Akosombo Dam (Ghana’s main source of hydroelectric power) in the 1960s. The District Assembly has also been monitoring the environment. According to the Chief Executive Officer of the Assembly, the authority is satisfied with the way environmental issues have been managed so far.

3.2 Case Study 2: The Essipon Stadium Project

3.2.1 Background
The Essipon Stadium located at Sekondi-Takoradi in the Western Region of Ghana is one of Ghana’s finest sports facilities. It is one the two stadia which were funded by China and constructed by a Chinese construction company, Shanghai Construction Group, to host the 2008 African Cup of Nations tournament which was held in Ghana in January, 2008\(^{17}\). The Essipon facility has a seating capacity of 21,017. It covers a total land area of 26,831 hectares. Shanghai Construction Group of China started work on the project in January 2006 and completed it in late 2007 (one-and-a-half months ahead of schedule). According to officials of Ghana’s Ministry of Finance and Economic Planning, the two stadia were funded with a soft loan of US$ 38.5 million from China and US$ 275 million commercial facility from Barclays Bank of Ghana Limited.

In this section of the report, we assess the conditions under which workers were employed during the construction of the Stadium.

3.2.2 Data Sources
Initial background information was gathered from officials of the Ministry of Finance and Economic Planning and the Ministry of Sports. Additional information was obtained from the internet and the local media. Based on the information gathered from these sources an interview guide was designed to serve as the instrument for data collection from the former employees of the Shanghai Construction Group. Information about working conditions during the construction of the stadium was gathered from 26 former workers of the company in a focus group discussion at Takoradi in July 2008. The 26 workers were all male with an average age of 28 years. The oldest respondent was 46 years and the youngest 19 years of age. About 40 percent were between the ages of 18 and 24 years and only 13 percent of them had basic education. The rest did not complete any formal education. The main issues discussed with the workers included employment conditions and labour practices\(^{18}\).

3.2.3 Project Impact
As mentioned earlier, the Stadium was built to host the ACN 2008. According to the officials of the Ministry of Sports, the construction of the Essipon Stadium is part of broader national programme to build one multi-functional state-of-the-art stadium in each of the ten regional capitals in Ghana. Both the Essipon Stadium in Sekondi-

\(^{17}\) The other stadium was built in Tamale in the Northern Region of Ghana.

\(^{18}\) At the time of the field work, the project had been completed. Therefore the research team could not interview Management.
Takoradi in the Western Region and Tamale in the Northern Region are expected to contribute to the development of sports in the country particularly in the two regions. Already, the premier clubs and the Division One clubs play their matches at the stadiums. The stadiums have also become the preferred venue for the training and hosting of the regional sports festivals for schools and colleges.

3.2.4 Employment & Working Conditions
The Essipon Stadium project employed a total workforce of 230 (150 Chinese and 80 Ghanaians). The large proportion of Chinese workers on the project was attributed to the limited time within which the project was to be completed (Ghana News Agency, 2006).

Employment Security
According to the workers, they were all employed as casual workers. None of the local workers signed an employment contract with the company. Out of the 26 workers that participated in the focus group discussion, 16 (or 62%) were employed between 6 months and one year. This was a violation of Ghana’s labour laws which requires that a temporary worker who is employed by the same employer for a continuous period six months and more shall be treated as a permanent worker (Article 75 of the Labour Act (Act 651, 2003)).

When asked to compare the conditions of work at their previous workplaces with those at Shanghai Construction Group of China, the workers unanimously agreed that conditions in their previous companies were better than those at the Shanghai Construction Group.

Hours of work
Working hours varied among the workers. Out of the 26 workers, 19 (or 73%) said they worked for eight hours a day, seven days a week. This translates into an average of 56 hours a week instead of the normal 40 hours a week. Seven other workers said they worked for nine hours a day everyday or 63 hours per week. According to the Labour Act, working an extra hour daily or working full-time during the weekend is considered to be overtime work. But all the 26 workers who participated in the discussion said they did not work overtime. This means the workers were not aware that the extra hours of work constituted overtime work, which had to be paid for. Some workers said they were compelled to work all week without rest.

It is important to state that the practice of workers being made to work long hours is widespread in Ghana and not something exclusive to workers in Chinese enterprises. For instance, a recent survey of wages and working conditions in the tourism industry in Ghana conducted by the Labour Research & Policy Institute of the Ghana Trades Union Congress revealed that young workers in Ghanaian-owned hotels are often made to work close to 15 hours a day against their will. At the same time, they are not paid for working overtime.

Wages and benefits
According to the workers, the daily wage for workers ranged from GH¢ 3.04 to GH¢ 3.93. Nineteen of those interviewed (73%) said they earned a gross of GH¢ 106 cedis and a net of GH¢ 96 per month. The remaining 7 (37% of the respondents) said they earned a gross of GH¢ 100 and a net of GH¢ 75 cedis per month. The official national
daily minimum wage in 2007 was GH¢ 1.9 or a monthly minimum wage of GH¢ 51.30. That means no worker was paid below the national minimum wage.

The workers’ representatives said the company did not pay their social security contribution and that none of them enjoyed annual paid leave or paid sick leave. Since all those interviewed were males they could not tell whether their female counterparts enjoyed maternity leave. Some of workers however said they benefited from free medical care which was offered by the company and free transport. Only one of the workers said he received training when he was employed. The rest did not receive any training.

**Health and Safety**
Some of the workers said they were given helmets and gloves as protective gears while others said they did not have such protective equipment. The workers complained further that it was not uncommon for workers to complain of eye troubles because of particles in their eyes. All health and safety issues were dealt with by Management without any involvement of the workers.

**Unionisation and Labour Relations**
According to the workers we interviewed there was no trade union at the construction site. Ten of the respondents indicated that they were ignorant of what unions stood for. Those who knew of trade unions and their importance said they could not have thought of joining or forming one because of fear of victimisation and possible dismissal.

### 3.3 How do Labour Practices at SinoHydro Corporation and Shanghai Construction Company Compare with Practices in other Foreign and Local Companies in the Construction Sector in Ghana?

In this section we compare the labour practices in the two Chinese Construction firms – SynoHydro Corporation and Shanghai Construction Company - with the labour practices in some local and foreign construction firms. The firms selected for the comparative analysis include China International Water & Electric Corporation (a Chinese Company), Moniz Da Maia Serra & Fortunato (a Portuguese company), Aaerleff-Ghana J.V. (a Danish company) and local companies affiliated to the Association of Road Contractors of Ghana (ARCG). These companies serve as comparator companies in the analysis.

The comparison is done on the basis of employment status and the conditions under which workers are employed (including hours of work, overtime work and payment, wages and benefits). This comparative analysis is useful because it allows us to determine, to some extent, whether or not the popular perception that employment conditions in Chinese companies are generally poor, compared to other foreign and local companies.

#### 3.3.1 Comparative Analysis of employment conditions in Chinese and other foreign and local construction companies

**Employment Status**
The labour laws of Ghana require that a temporary or casual worker who is employed by the same employer for a continuous period of at least six months shall be treated as a permanent worker (Act 651, 2003). As discussed earlier in this chapter both
SinoHydro Corporation and the Shanghai Construction Group were found to have violated this provision in the law. All the Ghanaian workers currently employed by SinoHydro on the Bui Dam Project are classified as temporary or casual even though some have worked for almost a year. Similarly, all the Ghanaians who were employed by the Shanghai Construction Group in the construction of the Essipon Stadium remained casual during the entire project life. However, the collective agreements of another Chinese construction company operating in Ghana - China International Water and Electrical Corporation - which constructed the Pantang-Peduase road linking Greater Accra and Eastern Regions changed the status of the casual workers to permanent workers after three months of satisfactory work. Similarly, the collective agreement between the construction union and the two European firms - Moniz Da Maia Serra & Fortunato (the Portuguese company) and Aaerleff-Ghana J.V. (the Danish company) provide that the status of a casual worker be changed to permanent after 3 months of satisfactory work. The union has a similar agreement with the local contractors.

**Working Conditions**

The Ghanaian workers employed by SinoHydro on the Bui Dam Project work at least nine hours a day from Monday to Friday. Management explained that the additional hour is overtime and it is compulsory but the overtime work for Saturdays and Sundays is voluntary. A few other workers such as the security guards and the catering staff work over 12 hours a day everyday of the week. However, as stated earlier, workers working at the project site said all overtime is compulsory. It is not exactly clear to workers how much they earn from the overtime work.

For the Ghanaian workers who worked alongside the Chinese in the Construction of the Essipon stadium at Sekondi-Takoradi, hours of work ranged from 56 to 63 hours a week. However, employees of China International Water & Electric Corporation work eight hours a day or 40 hours per week except the security guards who work 72 hours a week and overtime is optional and is fully paid for. The same situation prevails in Moniz Da Maia Serra, Fortunato and Aarsleff-Ghana J.V. and in the local firms affiliated with the Association of Local Contractors. Thus, unlike the two Chinese we selected for this study, working hours in the comparator firms showed that workers there work 40 hours a week or 8 hours a day, on average, except security guards who work more than 40 hours a week. The collective agreement of the comparator firms provide that security guards shall work for 12 hours a day or 72 hours per week. The extra 4 hours a day are considered overtime and duly paid for. Workers who work seven days continuously are entitled to one day off-duty. In the case of Moniz Da Maia Serra and Fortunato security guards retain 35 percent of their basic daily or monthly pay as duty allowance.

**Wages**

The pay ranges for workers in all the comparator construction firms were higher than wages in the two Chinese firms – SinoHydro and Shanghai Corporation. For instance, while SinoHydro Corporation pays a minimum of US$ 3 and a maximum of US$ 7 per day, their Ghanaian counterparts pay a minimum of US$ 3.34 and maximum of US$ 4.54 per day. However, when we take into account the fact that the Ghanaians working in SynoHydro and Shanghai construction companies are made to work a minimum of nine hours per day then one has to conclude that the Chinese are paying
their workers below the minimum wage because the national minimum wage is for eight hours of work with break periods.

**Social Security**
All employees of SynoHydro contribute to the national social security scheme. But Shanghai Construction Group failed to pay social security for its employees during the entire period of the construction of the Stadium. We also found that the other foreign-owned firms did not pay the basic social security for their workers as required by the laws of Ghana. However, members of the Association of Road Contractors of Ghana, pay social security for their workers.

**Annual Leave**
Workers of SinoHydro are entitled to paid annual leave of 15 days a year. However, after almost a year of employment, no worker has been granted leave. The employees of the Shanghai Construction Group said they did not enjoy leave throughout the construction period which lasted nearly two years. Workers in the comparator companies enjoy a minimum of 21 days and a maximum of 28 days leave depending on the individual worker’s grade. Further analysis of the collective agreements showed that employers could grant a minimum of four working days and a maximum of 10 working days casual leave to their workers. For example, employees of China International Water and Electric Corporation enjoy 10 days casual leave. This was not the case at Sinohydro Corporation and Shanghai construction Ltd.

**Paid Sick Leave**
According to officials of SinoHydro, workers are entitled to sick leave of maximum of eight days in a year. In the case of serious occupational injury, workers are entitled to sick leave of up to six months. The workers, however, claim that they are not aware of the arrangement regarding sick leave and so far no worker has benefited from it. Workers of Shanghai Construction Co Ltd said they did not enjoy any sick leave. Workers in the comparator firms enjoy paid sick leave ranging from two to seven months depending on the company’s policy and length of service in the company.

**Maternity leave**
The labour laws of Ghana require that employers grant at least three months maternity leave with full pay. The collective agreements of all the comparator firms contain provisions for 12 weeks maternity leave for female workers who had worked with the organization for 12 months or more. Both Sinohydro and Shanghai Construction had no provision for maternity leave. In the case of SinoHydro, management indicated their preparedness to grant maternity leave once a maternity situation arises. Interestingly, the Association of Road contractors of Ghana has five days paternity leave package for male employees with “recognised” nursing wives.

**Accommodation**
The labour laws do not require employers to provide housing for their workers except for shelter where workers can rest during break periods. It was, thus, not surprising that the collective agreements of all the firms did not have any provisions for housing or housing subsidy. This makes Sinohydro Corporation the only construction firm providing free housing to its workers among the companies covered in this study. But given the remoteness of the Bui Dam site and the difficulty of finding accommodation in the area it is in the interest of the company to provide accommodation for its
workers. As noted earlier in the report the housing being provided for the workers leave a lot to be desired.

**Health and Safety**
The national labour laws and international conventions require that employers ensure safe working environments for their workers. Regarding health care for workers, the Chinese companies matched the comparator companies whose collective agreements were reviewed. Employees of both Sinohydro and Shanghai Construction as well as China International Water and Electric Corporation enjoyed free medical care just like the two European companies and local companies. According to the agreements, management of these companies are also required to provide their workers with protective clothing which includes uniforms, boots and helmets at no cost to the workers. In the event of permanent incapacitation as a result of occupational injuries workers are fully compensated based on the Workman’s Compensation Act of 1965. In some of the companies, the spouses and children of employees also enjoy free medical care.

**Unionisation and collective bargaining**
At the time of the study there was no union at the Bui dam site even though the employees were working in partnership with the construction union towards the formation of a union. Workers of Shanghai Construction Group could not form a union because they feared management would not tolerate it. China International Water & Electric Corporation, however, has a union. The two construction firms with their origins in Portugal and Denmark respectively as well as the local companies affiliated to the Association of Road Contractors of Ghana were all unionised. The presence of unions in the comparator companies may explain the differences in working conditions in those companies compared to Sinohydro and Shanghai Construction both of which were not unionised at the time of the study.

Since there are no unions at Sinohydro and Shanghai Construction there was no collective bargaining. Wages and conditions of service are determined unilaterally by management. However, in the comparator construction firms including China International Water & Electric Corporation wages and other working conditions are negotiated between management and workers representatives within the framework of the labour laws of Ghana.

From the foregoing, it is quite clear that employment conditions in Sinohydro and Shanghai Construction Group are poor in many respects compared to local companies and some foreign companies. It is however worthy to note that working conditions in another Chinese company - China International Water & Electric Corporation – are comparable to the conditions in the local and other companies with their origins in Europe. The difference between China International Water & Electric Corporation and the other two Chinese companies is that the employees of China International Water & Electric Corporation are unionised. It can therefore, be concluded that unions make a great difference. This confirms that employers in unionised firms are more likely to comply with the national laws and workers in such firms are more likely to enjoy better working conditions compared to non-unionised firms.
4: Application of Core International Labour Standards in SinoHydro Corporation and Shanghai Construction Group

4.1 Background

Ghana has ratified 47 ILO Conventions including seven of the eight core conventions\(^{19}\). The provisions in these conventions are incorporated in Ghana’s Constitution and labour laws. Ghana’s Constitution guarantees freedom of association and collective bargaining and prohibits child labour, forced labour and discrimination of any kind.

Despite the ratifications of these conventions and the existence of a fairly strong institutional and legal framework for the application of the internationally recognised labour standards many workers in Ghana continue to suffer abuse of their labour rights. Women, young people and the physically challenged are particularly vulnerable. Child labour is widespread especially in the informal economy. Analysts have cited the weak mechanism for the enforcement of the national labour laws to explain the widespread violation of the labour laws and the abuse of workers rights.

There is popular perception that Chinese investors/employers are notorious for their disrespect for labour rights. This perception has been strengthened by the reports in the local media of tension between Ghanaian workers and their Chinese employers. In this section we briefly assess the labour practices in the two Chinese firms – SinoHydro and Shanghai Construction Group within the context of the core ILO Conventions.

4.2 Assessing the application of core labour standards in the Chinese Companies

4.2.1 Freedom of Association (Convention 48) and Collective Bargaining (Convention 98)

Ghana has ratified ILO Conventions 87 and 98. The provisions of these conventions are incorporated in Ghana’s Constitution and labour laws. Workers in Ghana, including those in the Export Processing Zones (EPZs), are guaranteed the rights to join or form trade unions and the right to bargain collectively.

As reported in the previous sections, workers in both SinoHydro and Shanghai Construction Group were not unionised at the time of the study. In the case of Shanghai Construction Group, some of the workers said they did not know about trade unions probably because no union made an attempt to unionise them. But other workers said they knew about unions but they did not make any attempt to join any union because of the fear of possible victimisation and dismissal.

In the case of SinoHydro Corporation, which is currently working on the Bui Dam project, workers made an attempt to form a union but their efforts were fiercely resisted by management. They only allowed workers to form a union when they realised they could no longer cope with the increased agitation by the workers.

An important feature of the two Chinese companies is their reliance on casual labour. Casual workers are always reluctant to form or join unions because of the short-term nature of their employment, although they are the most vulnerable. As reported earlier, the Chinese employers deliberately do not sign employment contracts with their workers. This allows them to fire any worker when and if they so wish. The casualisation of jobs in the two Chinese companies and the fact that the workers do not have employment security indirectly prevents workers from joining or forming unions. The absence of unions in Chinese companies is an indication of the companies’ aversion to unionisation. Since the workers in the Chinese companies are not unionised they are automatically denied their right to collective bargaining. This partly explains the poor labour conditions in the two Chinese companies, compared with other companies in the industry.

4.2.2 Forced/Compulsory Labour (Convention 29 and 105) and Child Labour (Convention 182)

Ghana has ratified the ILO Conventions 29 and 105 concerning the abolishing of forced or compulsory labour. Article 16 (2) and 116(1) of Ghana’s Constitution and Article 35(3) of the Labour Act, 2003 prohibit forced labour.

Clearly, some labour practices in the two Chinese companies constitute compulsory labour. At the Bui Dam site, for instance, the workers complained that they are being compelled to work nine hours a day for seven days a week instead of the normal eight hours a day for five days a week. The security guards at the project site are being made to work 12 hours a day and seven days a week. While the management of SinoHydro at the dam site insists that overtime work is voluntary, the workers maintain that it is compulsory. According to the workers, refusing to do overtime leads to dismissal. The Administrative Officer of SinoHydro at the company’s head office in Accra admitted that overtime work is compulsory and justified it on the grounds that it is required in order to complete the work on schedule. Although management insists that workers are paid for the overtime work, the workers find it difficult to determine how much they earn from the extra hours that they are being compelled to work. The workers say their pay slips do not show how much they earn for overtime work.

The situation at the construction site of the Essipon Stadium at Sekondi-Takoradi was not different. Workers who were engaged by Shanghai Construction Group worked 9 hours a day or 56 hours a week, on average. The 26 workers who participated in the focus group discussion said they did not know that they were doing overtime. They considered the working hours to be their “normal” working hours. Clearly, the Chinese management are taking advantage of the ignorance of their mostly illiterate and unskilled workforce. The employment of a large proportion of unskilled workers in their workforce may therefore be deliberate.

Ghana has not ratified Convention 138 concerning the minimum age for employment. But Ghana has ratified the UN convention on the right of the child (1990) and the ILO
Convention 182 (2000) concerning the worst forms of child labour. In addition, a Children’s Act was passed by parliament in 1998 to protect children from all forms of child abuse. The provisions in the law and the conventions prohibit the employment of young persons in any environment that exposes them to physical or moral harm. The minimum age for employment in Ghana is 15 years.

The information gathered from the Bui Dam project and the Esipon Stadium project and our own observations showed that the two Chinese companies did not employ children below 15 years.

4.2.3 Discrimination (Convention 100 and 111)
Ghana has ratified the ILO Convention 110 and Convention 111 concerning the discrimination in respect of employment and equal remuneration. Article 17(2) of the Constitution of Ghana and the Labour Act, 2003 provide that no person shall be discriminated on any grounds - gender, race, colour, ethnic origin, religion, creed, social or economic status, disability or political affiliation.

An element of discrimination was detected in labour practices in the two Chinese companies. In terms of employment, the Chinese prefer to employ their fellow Chinese over Ghanaians. For instance, 150 (65%) of the total workforce 230 employed to work on the Essipon Stadium project were Chinese.

The workers in both companies complained of discrimination in pay. As reported earlier, at the Bui Dam site workers performing similar jobs are receiving different wages. But the Management of SinoHydro maintained that the differences in pay are based on the skills and competencies of different workers. The workers also suspect that the Chinese expatriates may be earning unjustifiably higher wages compared to their local counterparts. The refusal of the Chinese to disclose their pay levels make it difficult to do any analysis of their pay.

5: Trade Union Responses

5.1 Concerns over Chinese Investments

The entry of Chinese Construction firms into Ghana’s construction industry poses several challenges not only to local and foreign contractors operating in Ghana but also to the Construction and Building Materials Workers’ Union (CBMWU) of the Ghana Trades Union Congress (Ghana TUC). Almost all the Chinese construction companies operating in Ghana are owned by the Chinese state. These companies are being actively supported by Chinese government and the Ex-Im Bank of China. With the support they receive from their government, the Chinese construction firms are out-bidding both local and construction firms for all the major road construction contracts in Ghana. This is having a negative impact on the development of local construction firms. Concerns have also been raised about the quality of construction work being undertaken by Chinese construction firms across the country. While Chinese construction firms undertake these major projects at lower costs, experts in the industry and trade union leaders are drawing attention to the relatively poor quality of such projects. These “low cost” projects could turn out to be more costly the longer term.
For the construction union (CBMWU), the Chinese construction firms present unique challenges for the organisational work of the Union. According to the General Secretary of the Union, while it is generally difficult to unionise construction workers, due to the short-term nature of employment in the industry, the difficulty is more pronounced in Chinese construction companies. The union believes that the gains it has made over the years in the areas of collective bargaining and social dialogue are being threatened by the Chinese and that if it does not act quickly both foreign and local construction firms may follow the bad example of the Chinese in a “race to the bottom”. The General Secretary describes the entry of the Chinese in the construction industry as a “direct threat to social protection” in Ghana.

According to the General Secretary of the construction union, the Chinese do not hesitate to sack workers who show any inclination towards unionism even though they (Chinese management) claim that they are not against unionisation. In the words of the General Secretary “they (the Chinese) are averse to collective bargaining and prefer to deal with individual workers”.

With regard to wages and working conditions, the union argues that the Chinese appear to have the notion that they can operate in Ghana with whatever system of labour relations exists in China. They are therefore very reluctant to adhere to existing labour relations practices in the country. When they are pushed, the Chinese management only accepts the minimum standards provided by law. This practice greatly undermines whatever gains the union might have made as far as social protection for its members is concerned. For instance, the Chinese do not want to accept the five working days that prevail in Ghana. They indirectly force workers to work every day of the week. They also prefer to hire workers on temporary basis even for permanent jobs. Furthermore, they prefer to pay their workers on a weekly basis instead of paying them monthly. This allows them to avoid the 27 days of payment built into the monthly salary payment system prevailing in Ghana.

The union also complains that it is extremely difficult to negotiate with the Chinese since in the words of the General Secretary “those at the helm of affairs in Ghana appear not to have the necessary mandate to take decisions”. They always have to seek clearance from their “superiors” in China. The problem is further complicated by the language barrier between the unions and the Chinese representatives in Ghana. The union alleges that the Chinese construction firms deliberately bring people who cannot communicate effectively in the English language to represent them in Ghana when they know the official language in Ghana is English.

In the area of health and safety, the union contends that the Chinese do not take the health and safety needs of their workers seriously. They (the Chinese) neither adhere to the health and safety standards in the labour laws of the country nor the industry standards adopted by local contractors and foreign companies operating in Ghana. Workers are not provided with the appropriate protective equipment and are therefore exposed to hazards which can easily be prevented.

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20 The labour laws of Ghana require that monthly salaries should be calculated on the basis of 27 days in a month.
With regard to employment creation, the union argues that Chinese investments in Ghana are not creating the desired quantity and quality of employment. Chinese investors in Ghana have tended to regard Ghanaians as generally unskilled and lacking in the appropriate work ethics. They, thus, resort to importing the so-called “Chinese experts” to execute projects. A case in point is the construction of the stadium in Sekondi-Takoradi where the Shanghai Construction Group employed 150 Chinese out of a total of 230 workers employed on the project (representing 65% of the total workforce). The union further alleges that the current high number of Ghanaians employed at the Bui dam site is only for the initial phase of the project. According to the union, the Chinese are using the Ghanaians in the construction of temporary structures and once actual construction work begins on the dam more Chinese will be brought in to replace the Ghanaians. What is even more worrying is that Chinese contractors are being awarded contracts that are less technical which involve low financial commitments, which the local Ghanaian contractors can easily undertake.

5.2 Union Interventions

According to the General Secretary of the construction union, the challenges posed by China and Chinese investments are daunting. Dealing with these challenges has stretched both the financial and human resources of the union. The General Secretary of the union said “the involvement of Chinese companies in the construction sector of Ghana has tested the organising capabilities of the unions”. The Chinese employers have not only introduced completely new challenges in labour relations but also they have introduced different dimensions to existing challenges.

The problem is further complicated because the Chinese employers generally refuse to join the employers’ associations either at the national or sector level. Currently, only one of the Chinese companies operating in Ghana is a member of the Ghana Employers Association (GEA). Secondly, given the impunity with which Chinese investors violate labour legislations in the country, the union feels strongly that there is more to the Ghana-China relations than the public is made to believe. The union believes that the tendency for public officials and the investment promotion authorities to market Ghana as a cheap labour investment destination is part of the problem.

The union has taken a number of steps to address the concerns of workers in the construction industry. Firstly, the union has held meetings and lodged complaints with officials of the Chinese Embassy in Accra (Ghana’s capital city). The meeting afforded the union the opportunity to bring to the notice of the embassy the appalling labour practices in Chinese companies operating in the construction sector. Secondly, the union took advantage of the visit by officials of the All China Federation of Trade Unions (ACFTU) to the Ghana Trades Union Congress in 2007 to discuss the poor labour practices of Chinese construction firms in Ghana. Thirdly, the union has referred the issues to the Ghana TUC to help it deal with the challenges posed by the Chinese investors in the construction sector. Fourthly, the union has lodged several cases of violations by Chinese contractors with the National Labour Commission (NLC). The Chinese appear to have very little regard for the NLC. They have on countless occasions refused to appear before the Commission. Moreover, the union is collaborating with its Nigerian counterparts and together they are developing
strategies to deal with the special challenges posed by Chinese investors in both countries because the challenges are similar in both countries.

As part of its strategies to deal the Chinese investors, the union held two workshops in 2007 for its field officers to train them to deal with what the General Secretary of the construction union termed the “China challenge”. The union intends to establish a training centre that will train and certify construction workers so that the union can link them up with construction firms across the country. This is to help the union maintain links with members of the union even when they are not in employment. The union has acquired land at Kasoa (near the capital city of Accra) for this purpose.

Lastly, the union has sought audience with and brought to the notice of the Ministry of Works and Housing the behaviour and labour practices of Chinese construction firms in Ghana. The union has also asked government to be more transparent in its dealings with Chinese investors. The union wants government to involve them and other unions in the negotiations with Chinese investors in the construction sector. It wants government to include labour conventions particularly the ILO core conventions in the procurement process so that Chinese investors will know what they should do even before the take up contracts in Ghana.

6: Summary & Conclusion

China and Ghana have had diplomatic and economic relations since the early 1960s. In recent times, trade between Ghana and China is increasing rapidly. Chinese investment in Ghana is also growing rapidly although China’s share in total foreign direct investments in Ghana remains relatively low compared to FDI from Ghana’s traditional “partners” from the West. The picture is however different in investment in infrastructure especially since 2000. Ghana has benefited tremendously from Chinese investment in roads in particular and in recent times in two stadiums. Currently, China is constructing a 600 million-dollar dam for Ghana at Bui in the Brong Ahafo region.

While the exact amount involved in China’s financial assistance to Ghana was not available, project-by-project analysis indicates that since 2000 China might have provided a total of not less than US$ 1 billion to Ghana in the form of concessionary loans, grants and technical assistance. It is acknowledged by officials of Ghana’s Ministry of Finance and Economic Planning and Foreign Affairs that Chinese assistance has been instrumental in helping to close Ghana’s infrastructure gap. However, concerns have been raised about some elements of China-Ghana relations. The first concern has to do with Ghana’s trade deficit which was estimated at US$465 million in 2005. Related to this is the loss of jobs and livelihoods in Ghana because of the importation of some cheap Chinese goods that are fast out-competing locally-made substitutes. Local retailers are also complaining about the participation of some Chinese companies in the retail sector which is reserved for indigenous entrepreneurs. Some of these Chinese retailers register as manufacturers but they engage in retail activities. Issues have also been raised about the employment of Chinese workers on projects that are financed by Chinese loans and/or grants.

The main interest of this study was about the concerns raised about labour practices in Chinese companies. In the two companies we studied, there were no unions. The Chinese resist unionisation. Workers in Chinese companies are, therefore, denied their
right to form or join unions and to collective bargaining. The results have been poor working conditions, low wages, and most importantly job insecurity. A comparative analysis of employment conditions in the two companies with other foreign and local construction firms indicated that employment conditions in the two Chinese constructions are worse. Workers are forced to work long hours without pay for overtime work. Wages are determined unilaterally by management and workers are sacked indiscriminately, among other bad labour practices. We noted, however, that one Chinese company covered by the analysis had labour conditions that were comparable to local and other companies with reasonable working conditions. We attributed the relatively good working conditions in this Chinese company to the fact that workers in the company are unionised whereas the workers in the two companies we selected for the case studies were not unionised at the time of the study. Our conclusion was that unionisation can make a huge difference in working conditions. Labour laws are more likely to be complied with in unionised companies compared to non-unionised companies. Thus, the key to improving working conditions in Chinese companies may lie in unionisation. Once workers are able to form or join a union they can exercise other labour rights including collective bargaining rights which most workers employed in Chinese companies are denied.

Information gathered from both Ghanaian and Chinese officials point to the fact that Ghana and China are currently enjoying good relations and that it is likely that the cooperation between the two countries will grow from strength to strength. Ghana needs China to close its huge infrastructure gap. China needs not only Ghana but Africa as a whole to close its material resource gap.

Chinese financial and technical assistance are attractive to Ghana and Africa as a whole partly because it enables them to avoid the intrusive policy conditionalities attached to bilateral and multilateral aid from the West. Given the importance African Governments generally attach to the political and economic relations with China, they are not likely to be particularly serious about dealing with the negative labour practices in Chinese companies.

This poses a great challenge to trade unions in Africa. Since African government are not approaching China with a unified front, there could be a race to the bottom among African countries as far as labour standards are concerned in the sense that any attempt to enforce the labour laws in one particular country, like Ghana, may be interpreted by the Chinese investors as “unfriendly environment” and move to other more “friendly” African countries with lower labour standards. African trade unions can only deal effectively with the negative aspects of Chinese investments when they adopt a unified approach at the continental level. The two continental trade union organisations – the International Trade Union Confederation (ITUC) – Africa and the Organisation of African Trade Union Unity (OATUU) have a major role to play to ensure that not only do workers on the continent get a fair deal but also the entire continent benefits from its relationship with China, economically and socially. The key to improving working conditions in Chinese companies in Ghana and Africa as whole is in the hands of the unions but not in the hands of their governments. Trade unions must organise the workers to give them power to protect their own interests.
7. References


### Appendix 1: China’s Financial Assistance to Ghana from 2000-2007

<table>
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<tr>
<th>Year</th>
<th>Type</th>
<th>Amount</th>
</tr>
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<tr>
<td>2001</td>
<td>Grant for economic development</td>
<td>US$ 3.6 million</td>
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<tr>
<td>2002</td>
<td>Debt cancellation</td>
<td>100 million RMB</td>
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<tr>
<td>2003</td>
<td>Grant for the construction of Burma Hall Complex</td>
<td>US$ 1.2 million</td>
</tr>
<tr>
<td>2003</td>
<td>Interest free loan by the Chinese government for the construction of the 17.4-km Ofankor-Nsawam section of the Accra-Kumasi Road by the China Railway Engineering Group Co Ltd (CREGC).</td>
<td>US$ 28 million*</td>
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<tr>
<td>2003</td>
<td>construction of the Kumasi Youth Centre</td>
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<tr>
<td>2003</td>
<td>Military grant</td>
<td>US$ 0.963 million</td>
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<td>2003</td>
<td>Grant for restorations of 15,000-sq. meter national theatre</td>
<td>US$ 2 million</td>
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<td>2003</td>
<td>Chinese government grant for the construction of barracks for the military and police</td>
<td>US$ 3.9 million</td>
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<td>2003</td>
<td>Debt cancellation</td>
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<td>2004</td>
<td>Grant and interest-free loan</td>
<td>40 million RMB</td>
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<td>2005</td>
<td>Loan, telecommunications equipment (ZTE)</td>
<td>US$ 75 million</td>
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<td>2005</td>
<td>Grant for the pre-feasibility studies carried out on the Ghana railway project</td>
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<td>2006</td>
<td>Expansion and upgrading of telecommunications network</td>
<td>US$ 66 million</td>
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<td>2006</td>
<td>Military grant for the purchase of military equipment from China</td>
<td>US$ 6 million</td>
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<td>2003-5</td>
<td>Ghana Telecom systems equipment supply by Alcatel Shanghai of China</td>
<td>US$ 150 million</td>
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<td>2006</td>
<td>Donation for treatment of malaria</td>
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<td>2006</td>
<td>Grant from the China Ex-Im Bank to facilitate the rural electrification project to be implemented by the China International Water and Electric Corp.</td>
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<td>2006</td>
<td>Grant to foster economic and technical cooperation</td>
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<td>2006</td>
<td>Interest free loan</td>
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<td>2006</td>
<td>Loan, construction of two stadia (Takoradi/Sekondi and Tamale)</td>
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<td>2006</td>
<td>Military grant</td>
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<td>2006</td>
<td>Concessional loan for the first phase of the National Communications Backbone Network Project by China’s Huawei Technologies Company</td>
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<td>2007</td>
<td>Loan for Buyer Credit Component of Bus Dam</td>
<td>US$ 292 million</td>
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<td>2007</td>
<td>Concessional loan for second portion of the Bu Dam financing package by the China Ex-im Bank</td>
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<td>2007</td>
<td>Grant in kind training in China of Ghanaian officials</td>
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<td>2007</td>
<td>2nd loan agreement in communications systems for security agencies project (2 percent over 20 years); contractor is ZTE</td>
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<td>2007</td>
<td>Convention for the construction of an Office Complex for the Ministry of Defence</td>
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<td>2007</td>
<td>Agreement signed for construction of Ministry of Foreign Affairs</td>
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<tr>
<td>2007</td>
<td>Agreement signed for economic and technical cooperation</td>
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<td>2007</td>
<td>Cancellation of debt</td>
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<td>2007</td>
<td>Grant for the part financing for the rehabilitation of the Peduase Presidential Lodge</td>
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<td>2007</td>
<td>Construction of a 200 Mw gas-stream combined cycle power generation plant at Kpone by Shenzhen Energy Investment Co Ltd using Funds From The China-Africa Development Fund</td>
<td>US$ 137 million</td>
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### Appendix 2: Registered Chinese Projects in Ghana for the period 2006-2007

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<th>ACTIVITY PROJECT</th>
<th>LOCATION</th>
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<tr>
<td>YANGTSE RIVER INT’NAL ENGINEERING (GH) CO</td>
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<td>ROAD, BUILDING &amp; CIVIL WORKS</td>
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<td>JV</td>
<td>MFG</td>
<td>MANUFACTURE OF ACOHOLIC BEVERAGES &amp; PLASTIC/PAPER CONTAINERS</td>
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<td>TOURISM</td>
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<td>JV</td>
<td>TOURISM</td>
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<td>SHENZHEN ENERGY INVESTMENT CO LTD</td>
<td>JV</td>
<td>ENERGY</td>
<td>TO BUILD A 200 MW GAS-FIRED PLANT USING FUNDS FROM THE CHINA-AFRICA DEVELOPMENT FUND</td>
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5.8  Chinese investments in Botswana

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1.1  Socio-Economic and Labour Market Status

According to the 2005/06 Labour Force Survey (LFS), Botswana’s economy increased by 15.2% in 2005/2006 with the real GDP growth averaging 5-6% when inflationary trends were taken into account. The real growth for 2004/05 was 9.2% while the economy grew by 3.4% in 2003/04. The 2005/06 data shows a 4.4% decline in the mining sector while the non-mining sectors of agriculture, manufacturing and construction declined by 3% from 2004/05 to 2005/06 (Ministry of Finance, 2007). The slower than originally forecast performance of the non-mining sectors for the first part of the Development Plan period was affected by a loss of competitiveness in the export and import competing sectors associated with real exchange rate appreciation and slow implementation of important policy reforms (BIDPA, 2006). The economic outlook in the Mid-Term Review (MTR) shows a forecast of GDP growth for the second half of NDP 9 (2006/07 – 2008/09) will average about 6% (Bank of Botswana, 2005: 2006).

Inflation increased from 6.8% (year to year) in December 2003 to 7.8% by December, 2004. However, by May 2005, the rate had fallen to 6.3% following the pass through of the February 2004 Pula devaluation. With devaluation of May 30, 2005, and some pass through of the exchange rate change to the Cost of Living Index (COLI), inflation increased to about 16% in the early part of 2006, passing that mark for the first time since 1992. The July 2008 year-to-year inflation rate was 15%.

The 2005/06 Labour Force Survey results show that the current total employed population is estimated at 539,150 of which 52% were males and 48% were females. Major employers were Agriculture (30%), Wholesale and Retail (14%), Public Administration (11%), Education (8%) and Manufacturing (7%) while the least were employed in Foreign Missions (0.2%) (CSO, 2006). The 2005/06 survey also showed that the most common occupation was agricultural workers (25.3%), followed by elementary occupations (19%), and service workers (16.8%).

Formal sector employment grew from 298, 799 people during September 2006 to 301,978 in March 2007, or a growth rate of 1.1% or 3,179 over six months (CSO, 2008). Private sector employment rose by 1% from 185,824 in September 2006 to 187,588 employees in March 2007 with the Private sector alone contributing 172,882 (57.2%) jobs. The Central Government contributed 88,521 jobs (29.3%) while the Local Government had 25,869 (8.6%) employees. The March 2007 survey also shows that most employees in the Private and Parastatal sector were employed in Wholesale and Retail (44,126 or 23.5%) followed by manufacturing with 35,204 or 18.8% (CSO, 2008).

The 2005/06 survey also showed that overall unemployment rate was 17.6%. The total number of the unemployed (those seeking work) was 114,042 of which the majority, 63,209 were women with a significant percentage of these being female aged 12-29. The male unemployment rate is 15.3% while that for females stands at 19.9%. Female youth (12-29 years) unemployment is 31.8% while that of males is 23.3%. Overall youth unemployment rate is 27.4 % (CSO, 2006).
In terms of child labour the 2005/06 Labour Force Survey showed that 38,375 out of 427,977 children (aged 7 to 17 years) were engaged in economic activity and accounted for 9% children reported as working. Male children are said to constitute 60.9% of employed children. Agriculture is the major employer of children with 66.1%, followed by Retail Trade with 22%. Employed children also constitute 8.9% of the children aged 7-17 years (CSO, 2006).

1.2 Background Information on Botswana-China Relations

Botswana and the People’s Republic of China established diplomatic relations on the 6th January 1975. Since then Botswana and China have cooperated in several areas of socio-economic development with the recent November, 2006 Third Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) attended by Botswana and other 47 African countries in China, further cementing such cooperation. Botswana’s relations with China are said to be steered by a common position demonstrated through China’s “Five Principles”. These principles comprise the following:

- Mutual respect for each other’s sovereignty and national integrity;
- Non-interference in internal affairs;
- Equality;
- Mutual benefit; and
- Peaceful co-existence.

Politically, both Republics have related well and have established strong political ties. In this respect, the Republic of Botswana strictly respects and adheres to the policy of One China and further recognises Taiwan as being a part of China. Thus, these strong political ties have been expressed through several ways, for instance, the respective state leaders and high ranking political officials have on numerous occasions made visits to deliberate on issues of common interests to both countries.

Botswana and China have also made concerted efforts towards the development of socio-cultural exchanges and cooperation. In 1991, for instance, China and Botswana signed a Framework Agreement that relates to cultural exchange (e.g. handicraft exhibitions, music concerts), that is renewable every two years.

China is also committed to the development of Botswana’s human resources. The Chinese Government has over the years provided scholarships every year to Botswana students to pursue post graduate studies (Master and Doctor Degree programmes) in China. In 2007 for instance, 21 scholarships were granted to Botswana. China has also since 1981 assisted Botswana in the health sector and over the years, Chinese medical teams have increasingly worked in Botswana. To this effect, a Memorandum of Understanding was signed between the two countries, on 21st January 2008, to increase the Chinese medical teams working in Botswana to 12. In August, 2008, China donated computer equipment worth undisclosed millions of dollars to the health sector.

The language barrier and other dynamics between the two countries have frequently threatened to compromise Botswana-China relations. However, rigorous efforts by the Government of Botswana through The University of Botswana (UB) and the Office of
Chinese Language Council International are working towards a common understanding that is expected to promote good relations. To this effect, both Governments, through their respective institutions (The University of Botswana (UB) and the Office of Chinese Language Council International) have reached an agreement in October 2007 to establish a Confucius Institute at the UB. The main focus of the Institute will be to specifically highlight the relevant aspects of Chinese language and culture.

The relations between Botswana and China have further been extended to include economic agreements and trade cooperations involving different fields that have incorporated sectors such as: diamonds; manufacturing; textiles; construction; wholesale and retail enterprises.

1.3 Chinese Migration into Botswana

The mutually beneficial relations that exist between Botswana and China have progressively promoted the influx of the Chinese people into Botswana. As far as the late 1980s, Chinese state-owned construction firms debuted into Botswana to lend a hand in the development of infrastructure in areas such as hospitals, schools, houses and government administration space. The Chinese Government’s call (“going abroad”) to its nationals has seen an increased immigration number of Chinese enterprises and companies into Botswana.

Currently, it is estimated that there are about 1,500 Chinese nationals working in Botswana (Chinese Ambassador in Botswana, Ding Xiaowen: *Mmegi Newspaper*, 4 April 2008). Nonetheless, there are roughly about 5,000 Chinese residing in Botswana. In the late 1980s, a few construction companies, that were mostly Chinese government owned, operated in Botswana. The discovery of diamonds and the subsequent unprecedented economic growth and development in Botswana, opened up the country to foreign investment, trade and migration of which the Chinese were party. The following factors have attracted foreign investment and trade in various fields and have positioned Botswana at a vantage point:

- Political and social stability;
- Botswana is the least corrupt government in Africa (rule of law and transparency);
- Stable economic and financial situation and prudent economic management;
- Botswana Government’s commitment to adoption of several preferential policies that target foreign investors, e.g. provision of a 25% tax refund on exports; and
- Existence of relatively harmonious relations between Botswana and its neighbouring nations. These mutual relations include SACU and SADC establishments.

1.4 Chinese Migration Trends

Chinese migration to Botswana, like other countries, has been motivated by the need for raw materials and oil in particular (Davies, 2007) and specifically by the call by the Chinese Government of “going abroad” of the Chinese entrepreneurs and company owners. However, as discussed in detail in this book, the relatively sound
conducive trade environment in Botswana, the momentum in the construction sector and the mutual diplomatic and bilateral trade relations between Botswana and China have greatly set a trend and provided a good springboard for Chinese migration to Botswana in the past and recent years.

1.5 Botswana Nationals Living/Working in China

Some of Botswana’s nationals who reside or work in China have done so on the basis of training in that country. The official figures of Botswana nationals living or working in China could not be established. However, a number of Botswana nationals are currently living and pursuing studies (in fields such as Information, Agriculture, Business, Commerce, Industry, Sport and Military) in China. According to the “Latest News” from The Embassy of the People’s Republic of China in the Republic of Botswana (1 February 2008), there are about 17 Botswana students pursuing degree studies in China. By 2007, more than 160 training quotas for Botswana officials and experts were provided by China. According to the Chinese Embassy, the training programme of African nationals by the Chinese Government has been necessitated by China’s commitment to the development of African human resources.

1.6 Botswana-China Trade Relations

Botswana and China enjoy good bilateral trade relations. The Chinese Embassy in Botswana has acknowledged that there has been a steady development of economic and trade relations between the two countries. To this effect, the results that have so far been satisfactorily achieved in the growth of trade volume and Botswana’s economic development are partly attributed to Chinese investment in the wholesale and retail enterprises. The main goods and services that are traded between China and Botswana are diamonds and other mineral resources from Botswana. Conversely, China’s exports mainly include finished products such as household goods, clothing, textiles and construction equipment (Chinese Embassy, 1 February 2008: Mmegi Newspaper, 4 April 2008).

The Chinese exports are based on the nature of their trade investment in Botswana which mostly comprise the construction sector, manufacturing, textile and clothing and wholesale and retail goods. On the other hand, China’s imports are significantly determined by the fact that China is the largest diamond consumer in Asia. The trade relations between Botswana and China have been said to be currently imbalanced and in the favour of China (Mmegi, 4 April 2008). From nearly nothing in 1975, the volume of bilateral trade between the two countries has increased to US$ 52.4 million in 2004 at a rate of 50% growth rate (Chinese Embassy Press Release, 7 July 2005). In 2006, the trade volume increased to US$ 62 million, whereas in 2007, the volume leaped to US$ 115.8 during which Botswana export to China was US$ 26 million (Chinese Embassy, 7 July 2005 & 1 February 2008: Mmegi, 4 April 2008). The total trade volume for 2006 increased significantly as projected on both sides. This was largely as a result of substantial increase in diamond demand by China and the expansion of the construction market in Botswana.

Diamonds and other mineral resources have been Botswana’s major export to China, a pattern that has progressively given China a huge surplus. Notwithstanding the situation, Botswana has recorded increases in their exports to China. For instance, in
2007, Botswana’s export to China increased by 220% over those for 2006 (Mmegi, 4 April 2008). The diamonds (and other minerals) export to China are acquired indirectly and the conjecture is that direct trade between Botswana and China might result in an increased trade volume. A venture into the Botswana export trade commodities or goods other than diamonds might also address the trade imbalance between the two countries. In an effort to diversify Botswana’s export commodities to China, there have been suggestions towards the promotion of products such as cashmere (goats wool), Botswana beef, donkey meat, reeds, handcrafts and ostrich meat (Mmegi, 4 April 2008). Individually, trade agreement and an agreement on investment protection between Botswana and China have been concluded (Ministry of Foreign Affairs of the People’s Republic of China, 2003). On a regional level, negotiations between China and SACU free trade area have been initiated (Chinese Embassy, 7 July 2005). These trade negotiations are aimed at promoting trade between China and SACU Member States of which Botswana is part.

1.7 Botswana-China Trade Relations: Social and Economic Impacts

The Botswana-China trade relations is said to have brought about positive socio-economic results. Botswana and China have engaged in a number of cooperative projects and investment ventures that have consequently contributed to Botswana’s socio-economic development, and the creation of job opportunities for Botswana citizens. Chinese construction companies, for instance, have created numerous job opportunities for Batswana. About 9000 locals have been employed by the Chinese construction companies, whereas the Chinese wholesale and retail businesses have generated about 5000 jobs for Botswana citizens, most of which were created in the last few years. This constitutes about 6% of the jobs in this sector (Chinese Embassy, 1 February 2008). Apart from the growth of employment opportunities for the locals, the contracted projects have contributed to the transfer of technical and management skills from the Chinese experts to Batswana. Consequently, some locals have formed their own construction companies (BEDIA, 2008; Chinese Embassy, 1 February 2008).

The Chinese investors and traders have also ventured into textile and clothing factories, e.g. Hengda and Caratex factories are among the major manufacturers of garments and knitwear in Botswana. These factories have offered significant employment prospects to Batswana. To date, about 10,000 workers have been employed. More importantly, Botswana has benefited in the area of forex exchange because the products from these factories are exported to countries such as the USA, South Africa and the European Union (Chinese Embassy, 1 February 2008).

Chinese investment and trade activities in Botswana have significantly improved the access by the rural and remote area residents or communities to goods and services (e.g. household and essential commodities) that were in the past only the preserve of those in urban centres. Arguably, though most of these goods and services are within the reach of the low-income rural/urban residents, most critics have dismissed the quality of the goods as sub-standard.

Socially, the major Chinese business establishments are involved in uplifting the living standards of some of the disadvantaged groups in the Botswana society. For instance, the Chinese are actively engaged in charity and HIV/AIDS projects. It has
also been noted that significant donations amounting to Botswana Pula 2, 000, 000 (US$ 305,152.50) have over the years been given to HIV/AIDS projects, SOS Villages and other charity institutions (Chinese Embassy, 1 February 2008).

Nevertheless, though Chinese trade with Botswana has shown potential, there are certain conditions and factors that affect the environment for mutual cooperation. These factors include: scarcity of water and the landlocked nature of the country; the relatively small population (about 1.8 million people) which exacerbates the costs of transportation and limits trade returns, owing to the restricted domestic market, and the high rate of HIV/AIDS infection among the productive population. However, the Government of Botswana has put in place programmes and measures to mitigate the HIV/AIDS effects. These measures include: the provision of free Anti-retroviral (ARVs) drugs to its citizens and the Prevention of Mother to Child Transmission (PMTCT) programme.

1.8 Chinese Aid to Botswana

Generally, Chinese aid to Africa (and specifically to Botswana) is based on China’s “Five Principles” and is guided by the “Eight Principles” (for providing foreign aid) (Davies, 2007). This means Chinese aid to Botswana is provided on a principle of “no political strings attached” and on “mutual benefit and equality”. The Chinese Government has provided aid to Botswana on several platforms. However, Chinese aid has been focused more on the establishment and improvement of infrastructure in Botswana. In recent years, Chinese aid to Botswana has focused on a more holistic approach that embraces the “... political high level exchanges, cooperation in agriculture and health, aid, education, science, cultural and sports” (China’s African Policy, January 2006 in Davies, 2007:39). China strongly supports Botswana’s nation building efforts. For this reason, Botswana has been given significant amounts of financial assistance which has largely included grants and preferential loans (Chinese Embassy, 1 February 2008). Chinese financial assistance to Botswana has mostly benefitted building projects such as low-cost housing, land survey and planning, road network construction, health facilities and human resources development on the other hand. The Government of China has also committed itself to upholding the Government of Botswana’s efforts to develop its infrastructure base through continued provision of concessionary loans (development assistance) as part of the Beijing Action Plan (2007-2009).

Unlike the other multilateral and bilateral economic-developmental partners China regards such a relationship as mutually beneficial. Nonetheless, in as much as other multilateral and bilateral Official Development Assistance (ODA) partners openly declare the amount of aid, China (for various reasons) does not do so. Chinese aid is also exclusively project intended and therefore does not, like other multilateral and bilateral ODA, provide support to instruments such as programmes or budgets (Davies, 2007). China typically follows a bilateral approach to its developmental assistance efforts. Multilaterally, China contributes some form of aid to Botswana through several multilateral establishments such as The United Nations (UN) agencies and the African Development Bank (ADB) (Davies, 2007). Thus it was difficult to ascertain the total amount of the aid flow in the country.
1.9 China-Botswana Future Relationship

The relationship between China and Botswana is expected to grow and benefit both countries. Chinese investment in Botswana will also continue, especially since the Chinese Government has pledged to keep on offering sustenance to Chinese entrepreneurs looking for investment prospects in Botswana (Chinese Embassy, 1 February 2008). A series of policies devised by the Chinese Government will be instrumental in promoting the undertaking of FDI activities into Botswana by the already established Chinese enterprises. These policies according to BEDIA, Chinese Embassy and the United Nations [UN] (2007:69) have included:

- Tax incentives (all Chinese enterprises overseas are exempt from corporate income tax for five successive years after beginning operations);
- Loans and credit (Chinese enterprises investing abroad are eligible for medium-and long-term commercial loans or soft loans from Chinese commercial banks);
- Foreign exchange (in 2006, the State Administration of Foreign Exchange abolished the quota control of foreign exchange purchase for overseas investment); and
- The import and export regime (production equipment as well as raw and processed materials exported by Chinese enterprises for their overseas investment projects are treated the same as other exports and are entitled to exporters’ refund of value-added tax).

Botswana has in the past benefited from the mining sector for its economic development and growth. In order to explore other new areas of the mutually-beneficial relationship that exists between the two countries, China is set to make agreements with Botswana that are aimed at promoting strategies that will advance Botswana’s economic diversification efforts. China is said to be the world’s second largest luxury diamond consumer. Botswana, therefore, stands to gain more in its future relationship with China. This is so because Botswana produces almost 30% of rough diamond in the world (Chinese Embassy, 7 July 2005). However, the bilateral trade volume can only increase significantly if more of the Botswana diamond could directly be exported to China.

2. Nature of Chinese investments and trade

2.1 Chinese Investment in Botswana

Chinese investment in Botswana has spread across business sectors and economic ventures. However, the focus has largely been on wholesale and retail shops, textile and garment manufacturing industries and construction. In recent years, Chinese companies have invested in various projects that have included construction of schools, hospitals, houses, urban sewage systems, court and government offices, borehole drilling, and extensive investments in the textile sector.

2.1.1 The Construction Industry

In the late 1980s, state-owned Chinese construction companies made their way into Botswana. To date, 10 state-owned Chinese companies are still operating in
Botswana. By 2005, about 43 construction projects (hospitals, schools, houses, urban sewage systems, borehole drilling, court and government offices) were in the process of implementation (Chinese Embassy, 1 February 2008) and between January and September 2007, such companies had signed 19 more new contracts that were valued at US$ 200 million. Recently, about 20 new private Chinese construction companies made a breakthrough on the market (Chinese Embassy, 1 February 2008). By 2005, Chinese companies, for instance, had won bids for the construction of three hospitals in Molepolole, Mahalapye and Lobatse. The tenders are worth Botswana Pula 721 million (US$110m) (Chinese Embassy, 7 July 2005).

In the education sector, both countries, through the Chinese Ambassador to Botswana (Mr. Ding Xiaowen) and Botswana Finance Minister (Mr. Baledzi Gaolathe) respectively, signed a 10 million RMB (Botswana Pula 81 million; US$12.5million) grant agreement for the construction of two primary schools (Chinese Embassy in Botswana, 16 March 2008). Botswana and China have in the past years engaged in governmental economic and technical cooperation. To this effect, China has come to the aid of Botswana in the area of infrastructure development. Botswana has therefore significantly benefited from China through financial assistance in the form of grants and preferential loans. The Botswana-China cooperation has enabled Botswana to complete 26 projects that include: renovation of the Botswana railway; construction of low-cost housing; land survey and planning; road and health facilities construction; introduction of agricultural technology; and human resources development. There are some projects that are still underway, which ultimately will result in the erection of 725 low-cost houses, and the completion of the Section Two Letlhakeng-Kang Road (Chinese Embassy, 1 February 2008).

2.1.2 The Textile Industry
Botswana’s textile industry dates back to the 1980s when it was largely “driven by international trade and domestic policies that served to attract local and foreign firms to set up and invest in textile manufacturing” (Group Integrants, 2007). The main determinants for this drive have been the controversial Financial Assistance Programme (FAP) that was established in 1982 to “incentive manufacturers (both local and foreign, existing and newly established) to invest in various industrial sectors” (later discarded as an “industrial policy disaster” in 1990s) and the subsequent export drive through the 2000 US Africa Growth Opportunity Act (AGOA). The Ministry of Trade and Industry lists nine companies as having benefited from AGOA. These are Caratex, Vision International, Cara Fashions, Cara Apparels and Rising Sun in Gaborone, Microlith, Dinesh Textiles and Saphire Textile in Selebi Phikwe and B & M Garments in Sashe. Thus, while there were as many as 50 textile companies in the 1980s, this number has been reduced to formally about 31 according to the BEDIA directory. They employ about 8000-9000 workers and currently constitute about 24% of the total employment in the manufacturing sector. Due to a relatively small and poor market, Botswana textile is largely export-oriented with South Africa as primary export destination (60%); US (37%) and Europe (23%) (Group Integrants, 2007). Out of the 31 formal producers listed by BEDIA, seven firms are of foreign origin while two are joint ventures. The foreign firms are from India, China (Taiwan), Zimbabwe, Netherland, South Africa and Mauritius (see attached appendix 1 for the listed textile companies by BEDIA).
The textile and garment manufacturing industries listed as being from China include Rising Sun, Fascinating, Caratex and Hengda. Caretex is a 30/70 joint venture between Botswana and China (Taiwan) (Chinese Embassy, 1 February 2008). The Chinese investment ventures in Botswana are either state or privately owned Chinese companies. The local investors have benefited through technical and skills acquisition that have enabled them to set up their own small or independent construction companies. Although other stakeholders such as trade unions argue otherwise, the Chinese government insists that the locals have also gained through job prospects owing to the nature of the projects that are significantly labour-intensive.

2.1.3 Chinese Investments: FDI & Incentives in Botswana

Official data on the total or specific amount of Chinese investment in Botswana could not be accessed. However, the data on the trade volume between China and Botswana shows patterns of increase even though the nature of the balance in trade is more favourable to China. In 2004, bilateral trade volume between the two countries amounted to US$ 52.4 million (Chinese Embassy, 7 July 2005) while the trade volume in 2006 increased to US$ 62 million (Chinese Embassy, 1 February 2008). China-Botswana trade volume doubled between 2006/07 to US$ 144 million (Sunday Standard Newspaper, 9-10 March 2008).

One of the underlying principles of foreign direct investment (FDI) is the expected development gains to the host country and its economy. Such FDI benefits come in a myriad of forms that are likely to include; substantial reduction of poverty and unemployment levels as a result of creation of employment prospects for the nationals; human capital development; and technology transfers. The FDI gains are largely dependent on a number of crucial factors that include the following:

- Size, openness of natural resources;
- Quality of physical infrastructure;
- Stability and predictability of the political and macroeconomic environment respectively;
- A well-functioning market;
- Availability of skilled human capital;
- Low transaction and business costs e.g. trade and labour regulations and rules of entry into and exit from markets;
- Favourable tax structures and
- An efficient and dependable legal system.

(Source: Bank of Botswana (BoB) Annual Report, 2006:96)

Based on the FDI determinants, it can be asserted that there are relatively favourable and competitive incentives for attracting FDI in Botswana. In Botswana the FDI incentives include: a good governance record; good labour relations; prudent macroeconomic policy management; relatively low levels of crime and favourable tax and financial incentives (BoB Annual Report, 2006). However, Botswana encounters certain disadvantages and challenges that limit its capacity to fully attract FDI such as a small population, heavy dependency on the mining sector (diamonds), lack of a sea coast and economic diversification respectively, and the small nature of the domestic market. To a great extent, according to the 2006 Bank of Botswana Annual Report, Botswana has not succeeded in attracting considerable FDI outside the mining,
financial and retail sectors. Consequently, the incentives for attracting Chinese investments have not been very influential.

The formation of the Botswana Export Development and Investment Authority (BEDIA) in 1999 was aimed at essentially promoting, facilitating and attracting foreign investment (investors). BEDIA is also tasked with developing a national strategy that communicates and defines Botswana’s investment climate (BoB Report, 2006). The Government of Botswana is committed to the improvement of the country’s level of FDI through a variety of measures. Foreign investors at this point, for instance, are provided with equal access to a range of incentives. The economy of Botswana is considered responsive and conducive to attracting FDI. The domestic market boasts of friendly practices such as a solid banking sector, indiscriminate policies and equity between foreign and domestic firms in their business transactions and investments. Foreign investors, including the Chinese, are therefore extensively assisted and facilitated in their investment efforts in Botswana through agencies such as BEDIA. It is also envisaged that through BEDIA, other Botswana export products and goods will be marketed and promoted. In this regard, specific incentives for the Chinese investors in Botswana have included factors “…such as easy access to bank loans, simplified border procedures, and preferential policies for taxation, imports and exports” (BEDIA, 2008; UN, 2007:68). In its efforts to create an environment that is conducive for investment by the Chinese entrepreneurs and investors and others generally, Botswana has for instance liberated the exchange rate regime; established financial benefits for committed investors; and has instituted the lowest corporate and personal tax rates in the region (UN, 2007).

The construction industry has mostly consisted of construction companies that are biased towards infrastructure development, and has by and large attracted most of the Chinese investors to Botswana. Although the Chinese construction companies stated that they have been contracted time and again “due to their exceptional timely performance and high-quality project execution,” stakeholders such as Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) felt that the Chinese construction normally undercut “local construction companies by providing cheaper quotes and that they had formed their own Chamber of Commerce and therefore their prices are not regulated and do not reflect market trends.” However, the Chinese Embassy submitted that the Chinese construction companies had a long track record in the country and were awarded contracts on merit and that there have been some developmental benefits to the local people through employment creation and technology or skills transfer.

In addition, although Botswana has a small domestic market and lacks economic diversification, the Chinese investors have found their way into the wholesale and retail sectors. Other than the construction industry and the textile sectors (with factories such as Rising Sun, Fascinating, Hengda and Caratex) Botswana has not attracted Chinese investments in the key areas earmarked for diversification such as tourism in recent years.

According to officials from the Chinese Embassy, efforts by China to invest in Botswana are encouraging. However, fierce competition has made some companies “drop out of the market.” It is difficult, for example, for the Chinese to enter the diamond industry. Certain major investments projects in Botswana attract a 50:50
partnership. For instance, some key development projects such as Debswana (Diamond mining) and other mining ventures are run on a 50:50 partnership basis between Government and private foreign investors. These are locked and China cannot easily break into such ventures (Chinese Embassy, 3 December 2008).

2.1.4 Nature of Investments: Private or State

Chinese investment in Botswana in the construction industry debuted in the 1980s with State-owned companies. Today, about 10 of the same companies are still operating in Botswana (Chinese Embassy, 1 February 2008). In order to support the bilateral trade relations between China and Botswana, the Republic of China has relentlessly continued to offer the Botswana Government concessionary loans for its infrastructure development. On the other hand, with the passing of time, Private Chinese Companies have become active participants in the construction sector and presently, there are about 20 private Chinese construction companies in Botswana (Chinese Embassy, 1 February 2008). The textile sector and the wholesale and retail businesses have mainly attracted private Chinese investors. More importantly, the Republic of China is committed to supporting its entrepreneurial citizens in their efforts to take advantage of investment opportunities in Botswana.

2.1.5 The Effect of Chinese Exports on Africa’s Domestic Production

The nature of the Chinese export goods to Africa have been condemned for their propensity to displace locally or domestically produced goods in Africa. For instance, on an industrial level, Africa is likely to be adversely affected by the ever growing Chinese exports. In this context, the clothing, textiles, furniture, and footwear industries have been challenged significantly. Chinese exports, especially consumer goods, to Africa are in the long term projected to adversely impact on the industrialisation efforts of Africa's economies. The negative effects are anticipated in economic growth and diversification processes.

In a study, Kaplinsky and Morris (2006) contend that, for instance in Ghana and South Africa, locally produced clothing and furniture products were being displaced by Chinese imports. In Zambia, the trade unions have alleged that the clothing and electrical sectors have been undermined by Chinese imports (Kaplinsky et al, 2007). Other than the manufacturing sector, Chinese exports to Africa have also impacted negatively on employment prospects. In Ethiopia, even though some positive effects such as “…upgrading of processes and design by many domestic firms” (Kaplinsky et al, 2007) have been reported, concerns have been raised regarding employment and domestic production. In Botswana, most of the stakeholders such as BOCCIM (employers in the private sector) and the Trade Unions contend that an influx of the goods and services have displaced the ability of Botswana to produce and undermined the ability to promote an entrepreneurial spirit in the local people.

In summary, it can be emphasised that Chinese exports to Africa are both complementary and competitive and therefore directly or indirectly impact on Africa’s domestic production. On a complementary level, Chinese exports to Africa provide for cheap consumption goods and higher global prices for Africa’s exports; whereas competitively, there is a risk of displacement of existing and potential domestic producers by cheap Chinese products, and competition in external markets, i.e. falling prices and falling market shares (Kaplinsky et al, 2007).
2.1.6 Chinese Companies and Contribution to Botswana Government Tax Revenue and GDP

The diamond mining industry in Botswana has become the economic mainstay and according to the Central Statistics Office (CSO) (2008), the single largest source of GDP and government revenue. In the 2005/06 financial year, diamond mining alone accounted for 41.4% of GDP (CSO, 2008). Much of the government tax revenue and GDP contributions from the Chinese companies are attributed to the Chinese textile industry in Botswana. By the year 2000 for instance, there were about 176 textile shops that were opened in Botswana by the Chinese (Sunday Standard, 21 October 2007). The textile industry has had a strong bearing because of the breakthrough that has been achieved on the European Union (EU) and USA markets through the Cotonou Agreement and Africa Growth and Opportunity Act (AGOA) respectively.

2.1.7 Comparison of Chinese Investments and Trade with those from the Region/Rest of the World.

Other than investments in construction and trade by Chinese entrepreneurs in Botswana, other countries in the region such as South Africa, Namibia, Lesotho, Swaziland and Zimbabwe and in Europe such as the United Kingdom, Luxembourg, the Netherlands and France and the United States also have investments and have signed bilateral and multilateral trade agreements. Even though Europe, Asia and America have been the main sources of FDI to Botswana, Africa has also been a stable partner. FDI from Africa into Botswana has mainly been done through SACU and SADC. These and other countries have conventionally been the main source of FDI to Botswana. In recent times, FDI from Asian countries such as China has played a substantial role in the economy of Botswana. The current situation has been facilitated by the economic development and growth in Asia.

Asian FDI in Africa and Botswana in particular is said to be quite minimal and this has been premised on several constraints. Chinese FDI in Africa and Botswana in particular, has been relatively low over time or in the past because, generally, outward FDI from developing Asia is, according to the United Nations (2007:36), “…a relatively recent phenomena”. Apart from this, there are other limitations and challenges for Chinese investors when compared with their European counterparts (who are closely familiar with African nations owing to historical engagements). These according to the UN (2007) include:

- Transaction and information costs - knowledge of local markets, cultures and conditions - may appear to be higher when investing in Africa than in other places.
- Most of Asian FDI is generally intraregional; market seeking (Africa lacks the types of markets that Asian firms are oriented to, i.e. liberalisation and privatisation); efficiency seeking (skilled workers, good infrastructure); and country-to-country regulatory frameworks.

In 2005, the following African countries received FDI stock from China:
Table 1: FDI Stock in Africa from China

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>US$ (2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>18.1</td>
</tr>
<tr>
<td>Angola</td>
<td>8.8</td>
</tr>
<tr>
<td>Malawi</td>
<td>0.7</td>
</tr>
<tr>
<td>South Africa</td>
<td>112.3</td>
</tr>
<tr>
<td>Zambia</td>
<td>160.3</td>
</tr>
<tr>
<td>Namibia</td>
<td>2.4</td>
</tr>
<tr>
<td>Mozambique</td>
<td>14.7</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>41.6</td>
</tr>
</tbody>
</table>


Table 1 above shows that most of the countries received very low FDI although South Africa and Zambia had substantial FDI stock. In 2003, Africa accounted for only 3% of FDI outflows from China (UN, 2007).

In comparison, Chinese investment and trade with those from the region and the rest of the world shows that China has had little investment in Botswana. The following discussion sector by sector reveals a pattern that puts South Africa on top of the investment spectrum in Botswana whereas China shows some strength in the construction, retail and wholesale and textile sectors, albeit with relative inconsistency and great propensity to failure and costly closure of plants.

2.1.8 Chinese Investment in the Mining Sector

As noted earlier, the mineral sector, especially diamond mining in Botswana contributes significantly to the socio-economic development of the citizens and Government’s revenues. Mining has therefore played a central role to FDI. For instance in 2003, over 68% of FDI in Botswana’s mining sector originated from Europe and South Africa (UN 2007). Table 2 below shows a millions of pula (dollar) growth/decline pattern of Botswana’s inward FDI stock in 1997 and 2003. It is thus clear from this trend analysis that South Africa has been consistent with its investments in Botswana and continues to dominate alongside Luxemburg.

Table 2: Millions of Pula Inward FDI Stock 1997, 2003

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>356 ($54.4)</td>
<td>39 ($5.95)</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1287($196.4)</td>
<td>3609 ($ 550.7)</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>105 ($16.0)</td>
<td>537($81.9)</td>
</tr>
<tr>
<td>South Africa</td>
<td>2915 ($445.0)</td>
<td>3054($466.2)</td>
</tr>
</tbody>
</table>

Source: Bank of Botswana, Annual Report; in UN, 2007:87

In the region, South Africa has been the major trading and investment partner. This trade and investment partnership has been focused more in the mineral (especially diamonds) sector through De Beers and Debswana Mining Company of South Africa and Botswana respectively. The mineral sector is largely dominated by the two companies and each has 50% ownership (UN, 2007). Another South African mining
company, Anglo-American, has extended its investments in the mineral sector through operation in a Copper-Nickel (in Selebi-Phikwe) mine in a joint venture with the Botswana Government. The South African mining companies (De Beers and Anglo-American) have further partnered with the Government of Botswana in other mineral projects that have included coal and soda ash (UN 2007).

It can be contended that the Chinese have not had a major stake in the mining sector of Botswana. The mineral sector has also not directly impacted strongly on the efforts towards poverty reduction or alleviation in Botswana. The situation could be attributed to the fact that the mineral sector is highly capital-intensive and does not contribute to the reduction of unemployment levels. The sector, for instance, employs less than 10% of the workforce with a wage bill of 6% of the total mining output (UN, 2007). However, the mineral revenues have been prudently and substantially channelled to the development of the economy and delivery of social services in the country.

2.1.9 Chinese Investment in the Financial Services in Botswana
Provision of financial services in Botswana is another area that has attracted FDI. The United Kingdom (UK) and South African investors have dominated this sector of investment. There are five major foreign commercial banks in Botswana, of which Barclays and Standard Chartered are owned by UK investors. The other three (Stanbic, First National, and Investec) are South African-owned (UN, 2007). Generally, financial services are a vital ingredient to economic growth and development. However, this importance is not translated into labour intensity to Botswana citizens and as a result there is lack of significant transfer of technology and less impact on the socio-economic situation of the country. China, like in the mining sector, is also not considerably represented in this investment sector and none of these companies is listed on the Stock Exchange.

2.1.10 Comparative FDI Stock and Flows in Botswana
The Chinese investors have to a certain degree dominated these sectors. The retail and wholesale sector is largely finished products based, therefore there is an understanding that it poses a threat to the domestic market and does not impact strongly on the socio-economic situation. The sector also does not contribute considerably to the alleviation of poverty in Botswana as espoused by the Millennium Development Goals (MDGs) framework.

Chinese FDI flows in the manufacturing sector are considered sporadic. South African firms have to a certain extent featured in the country’s manufacturing sector. For instance, South African Breweries runs Sechaba Brewery while Owens-Corning holds a 49% stake in Flowtite Botswana-produces plastic water piping (UN, 2007). On the other hand, the Asian investors who have attempted to operate in this sector have encountered several hurdles and other constraints that have compelled them to close down plants. China has nonetheless contributed its FDI inflow in Botswana through several construction and textile and garment companies such as the China State Construction and Engineering Corporation (Chinese state-owned), China Civil Engineering Construction (PTY) LTD and Daheng Group Botswana (PTY) LTD (textile) and Fine Dec Botswana (produces plastic flowers).
As earlier observed, production in the textile sector has been relatively unreliable due to the reasons that production is incoherent; the sector was for the most part financed by the Government of Botswana’s Financial Assistance Policy (FAP) and manufacturing contributes a relatively minimal value (millions of dollars) to the economy. In 2004/2005 for instance, manufacturing accounted for only 3% of value addition in Botswana as compared to mining (43.2%) in the same period (UN, 2007). According to the 2005 1st Quarter External Trade Statistics Digest (Republic of Botswana/CSO, 2007) the textile industry contributed about 3% of the total exports whereas diamond exports amounted to 80%. Table 3 illustrates the principal export commodities from Botswana to its trading partners between 2004 and 2005 (out of a total of Botswana Pula 4,010,214 or approximately US$ 612,246). Similarly, in the area of employment, the manufacturing sector has not contributed greatly to the reduction of unemployment levels as the 2005/2006 Labour Force Report shows the manufacturing sector had only employed 7%. Wholesale and retail (14%) and agriculture (30%) had been the main employers (Republic of Botswana/CSO, 2008).

**Table 3: Principal Export Commodity Groups Q1 2004 to Q1 2005 (Pula/Dollar ‘000)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pula (Dollar)</td>
<td>%</td>
</tr>
<tr>
<td>Copper &amp; Nickel</td>
<td>530,340 (80,967.93)</td>
<td>13.2</td>
</tr>
<tr>
<td>Diamonds</td>
<td>2,988,538 (456,265.34)</td>
<td>74.5</td>
</tr>
<tr>
<td>Soda Ash</td>
<td>23,723 (3,621.83)</td>
<td>0.6</td>
</tr>
<tr>
<td>Textiles</td>
<td>93,976 (14,347.48)</td>
<td>2.3</td>
</tr>
</tbody>
</table>

*Source: Republic of Botswana/CSO, 2007*

Botswana’s inward FDI stock in the respective sectors or industries, with an exception of the mining sector, has been considerably low. By 2003, for instance, the minerals sector (Pula 5223m or US$ 797.40m) and the finance services (Pula 873m or US$ 133.28m) have dominated the country’s inward FDI stock. The wholesale and retail trade sector was the closest (with Pula 826m or US$ 126.10m) and the construction industry the lowest with only Pula 10m (US$ 1.52m). Table 4 shows the inward FDI stock in millions of Pula/Dollars by sector or industry between 1997 and 2003.
### Table 4: Inward FDI Stock, by Sector/Industry, 1997-2003

<table>
<thead>
<tr>
<th>Sector/Industry</th>
<th>Millions of Pula (Dollar)</th>
<th>1997</th>
<th>2000</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td></td>
<td>3643 (556.18)</td>
<td>7792 (1189.69)</td>
<td>5223 (797.40)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>291 (44.42)</td>
<td>343 (52.37)</td>
<td>295 (45.04)</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>32 (4.89)</td>
<td>16 (2.44)</td>
<td>10 (1.52)</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td></td>
<td>457 (69.77)</td>
<td>773 (118.02)</td>
<td>826 (126.11)</td>
</tr>
<tr>
<td>Finance</td>
<td></td>
<td>270 (41.22)</td>
<td>619 (94.50)</td>
<td>873 (133.28)</td>
</tr>
</tbody>
</table>

*Source: Bank of Botswana, Annual Report, in UN, 2007:88*

3. Employment, labour relations and working conditions at Chinese companies: case studies

Since most of the Chinese investment in Botswana is largely in construction, retail, textile, and manufacturing, the study focused on three major “clusters” namely in the construction, textile & manufacturing, and China “Fokong” retail shops. In these clusters, some selected companies are discussed as case studies. Information was largely gleaned from workers (including former workers that were dismissed), trade union representatives and employers (Chinese and local management staff in the companies). In some cases, as in one region, the researchers did accompany officials from the Members of Parliament Office and government (labour office) to construction sites where complaints from workers were being addressed. The complementary nature of data collection provided more insights into the employment, labour relations, and working conditions in Chinese companies. The results from these case studies showed almost similar trends and could be generalised across several of the Chinese companies.

3.1 **Construction Cluster**

In an interview, the Chinese Ambassador (Ding Xiaowen) in Botswana revealed that that in the Chinese construction companies alone, there are an estimated 700 Chinese (engineers, managers, experts, etc) who are engaged in construction work. The Chinese construction companies also employ about 5,270 locals on a permanent basis (Mmegi, 4 April 2008). The situation implies and translates that even though Chinese nationals are employed in the Chinese infrastructural or capital investments, the local people have significantly benefited in terms of job prospects. In certain cases the locals have also acquired technological skills that have enabled and empowered them to establish their own small or medium scale enterprises. However, the study revealed that most of the jobs in construction are not decent. They lack job security and working environments are deplorable. Below are some of the case studies.
The Case of Advance Construction Company

Advance Construction is a private Chinese company operating in Botswana and was currently working on several sites including the one in Francistown, a town 435 km from the capital Gaborone and near the border with Zimbabwe which we visited. The company was constructing an ultra modern school whose project would take 10 months. The company has 53 employees, 48 nationals comprising 42 male and six female with five expatriates (four Chinese and one Zimbabwean) at management level. Among the nationals were 15 skilled and 33 unskilled workers. The company did not belong to any Employers Association.

The relation between management and the workers had been strained for a long time, prompting workers to file complaints with the local Member of Parliament (MP) several times. Opinions drawn from the reports of the meeting convened by the MP’s office, labour officials, management and selected workers’ representatives indicated gross breach of employment legislation especially with regard to occupational health and safety and just blatant victimisation. The workers called for protection since there was no trade union or workers committee allowed to operate in the company. The report also indicated workers felt insecure to take their grievances to management. As observed by one of the representative from the MP’s office:

“In my dealings with the Chinese construction companies in our area I found the management unapproachable, always suspicious of any intrusion by outsiders. They abhor laws - either they don’t bother familiarising themselves with the law or they just don’t care. They don’t have trained human resource personnel. There are also communication barriers with the citizen employees as most of the supervisors don’t (understand) English. The administrative clerks they employ are to assist in paying employees and do some messenger duties but not administration duties. The clerks are not involved in employee time sheets. Unions are non-existent, even workers committees are discouraged.”

Accordingly, the working conditions as compared to other companies in the same industry are relatively not any better. Like Indian companies “workers have had their wages deducted for going to the toilet for more than five minutes”.

The occupational health and safety standards at the company left much to be desired. The employees were made to pay for safety clothing such as boots and overalls. Interviews with management staff indicated that most of the workers took the company for granted and argued that “when we issue safety clothing, the employees take such clothes away to their homes or simply lose them and so we have to make them pay so that they value these protective clothing…”

There are also no toilet facilities. The only toilet available was locked most the time or used by management staff. As one worker remarked “when the company relocated to the site it started work without sanitary ablutions for employees until they were threatened with work stoppage by the Factory Inspectorate at our meeting with labour officials and MP’s office. Employees relieve themselves in the bush. This has further impacted negatively on industrial relations as the supervisors accused employees of loafing under the pretext that they were going to relieve themselves. We have had a case here where one of the Chinese supervisors followed one of our colleagues to the bush…”

This disregard of OHS standards is rampant in many construction companies in Botswana. An earlier study by Kalusopa and Solo (2006) also showed that although most workers are covered under the legal framework and compensation mechanisms in most formal organisations in Botswana, these have not been extended to the informal economy or those in casual employment with the construction sector indicating a very poor record in OHS standards. The study identified the need for trade unions to campaign for legislation to address the prevention, monitoring and management of occupational risks and injury in the informal economy and to develop comprehensive systems for incorporating these into national programmes.

In terms of wages, the unskilled workers in the company are paid the statutory minimum wage while the skilled ones negotiate their own rates. These negotiated rates are dependant on employees’ reference to the last pay rate when they were
employed. There had been cases when unskilled workers were paid less than the statutory minimum wage and the labour department had to intervene to protect the workers. The minimum wage is reviewed every year by government but does not actually constitute an economic wage commensurate to the high cost of living in Botswana. The company does not have a pay structure. This is a prerogative of Chinese management at corporate level and is on a “take or leave it” basis. With the high rate of unemployment, workers are always in a no-win situation.

Compared with employees doing construction work in the mining industry, the wages in this company are poorer. For example, an Assistant in construction in the mining industry is paid P 6.00/hr (approximately US$ 1) while in this company they paid half that amount (P 3.85 or appropriately US$ 0.55). There are no benefits such as social security, medical aid, free/subsidised transport, paid annual leave, housing allowance, child care services, incentive bonus, severance pay, interest-free loans, employee share ownership plan and provident fund among the local workers.

There is, however paid sick leave and paid maternity leave. Management declined to indicate their benefits though it was evident they had benefits such as transport.

3.1.1 Landmark Projects

Landmark Projects is also a construction company with several projects around the country. We visited one in Francistown. The construction project we visited was for the extension of a public community clinic. What makes this case study interesting is that the researchers were part of a dispute resolution team as observers. This is a private company with six expatriates and seven local workers, of whom four were male and three were female. At the centre of the labour dispute was that workers had threatened violence to the Chinese Foreman because of the following:

- The workers were asked to work on Saturdays on a voluntary basis without being paid for over time;
- There were no employment contract which made it possible for the company to hire and fire as they wished since the unskilled workers did not know how long they had worked at the company;
- Workers were not provided with protective clothing;
- Workers were threatened with dismissal if they reported any abuse to the labour office;
- Workers were not allowed tea breaks and were fed on bread and coke;
- There were no toilets for junior staff at the site; and
- There were no contracts of employment.

In the said meeting, among other issues, the night watchmen stated that since they were employed, they had never had a rest day and they worked from 18.30 to 06.30 everyday in violation of national labour laws. Section 4 as read together with Section 7 of the Regulation of wages (Building Construction, Exploration and Quarrying Industries Order) issued under section 135 of the Employment Act 1980 reads: “no employee shall work …more than nine hours in any one working day or a total of 45 hours in any working week of five days or in the case of persons employed by the undertaking solely to watch over any property of the industry, more than 10 hour in any one working day or a total of 60 hours in any working week of six days…” But the general manager pleaded ignorance of the law and indicated that the hours of work...
in the company were what were obtaining everywhere. Below is a summary of the condition in this company.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Local Workers enjoy these benefits</th>
<th>Expatriate/Chinese Workers enjoy these benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Medical care</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Paid sick leave</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Subsidised housing/housing allowance</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Child care services</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Severance pay</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Employee Share Ownership Plan</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Company-level or in-house pension schemes/provident fund for example</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Other benefits</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

3.2 The Textile and Manufacturing Cluster

Caratex and Fascinating Botswana are part of the textile production chain that largely produces CMT (cut, make and trim) apparels destined for export. Caratex employs about 1,300 employees in seven departments and was established in 1998 while Fascinating Botswana has about 750 workers and was established in 1999. The most interesting case in labour relations in the country has been that of Caratex, which has recorded several breakdowns in labour relations. We highlight some of these below:
Some views of Dismissed Workers from Caratex

Interviews with some of the workers that were dismissed in 2005 and the Botswana Manufacturing and Packing Workers Union and some court judgments revealed that workers as far back as 2000 complained on several occasions about the usage of chemicals such as benzene that produced strong odours making them feel drowsy. Like one dismissed employee put it:

“We also complained about the wool they were using that it had some deposits that were sticking in on our eyebrows, getting in our nostrils, getting into our throats such that it would cause irritation and we would cough a lot…”

Due to these poor working conditions, on 17th September 2002, workers at Caratex Botswana had an “industrial scare” when 133 workers were affected by some unknown toxic gas when they started vomiting and fainting and had to be hospitalised and were treated with oxygen therapies, I.V fluids and other drugs (BOPA, 2000). Another worker had this to say:

“...even basic entitlements like breast feeding periods were not applicable to all employees. Some people in other section were allowed while others were not and this sparked some anger in most us. In other cases, there was no confidentiality because our medical reports were read out after coming from the clinic…”

Another lamented: “There was also the problem regarding the pass outs or leave, when you have an emergency that you need to go and you are told that you are supposed to notify your supervisor before and that you cannot be allowed, but then how does one know the unforeseen, death in the family for example?”

Most of the workers also indicated how they “powered the company” with little OHS standards.

Like in the construction cluster, wages are as per statutory minimum wage of P 3.80p/h (about US$ 0.50) and workers complained that the union was weak and so unable to negotiate for a living wage. The company has a pay structure for those in management and unlike the ordinary worker these enjoy benefits such as medical aid, free/subsidised transport, paid annual leave, housing allowance, child care services, incentive bonus, severance pay, interest-free loans, and employee share ownership plans.

In the manufacturing industry, this abuse of workers is a common phenomenon. The Sunday Standard, an independent weekly paper with a focus on business once revealed “the filthy conditions and casual abuses that many Botswana factory workers suffer and the gross illegality that many international recruitment agencies undertake in order to drive Botswana’s economic diversification campaign” (Sunday Standard, 21st October, 2007).

For example, they revealed that this situation, in certain circumstances, is not any different even for some Chinese workers that are “trafficked” to work in the same companies. In one court report a Chinese company Zheng Ming, which operated a sweatshop in Ramotswa, a short drive from the capital Gaborone, “was part of an international trade in modern day slavery.” In a ruling on abused Chinese workers, Industrial Court Judge, Elijah Legwaila said:

“It appears that Chinese nationals pay large sums of money to recruitment agencies who send them abroad with all sorts of promises and that some Chinese nationals leave China with promises of work in developed countries and that by the time such people land at any destination they have neither the money nor the bargaining power to protect their rights... these Chinese nationals are then housed and fed in compounds at the pleasure of the employer. Their passports, air tickets, work and
residence permits are retained by the employer.” This was the case in which Bin Quin Lin, a Chinese national working for Zheng Ming Knitwear, was held in forced labour without pay (Sunday Standard, 21st October, 2007).

Interviews with trade union officials in this sector confirmed that this situation of slave-like working conditions is rampant in most manufacturing industries and local Asian and Batswana companies as well. However, it was argued that some South African and Batswana companies in the packaging sectors did recognise trade unions and allowed for negotiated pay structures and working conditions.

3.3 Chinese “Fokong” Retail Shops Cluster

In Botswana, the so-called “China Shops” have taken a rather complementary approach to the local traders in their operation and establishment. The Chinese wholesale and retail businesses are spread across Botswana and have gained popularity both in the rural areas and urban centres. However, some of the Chinese consumer goods are unpopular for their low quality. In Botswana for instance, despite the rush for the imported Chinese cars, a derogatory phrase “Fong Kongs” (imitations) has been coined in their reference. In the past, business establishments such as stores, shops and supermarkets were a luxury that was accessed mostly by the urban residents. The influx of the Chinese investors and traders has made it convenient for the rural citizens to have access to affordable consumer goods.

Most of the shops surveyed were those in Gaborone, Francistown and Selebi Phikwe. Most of these shops employ between two and four employees. They started work at 6 am and closed at 6 pm. Most of those employed had little education and had no training. They said they were often accused of theft and never allowed near the cash tills. They had no contracts of employment and were reluctant to discuss their conditions of work fearing reprisals or loss of employment even though most group discussions took place after hours, away from the shops.

An interesting finding was that they were often recruited by some undisclosed labour brokers who get about 12.5% from their monthly pay as “consultancy fee” since they are desperate for a job. Most of them get the statutory minimum wage of P 3.30p/h (about US$ 0.50).

Asked about trade unions, one worker remarked:
“If we talk about a trade union, we will lose our jobs; in any case we have never seen any of these trade union officials near the shops. If we have complaints we would rather go to the labour office but even these are not helpful. We need a job, any type of job. Things are very hard in the country.”

But one senior union official observed said:
“The Chinese shops unlike the Indian traders are tricky to organise. We have struck collective agreements with Indian traders but for the Chinese shops, both the workers and the owners are really tricky. The workers are not permanent and highly mobile and therefore fluid. They only think of a union when they are victimised. The Chinese owners will accommodate you on the first day, and then the next day they will tell you they cannot understand English. Further it is costly to organise, we just do not have resources.”

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According to the current official statistics, this sector has employed about 79,596 people, yet the trade union membership in the whole retail and trade sectors is less than 1%.

4. Compliance with national labour laws and ILO Conventions

4.1 National Labour Legislation

The major laws and regulations governing labour relations in the country include: the Employment Act, the Trade Disputes Act, the Factories Act, the Workers’ Compensation Act and the Public Service Act.

(a) Employment Act

It sets out the basic minimum terms/conditions of employment for the private sector, parastatal corporations and public employees. The Act provides the central link between the State and the employee in the form of the so-called “floor of rights”, a set of statutory entitlements purporting to provide protection by prescribing labour standards in the employment relationship. In particular, it outlines the duties of the parties to a contract of employment, maximum hours of work, their entitlement to various types of leave with pay, minimum wages as well as legally permissible ways of terminating employment contracts.

(b) Trade Unions and Employers’ Organizations Act

It embodies the rules on formation and registration formalities for trade unions, amalgamation of trade unions, federations of trade unions as well as employers’ organisations. It also spells out the implications of registration of the aforementioned bodies. More importantly, it reiterates each employee’s entrenched right to form and/or join trade unions and outlaws discrimination on the basis of trade union membership.

(c) Trade Disputes Act (Cap 48:02)

It outlines the trade disputes settlement mechanism at both individual and collective level. The Act establishes the procedures for settlements of trade disputes and regularises the Industrial Court. It also sets the standards for collective labour agreements, and most importantly, it defines and governs unlawful industrial actions. It also encourages collective bargaining in the sense that it does create a possibility for the establishment of Joint Industrial Councils between employers/industries and trade unions recognised by such employers/industries and it also states the legal significance of collective labour agreements. The right to strike, though recognised, is buttressed with demands and procedures of arbitration that are laborious and complex. Strikes are still not allowed in essential services including the Bank of Botswana.

(d) Factories Act

It provides for the regulation of the conditions of employment with particular regard to safety, health and welfare of persons employed in factories and for the safety and inspection of certain plant and machinery in order to ensure that workplace safety is observed at all times.
(e) Worker’s Compensation Act
It obliges employers to keep all their employees insured or for them to set aside sums of money as may be determined by the Commissioner of Labour for purposes of compensating the employees for injuries suffered or occupational diseases contracted in the course of their employment or for death resulting from such injuries or diseases.

(f) Public Service Act
It sets out in general terms the criteria for appointment to the public service, termination of appointments and retirements, as well as the terms and conditions of service for public officers. The Act also defines misconduct and unsatisfactory service and the appropriate penalties therefore. This Act has not been reviewed to be in line with ratified ILO conventions and national labour legislation. Mention should also be made of the constitution of Botswana, which provides the basis of freedom of Association in section 13. This section provides the right of workers to form and join trade Unions in Botswana. Thus for example the section states that:
“13.(1)Except with his own consent, no person shall be hindered in the enjoyment of his freedom of assembly and association, that is to say, his right to assemble freely and associate with other persons and in particular to form or belong to trade unions or other associations for the protection of his interests….”

4.2 Ratified ILO Conventions by Government of Botswana

Eight ILO Conventions have been identified by the ILO's governing Body as being fundamental to the rights of human beings at work, irrespective of levels of development of individual member States. These rights are a precondition for all the others in that they provide for the necessary implements to strive freely for the improvement of individual and collective conditions of work. Botswana has ratified the following fifteen (15) Conventions including all the eight (8) Core Conventions. These are:

- **Weekly Rest C014 (1921) (RATIFIED 1988)**
  It provides for a day’s rest of a working week of seven (7) days.

- **Equality of Treatment (Compensation of Injuries at Work C19 (1954) (RATIFIED 1988)**
  It provides for equal treatment of workers in cases of compensation for occupational injuries and diseases.

- **Forced Labour C 029 (1930) (RATIFIED 1997)**
  It prohibits the use of forced labour in all its forms.

- **Protection of Wages C95 (1949) (RATIFIED 1997)**
  It restricts deductions from wages/salaries, payment in kind, etc without the consent of the worker.

- **Equal remuneration C 100 (1951) (RATIFIED 1997)**
  It prohibits wage discrimination based on sex, race, creed, origin, etc.
• **Freedom of Association and Protection of the Right to Organise** C 087 (1948) (RATIFIED 1997)
  It aims to safeguard the freedom of workers and employers, without distinction, of their rights to form organisations of their choosing for furthering and defending their interests.

• **Right to Organize and Collective Bargaining** C 098 (1949) (RATIFIED 1997)
  It is a further elaboration of the rights set forth in C 87.
  It aims to protect workers in exercising the right to organise, preventing State interference in workers and employers’ organisations in promoting voluntary collective bargaining.

• **Abolition of Forced Labour** C 105 (1957) (RATIFIED 1997)
  It advocates complete abolition of any kind of forced labour.

• **Discrimination (Employment and Occupation)** C 111 (1958) (RATIFIED 1997)
  It prohibits any form of discrimination in employment practices or occupation on the basis of creed, race, sex, origin etc.

• **Minimum Age Convention** C 138 (1973) (RATIFIED 1997)
  It sets the minimum age of employees to be employed in order to prohibit child labour.

• **Tripartite Consultation** C 144 (1976) (RATIFIED 1997)
  It promotes social dialogue or consultation between government, workers and employers at national level on all international labour standards.

• **Labour Relations (Public Service)** C 151 (1978)(RATIFIED 1997)
  It guarantees the right of workers in the public sector to organise freely.

• **Protection of Workers’ Claims (Employer’s Insolvency)** C 173 (1992) (RATIFIED 1997)
  It provides for a higher prioritisation of workers’ claims against the creditors in the event of insolvency.
  It provides for the protection of workers claims to the extent of three months wages.

• **Safety and Health in Mines** C176 (1995) (RATIFIED 1997)
  It provides for government to periodically consult with employers and workers representatives on safety and health issues in mines in order to prevent fatalities, injuries and ill health of workers and members of the public.

• **Elimination of the Worst Forms of Child Labour** C 182 (1999) (RATIFIED 2000)
4.3 **Compliance with national labour laws and ILO Conventions at Chinese companies**

4.3.1 **Freedom of Association and Collective Bargaining**

The International Labour Organisation (ILO) has adopted several conventions related to freedom of association. Conventions no. 87 and 98 aim to promote and guarantee certain basic human rights within the broader sphere of social rights. The principles embodied in these Conventions do not pre-suppose any standard pattern of trade union organisation, but serve as a yardstick against which to measure the freedom of a trade union movement, irrespective of the way in which it is organised. Convention 98 is mainly concerned with the protection of trade unions and is also an International Labour Organisation instrument setting basic principles in respect of collective bargaining, the obligation to promote this practice and the voluntary nature of such bargaining.

Across the country in general, it is clear that the procedures for collective bargaining are lengthy, bureaucratic and therefore ineffective and the tripartite system (the resolution of trade disputes among the state, employer’s organisations and workers’ organisations) is built on weak foundations. Sections 7 and 8 of the Trade Dispute Act set the procedures for dealing with trade disputes. Firstly, it establishes that a trade dispute should be resolved between the employee’s union and the employer. If they do not reach an agreement, the dispute can be taken to the Commissioner of Labour or any legally recognised Labour Officer. The Commissioner or the Labour Officer would assign a third party, the mediator, to resolve the dispute through mediation first, and then, in case the dispute was not settled they would proceed to resolve the disputes through arbitration, which means that the parties involved in the dispute can assign one or more neutral third parties to represent their interests. If the dispute is not resolved after mediation and arbitration, it can be referred to the Industrial Court. Workers complain that this is a tedious and lengthy process that usually does not resolve the trade disputes. A member of the Executive Committee of the Botswana Federation of Trade Unions (BFTU) felt that it “is hard to reach any level of conclusive negotiation” with the employers and the state.

Furthermore, workers complained that the establishment of the Industrial Court in 1992 had not resolved, but delayed the resolution of trade disputes. This institution was established in order to enhance the tripartite system. However, it has not been as effective as it was expected. The Industrial Court stands as a “court of law and equity”. It is expected to resolve the trade disputes that the Commissioner or the Labour Officer cannot settle. However, trade union officials submitted that there are organisational and structural flaws that delay the resolution of disputes. There is only one Industrial Court located in Gaborone for the entire country, and only two judges travel to Francistown once a month to hear cases of the northern areas. This results in inefficiency since workers or employers from more remote areas are unable to travel to Gaborone for various reasons. Besides this, the number of cases reaching the industrial Court offices has tripled in the last three years. In 2003 the Court received 340 labour disputes and from January to November of 2005, they registered 1,600 cases. It was confirmed that the Industrial Court was unable to deal with so
many cases due to lack of staff. It was Some workers do not know their rights, and unlike employers, they cannot afford legal representation. Most trade unions and labour analysts contend that the tripartite arrangement through the Labour Advisory Board remains restrictive and not very effective. The current tripartite and social dialogue arrangement in Botswana that relegates trade unions to an advisory role completely disempowers the workers in effectively participating in matters that affect their well-being. There is a need for government not only to ratify these conventions but to go further by devolving the workers rights by creating an enabling environment that assists the trade union organisations to flourish. Certainly the concept of acceding to workers’ rights should not end with ratification of ILO conventions.

In addition to the ineffectiveness of the tripartite system, workers also have to tolerate strict restrictions with respect to taking industrial actions. Section 39 (1) reads that “Every party to a dispute of interest has the rights to strike or lockout…” However, the parties willing to strike or lockout have to apply first to the Commissioner in order to get his/her permission. The application process is deemed lengthy and unworthy. In Good’s words, “a legal strike is made a practical impossibility ... none has occurred in independent Botswana” (Good, 2004:26). In addition to tedious application processes, the right to strike is not provided for all those employees that are employed in the “essential services” category. This category involves the provision of electricity; the fire service, rubbish disposal and sanitation; health and ambulance services, production, supply and distribution of water, fuel and food; and any other service declared by the President (Good, 2004:26). Consequently, the right to take legal industrial action is limited, exclusive, and practically impossible. As one worker lamented: “As long as workers can’t strike, we cannot achieve anything”.

From the case studies presented and other generalisations, it is clear that trade unions are not allowed to freely operate in most Chinese companies. Most of the companies employ casual workers that are “fired at will.” The trade union movement has also, admittedly, been weak with no organisational power in most of the construction companies with just some minimum presence in trade, manufacturing and retail.

4.3.2 Forced and Compulsory Labour
This convention outlaws forced labour and has been ratified by the Botswana Government. This study did confirm many cases of forced labour in Chinese companies operating in Botswana. However, as reported earlier there have been reports of some isolated cases of “human tracking” in which Chinese nationals were promised work abroad but were forced into unpaid work. The case of Bin Quin Lin, the Chinese national working for Zheng Ming Knitwear mentioned earlier, is a case in point.

4.3.3 Minimum Age and Worst Forms of Child Labour
The 2005/06 Labour survey showed that agriculture is the major employer of children with 66.1%, followed by the retail trade with 22%. Research also shows that in 2001, a sizeable number of children under the age of 15 were engaged in economic activities. It has been observed that the majority of male children were engaged in child labour. Out of a total of 2,446, 2,226 were male. A total of 799 were in paid employment, with males accounting for 733. About 999 children owned land and or cattle posts and all of them were male. A total 357 males are unpaid family helpers.
There was no or little Chinese investment in agriculture as most operated in the retail sector. The study showed that child labour is not rampant in the retail industry.

4.3.4 Minimum Wage and Equal Remuneration

There is no doubt that it is important to have a minimum wage to minimise exploitation of workers by employers. The minimum wage applies to specified industries in terms of the Employment Act, namely: building, construction, quarrying, garage or motor trade, road transport, hotel, catering or entertainment trade, manufacturing, service or repair, wholesale or retail distributive trade and watchmen industries and these are the sectors where most of the Chinese companies are operating. Recently, the domestic and agricultural sectors were added to the list. However, the involvement of trade unions in the fixing of minimum wages is limited to the participation of representatives of the trade union movement in the Minimum Wages Advisory Board. Other observers also point to the fact that the minimum wage setting stifles bargaining in certain cases while in other instances ordinary workers, whose salaries are low, are not able to engage services such as domestic workers. This has forced some ordinary employers to rely on employing part-time domestic workers with no clearly defined conditions of employment.

The influence of trade unions in the fixing of minimum wages is rather insignificant because all that trade unions do is make submissions to the Board as and when the Minister feels there is a need to adjust the minimum wage. Considering that trade unions only contribute 25% to the total membership of the Board, more often than not, their submissions would be frustrated by the rest of the members of the Board, which constitute 75% of the membership. Over and above that, even if submissions by trade unions were to carry the day at any particular point in time, the Minister could still turn them down since he/she is not bound to implement the recommendations of the Board, whatever form they take. It is possible, through the collective bargaining process, for trade unions and employers to agree on a minimum wage that is higher than the one prescribed by the Minister within a particular workplace/industry. However, due to the fact that a dispute relating to wages is a dispute of interest and not one of fact, it is not common for employers to readily agree on minimum wages proposed by trade unions, even where, in terms of a collective agreement between the union and the employer/industry, wages are listed as “negotiable”.

The issue of minimum wage still remains an issue at the heart of the labour movement in Botswana. The concerns are about the minimum wage itself and the effectiveness of the policing methods being deployed by government. As stipulated in terms of figures, most minimum wages are between P 500 to P 1,000 (about US$ 77 - 153) per month yet the food basket in most urban areas is well over P 2,000 (US$ 305). This is in itself is a mockery of the sacrifices that most workers put into producing wealth since it does not provide a decent standard of living for workers and their families.

4.3.5 Discrimination (Employment and Occupation)

Workers should enjoy adequate protection against acts of anti-union discrimination in respect of their employment, both at the time of entering employment and during the employment relationship. Such protection shall apply more particularly in respect of prejudices based on sex, creed, race, and origin. Most national labour laws such as the Employment Act endeavour not to discriminate in Botswana. However, there have
been isolated cases of such discrimination. For example, most workers interviewed complained that in some companies the Chinese workers were more rewarded than the local citizens.

4.3.6 Occupational Health and Safety at the Workplace
Most of the workers in the Chinese construction companies as well as trade union officials in the manufacturing and retail sectors interviewed were not aware of whether the key international convention and more specifically on OSH had been ratified or not. In terms of OSH, for example, document analysis shows that Botswana has not acceded to any international instruments relating to occupational health and safety. These instruments include: Protocol to the Occupational Safety and Health Convention, 1981 (Protocol 2002), Asbestos Convention No.162 of 1986, Occupational Cancer Convention 139 of 1974 and Prevention of Major Industrial Accidents Convention 174 of 1993. It has also not acceded to Working Conditions (Hotels and Restaurants) Convention No.172 of 1991. Convention No.176 on Safety and Health in Mines of 1975 was ratified on 5th June 1997 but has not been enacted.

In general, the effective monitoring of health standards is absent in Botswana. The Labour Inspectorate is a government unit under the Ministry of Labour and Home Affairs. It operates under the Factories Act that came into force in 1979 which is under review. However, currently there are a handful and overburdened labour inspectors to verify compliance with the relevant law. Employers and trade unions felt that there is need for improvement in the whole inspection process through more resources and mechanisms of reporting. Trade unions, for example, felt that violations of national laws have continued especially in the manufacturing, retail and tourism sectors where most of the jobs were not decent. They submitted that most of the working conditions were deplorable and workers were not allowed to organise effectively. They indicated that most of the abuse that was reported was not effectively resolved and that government itself as an employer was in fact a culprit. The trade unions proposed more resourcing of the labour inspection and actual involvement of trade unions in the education campaigns. Employers also felt that the whole labour inspection system needs to be revamped so that the time taken to resolve disputes is short.

4.3.7 Decent Work: The Question of Casualisation
In the face of stiff competition, companies are adopting flexibility of employment as a cost cutting measure in Botswana. This has led to contractual situations where employment relationships are disguised and escape the protection of the labour laws. The case of construction workers in Chinese companies is one such case in Botswana. There has also been little collaboration of the trade union movement with workers in the construction and other sectors of the economy such as the agricultural and domestic workers including other entrepreneurs in the transport and construction sectors. As a result, many workers are employed in difficult jobs and thousands are now working in the unprotected informal sector.
Views of the Botswana Federation of Trade Unions (BFTU) on Casualisation

It is not unusual to find workers that have been working for a firm as daily-wage workers for many years for different Chinese companies in Botswana. Casualisation seems to be widely entrenched in the economy now. This process is being experienced in both rural and urban areas, leading to a decline in the shares of both self-employed and formal workers. Some sectors like agriculture and construction, employing the largest section of the workforce, have always had a majority of the workers in casualised employment. The proponents of the casualisation process, mainly employers and their representatives, advance various supporting arguments. For example, they argue that in the present circumstances of globalisation and competition, employers need operational flexibility in order to respond quickly to changes in the market, to innovate technologically and to deal efficiently with ups and downs in the flow of work. To us (BFTU), casualisation is intended to strike at the roots of workers’ collective spirit and organisation. It takes away the power of labour as a countervailing force to the power of capital in the market place. Infact, most practical realities point to the fact that the worst jobs are often forced onto casual workers since they cannot protest against such jobs. Apart from occupation and health hazards, such jobs have other implications for the workers as well. Since there will be no pressure from workers to better the conditions of employment, there is little incentive for employers to bring about positive and forward-looking changes in the working conditions. The process of production, in such situations, may even be characterised by very under-developed technology, which ultimately thwarts national industrial growth. In other words, casualisation does not actually create decent jobs. The argument that casualisation leads to a process of creating more jobs because there is less pressure of retaining the workforce on employers is not, therefore, plausible in the context of efficient productivity for better economic performance. We abhor it!

5. Possibilities for trade union intervention

Over the years there has been a general decline in trade union membership. The overall membership and trade union density is still low in the country. Although, there are no conclusive official statistics, recent reports show that there are between 100,000-120,000 unionised workers out of the total 301,978 formally employed work force. This represents an estimated union density of about 30%. The trade union presence in the construction sector is almost non-existent. The Botswana Construction & Wood Workers Union wound up some years ago while the Botswana Manufacturing & Packaging Workers Union has attempted to have some 1% representation in the textile and manufacturing industry. The Botswana Commercial & General Workers Union and Botswana Wholesale Furniture & Retail Workers Union, Botswana Beverages & Allied Workers Union have had less impact on the retail and trade industry.

In dealing with the challenges of FDI and Chinese investment in particular for the labour movement in Botswana, it is important to underscore the current challenges the labour movement faces. Some of the key challenges include the following:

- Though there are now changes in labour legislation, the process of collective bargaining in organisations is still restrictive in terms of engagement with key stakeholders.
- The labour movement does not currently have the technical capacity to analyse and monitor national labour trends to promote decent employment.
- Labour seems powerless in the face of government’s drive to obtain Foreign Direct Investment (FDI) to the detriment of decent work among the desperate people seeking employment.
- The discrimination in employment and forced child labour especially among farm workers is still prevalent.
5.1 Strategic policy options for trade unions

In terms of strategic responses, key national trade unions and the national federation views were largely predicated around the ILO’s four pillars in the decent work agenda namely:

- Job creation with the objective of full employment through employment intensive, pro-poor growth;
- Enforcement of workers’ rights (as defined in the ILO Declaration on Fundamental principles and Rights at Work);
- Social Protection: pursuit of public policies on income, health and education to pave the way out of poverty; and
- Pursuit of social dialogue and tripartism as a necessity for sustained socio-economic development.

In this regard, the following are some the strategic options that trade unions in Botswana feel should be taken into account when dealing with Chinese investment:

5.1.1 Trade Union Institutional /Structural Capacity

- The building of capacity on socio-economic/technical issues so that the labour movement in Botswana can engage on an equal footing. This means building the research capacity in education and training; sensitisation of affiliates; and creation of economic paradigms/alternatives that should benefit the workers.

- Building professionalism in trade unions by strengthening their capacity for engagement in issues relating to socio-economic processes in the country so that they are able to advance an agenda that favours the economic rights of the workers.

- Encouraging pro-labour research on current matters relating to Chinese foreign direct investment and its implication for labour. The BFTU believes that this enhances the exchange of ideas and improves communication channels between labour, researchers and trade unionists.

5.1.2 Social Dialogue and National Tripartite Structures

- Enhancement or strengthening of the tripartite mechanisms for participation and monitoring national economic trends for the benefit of the workers in the country through building structures that could be used to foster ongoing social dialogue to offset the negative impacts of foreign direct investment.

- Encouraging lobbying in government and national parliament for laws that mitigate the effects of unfair investment. The trade unions’ advocacy, as an important step in countering effects of Chinese and other FDI, for the domestication of the core international labour standards and the social rights such as minimum wage and wage paying; hours of work; holidays and rest periods; protection of workers with special needs such as women during pregnancy and after birth; migrant workers; home workers and indigenous and
tribal population; occupational safety and health and social service; settlement of labour disputes; full, productive and freely chosen employment and employment services and human resource development.

5.1.3 Re-examination and Influence of Trade and Investment Agreements

- The need to re-examine the SADC-FTA and EPAs in light of all FDI so that they reflect a developmental context.
- The need for the labour movement to advocate through national coalition (civil society, government and business) for a broader conception of industrial strategy that takes into account labour as catalyst to development.

5.1.4 Promotion of Decent Work Agenda

- The need to lobby for the enforcement and implementation of labour standards in order to promote decent work as prescribed by ILO. This means enhancing the campaign for the implementation of the ILO Declaration on Fundamental principles and Rights at Work (No. 87 and 98 on rights to freedom of association and collective bargaining; No. 29 and 105 on the abolition of forced labour; No. 100 and 111 on the prevention of discrimination in employment and equal pay for work of equal value and No. 138 and 182 on child labour) in Botswana.
- The need to entrench social dialogue on the ratification of ILO Convention 155 on Health and Safety, 161 on Occupational Health and Safety Services, 170 on Chemicals, 184 on Health and Safety in Agriculture and the enactment of 176 on safety and health in mines. The trade unions believe that effective implementation of this declaration and ratification of these conventions would enhance the respect of workers rights and mitigate the negative impacts of Chinese investments.

5.1.5 Advancing Alternatives to the Neo-liberal Agenda

Trade Unions felt the need to advocate for an alternative socio-economic order based on equity so that fair trade and foreign investment is the way out of underdevelopment and creation of a sound basis for economic growth that is sustainable.

5.1.6 Building Solidarity at National, Regional and International Solidarity on Investment

- The need to strengthen the visibility of the labour movement in influencing national, regional and international policies to ensure that development as a whole is human-centred. Policies such as those on foreign direct investment that have consequences on workers and society at large need the participation of trade unions.
- The need to explore and encourage national solidarity with other pro-labour and democratically legitimate civil society actors on issues of FDI in general
and Chinese investment in particular. This is because the trade unions believe that the struggle for social justice requires alliances with strong grass-roots organisations that exhibit a common agenda and a sense of oversight and alertness to human justice.

6. Conclusion

It is often argued that the role of the state in Botswana is an interesting one given the dual nature it exhibits. The state has adopted the liberal capitalist democracy and has made some attempts to have welfare/developmental systems as well. Thus government has over the years facilitated the provision of essential services such as housing, telecommunication, water, electricity and transportation through government department and parastatals. The result has been the dominance of government in the economy, in terms of the contribution to national output and employment. This combination of ideologies has at times made it difficult to define the position of the state and its relationship with the different social classes such as the labour movement. Nevertheless, in recent years, it has become clear that the state has been in the process of transformation from a welfare/developmental state to a more liberal capitalist one (Nthomang, 2005; Seara, 2005).

It is thus safe to deduce from this study that the neo-liberal agenda as espoused in all the development plans of the country is geared towards foreign direct investment. The study also indicates that there has been some progressive Chinese investment in Botswana whose focus has been largely construction, manufacturing and retail trade. There has, however, been very little investment in key sectors such as mining and diversification in tourism and the financial sector. These major sectors remain in the collaborative efforts of government and investors from the European Union and South Africa.

The study confirms that most Chinese companies usually hire workers on a casual basis and reveals that there is very little trade union organisation in most Chinese companies. The few unions that attempt to organise in the manufacturing and retail sectors are structurally weak and lack organisational ability to deal with the Chinese investors. The national trade union federation also lacks the capacity to give technical and professional guidance on matters of FDI and as a result the organisation has had no tangible influence on most on the national investment policy issues in the country.

In conclusion, it is important to state that the trade unions in Botswana can, if strengthened, be used to advance the cause of workers in the face of Chinese and other foreign investment. This is because it is only a modern, strong and progressive labour movement that can be able to mobilise workers on socio-economic issues that affect them. This report has attempted to review the content and context of Chinese investment in Botswana with a labour perspective, and has presented strategies that trade unions in Botswana envisage to employ in dealing with the challenges of foreign direct investment in general and Chinese investment in particular. It is hoped that the trade unions will add depth to their strategic options in dealing with Chinese or any other foreign direct investment so as to counter any negative excesses.
7. References


Mmegi Newspaper, 4 April 2008: Interview with The Chinese Ambassador in Botswana, Ding Xiaowen: Chinese envoy: ‘Socialism grand idea’.


## Appendix 1: Textile Companies Formally Listed at BEDIA

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Company Origin</th>
<th>Number of Employees</th>
<th>Established</th>
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<tbody>
<tr>
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<td>Bolere Investments</td>
<td>Botswana</td>
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<td>2003</td>
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<td>Dimawe Textiles</td>
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<td>1996</td>
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<tr>
<td>Dinesh Textiles</td>
<td>Botswana</td>
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<td>1999</td>
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<td>Botswana</td>
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<td>Botswana</td>
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<td>1998</td>
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<td>Botswana</td>
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<td>1999</td>
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<td>Northern Textiles</td>
<td>Botswana</td>
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<td>360</td>
<td>1999</td>
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<td>Joint Venture</td>
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<td>Joint Venture</td>
<td>99</td>
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<td>Rising Sun</td>
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<td>2000</td>
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<td>B&amp; M Garments</td>
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<td>750</td>
<td>1999</td>
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<td>Benrose</td>
<td>South Africa</td>
<td>137</td>
<td>2000</td>
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<tr>
<td>Caratex Botswana</td>
<td>China (Taiwan)</td>
<td>1800</td>
<td>1998</td>
</tr>
<tr>
<td>Justine Manufacturers</td>
<td>Zimbabwe</td>
<td>22</td>
<td>1999</td>
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Appendix 2: List of Chinese companies registered at the Chinese Embassy in Botswana

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<thead>
<tr>
<th>COMPANY NAMES</th>
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<th>FAX NO.</th>
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<tr>
<td>1. CHINA STATE CONSTRUCTION ENGINEERING CORPORATION(PTY)LTD</td>
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<td>3957826</td>
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<tr>
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<td>3906424</td>
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<tr>
<td>5. CHINA JIANGSU INTERNATIONAL (PTY)LTD</td>
<td>CONSTRUCTION</td>
<td>3185296</td>
<td>3164449</td>
</tr>
<tr>
<td>6. ZHONG GAN ENGINEERING &amp; CONSTRUCTION(PTY)LTD</td>
<td>CONSTRUCTION</td>
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<td>3167461</td>
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<td>7. TUWANA CONSTRUCTION COMPANY(PTY)LTD</td>
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<td>3162984</td>
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</tr>
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<td>8. HU BEI BOHUA (PTY)LTD</td>
<td>CONSTRUCTION</td>
<td>3913372</td>
<td>3904288</td>
</tr>
<tr>
<td>9. CGC BOTSWANA(PTY)LTD</td>
<td>CONSTRUCTION</td>
<td>3162512</td>
<td>3931544</td>
</tr>
<tr>
<td>10. C.B.M.C. BOTSWANA(PTY)LTD</td>
<td>CONSTRUCTION</td>
<td>3935740</td>
<td>3951690</td>
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<tr>
<td>11. HUA LONG BOTSWANA(PTY)LTD</td>
<td>CONSTRUCTION</td>
<td>3907238</td>
<td>3900975</td>
</tr>
<tr>
<td>12. DELMAR INVESTMENTS(PTY)LTD</td>
<td>CONSTRUCTION</td>
<td>3930512</td>
<td>3930512</td>
</tr>
<tr>
<td>13. BOTSASIA ENGINEERING CO., LTD</td>
<td>CONSTRUCTION</td>
<td>3162668</td>
<td>3162664</td>
</tr>
<tr>
<td>14. HUAWEI TECHNOLOGIES BOTSWANA(PTY)LTD</td>
<td>COMUNICATION</td>
<td>3181510</td>
<td>3181527</td>
</tr>
<tr>
<td>15. DAHENG GROUP BOTSWANA(PTY)LTD</td>
<td>TEXTILE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. TASLY BOTSWANA(PTY)LTD</td>
<td>TRADE</td>
<td></td>
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</tr>
</tbody>
</table>
3.3 Chinese Investments in Zambia

Austin C Muneku
Zambia Congress of Trade Unions

1. Introduction
The growing presence of China across Africa is increasingly becoming a subject of intense debate and controversy in Africa. This is despite the fact that presence of China on the African continent is not new. China has been in Africa for centuries throughout the pre and post colonial era and in a number of cases establishing strong ties with a number of African states. China continues to provide a number of African countries with development assistance, contributing to the building of schools, infrastructure development, training of African professionals and soft loans (interest free) just to mention a few. In recent times with China’s phenomenal growth in Gross Domestic Product (GDP) and huge foreign reserves, we have witnessed a surge in outward Foreign Direct Investment (FDI) from China, most of it finding its way into Africa. Starting from zero in the seventies and early eighties, Chinese outward FDI exceeded US$ 16 billion in 2006 (Mork et al. 2007:15). Most of this investment is directed towards natural resources but as the joint report by the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) note, this same investment maybe channelled to industry and manufacturing if appropriate policies are adopted by African governments (UNCTAD 2004). A number of Western analysts and in particular the media often portray a China that is hungry for Africa’s natural resources with no regard for environmental and health issues to satisfy its growing demand for commodities to feed its booming industry. They equally point to China’s poor human rights violation record as well as China’s permissive non-interference policy which is seen to be supporting undemocratic and repressive regimes in Africa.

However, for a continent that has been starved of FDI, China is considered to be a new hope for the development of Africa. The African leadership is encouraged by China’s commitment to Africa as revealed in the new strategic partnership contained in the China - Africa policy adopted in 2006. The policy is based on political equality and mutual trust, economic win-win cooperation and cultural exchange thus enhancing the south-south cooperation. It is from this stand point that increasing investment from Asia could bring benefits to both China and Africa.

Asian countries including China have shown a higher propensity to serve other regions. Furthermore, in many Asian countries, savings exceed investments, implying abundant surplus available for investment, including abroad, some of which go to Africa. In exchange, Africa offers a wealth of natural resources, while its under-served markets provide investment opportunities for Asian and Chinese firms. Increasing FDI flows also promote trade by opening up and expanding opportunities. China and Africa could therefore consider finding an appropriate balance to ensure that Asian FDI can contribute to Africa’s development.
The dominant pattern of Chinese FDI investment in Africa currently, however, suggests a tendency towards securing natural resources. Figure 1 displays Chinese FDI flows to Africa in 2004 based on China’s official statistics. The pattern from Figure 2 gives a clue of China’s inclination to invest more in African countries that are rich in oil and mineral resources. Undoubtedly, this pattern would include Zambia which is listed among the top-30 recipients of Chinese outward FDI in Africa for the period 1999-2002 (UNCTAD 2004, Kragelund, 2007:9).

While flows of Chinese FDI to Zambia compared to countries like Sudan, Nigeria and South Africa are still modest, they are indeed significant given the size of the national economy. According to the Chinese Embassy in Zambia, the stock of Chinese FDI in Zambia reached US$ 316 million in 2005, and FDI flows reached US$ 41 million in 2005 (FOCAC 2006). The recent commitments from Chinese investors compiled by the Zambia Development Agency (ZDA) also point in this direction. According to these figures, Chinese investment commitments accounted for comprise 12% of all commitments in Zambia in 2004.

Flows of FDI between Asia and Africa are still modest, however, but are becoming significant, especially investments from China. Within this context, recent Chinese presence in Africa in such areas as resource extraction, development aid, and military support, as well as in business has triggered massive interest and debate among researchers, policy makers, development partners and businesses. In the last few years there have been a number of attempts to analyse the impacts of Asian growth on other developing countries (see for instance, Eichengreen et al., 2004; IADB, 2004; Lall and Albaladejo, 2004; Lall and Weiss, 2004; Shafieeddin, 2004; Yang, 2003 DFID, 2005; Broadman, 2006). However, these have either been fairly aggregative studies, which look at the impacts on broad regions of the world, or more specific analyses focused primarily on the macroeconomic and competitiveness effects and have not considered the social and labour dimension. More specific analysis on China’s role in Africa has recently emerged predicting an increased role by China in the politics and economy of Africa (Davies, 2007). A number of African scholars have also been exploring whether the new China – Africa cooperation is indeed good for Africa’s development and indeed provides prospects for enhanced South-South cooperation or it is a new type of imperialism posing a question on the appropriateness of China’s development model to Africa (Manji and Marks et al., 2007; Le Pere et al. IGD/SAIIA 2007; Guliwe 2008; Ogunsanwo 2008; Koyi and Muneku, 2008).

1.1 Problem Statement

The purpose of this study is to explore the nature and extent of Chinese FDI in Zambia and assess how this is influencing Zambia’s social and economic development, especially in relation to labour and employment dynamics. A number of government officials contend that Chinese FDI is Zambia’s only hope for driving the country’s development agenda forward and providing the basis for a new win-win relationship. It is argued that Chinese FDI offers the prospect of augmenting domestic resources for development while simultaneously improving job opportunities and standards of living for the citizenry. If it is indeed true, it might be expected that Chinese FDI has had positive effects on development and the labour market in Zambia. This study asks whether indeed Chinese FDI has had positive effects on
national development and the labour market in Zambia. Accordingly, the research problem is formulated as follows: Examine the social and economic impact of Chinese FDI in Zambia in order to find out how Chinese FDI has influenced national development and labour market outcomes, and thus understand what would constitute appropriate strategies and actions to mitigate negative impacts and enhance Zambia’s economic development prospects.

1.2 Study Objectives

The overall purpose of this study is of a process kind: to contribute to an increased knowledge and understanding of the impact of Chinese Foreign Direct Investment on national development and the labour market in Zambia. Increasing knowledge and understanding will in turn serve the purpose to initiate debate on what recent China-Zambia cooperation entails and on how trade unions, Civil Society Organisations (CSO’s) and policy makers could act to support the opportunities and address the challenges so as to engage effectively in development policy processes and concrete poverty eradication work. More specifically, the study objectives are:

(i) To examine the nature and extent of recent Chinese Foreign Direct Investment (FDI) in Zambia.
(ii) To examine the impact of Chinese FDI on national development and the labour market in Zambia, especially in relation to labour and employment dynamics and management strategies.
(iii) To contribute to policy information and formulation on Chinese FDI in Zambia.

1.3 Scope of Study and Limitations

Addressing local development and labour impacts of Chinese FDI in Zambia raises several questions that this study sought to answer:

- What are the general characteristics of Chinese FDI in Zambia, and how important is this investment compared to European and USA FDI?
- How has recent Chinese Foreign Direct Investment (FDI) impacted on Zambia’s development agenda?
- What has been the impact of Chinese FDI on the labour market, especially in relation to labour and employment dynamics and management strategies, and what actions can be taken to mitigate negative impacts and enhance Zambia’s economic development prospects?
- To what extent have labour laws and ILO conventions been adhered to and what have been trade union/government responses?

Admittedly, a comprehensive study into the impact of Chinese in Zambia is a mammoth task requiring time and resources beyond what is currently available. This study is restricted to answering the questions raised within the framework of recent Chinese FDI in Zambia covering the period 1993 to 2007.
1.4 Study Methodology and Data Sources

The study was mostly qualitative, and primary and secondary data were used. On this basis, the study builds on desk studies, as well as discussions and interviews with key informants. Thus, two data collection methods were used. Firstly, a review of important documents that shed light on Chinese FDI in Africa was conducted. This review was both general and specific to the situation of Zambia. The sources for this data included: related books, articles, journals, pieces of legislation, policy documents, published and unpublished papers and documents from the University of Zambia library and the Internet. This was supplemented by firm level data from the Zambia Development Agency (ZDA) database. Secondly, a structured questionnaire followed by interviews with managers, trade unionists and selected workers in Chinese companies were conducted.

On the whole, the Chinese bosses in the companies approached were not willing to respond serve for officials from the Embassy of the Peoples Republic of China in particular the Economic and Commercial Counsellor Section.

Two case studies are considered in this study. The NFC Africa Mining Plc Chambishi mines in the mining industry and China Geo-Engineering Corporation in construction. NFC Africa Mining Plc Chambishi mines employs 2,000 Zambians and 168 Chinese. On the other hand, China Geo-Engineering Corporation Zambia Limited another subsidiary of a Chinese based state enterprise was incorporated in 2000 and currently employs 1,000 Zambians and 120 Chinese.

1.5 Structure of the Study

The study is organised into seven main sections. The second section provides the background to the study outlining the socio-economic and labour market context of Zambia. The third section analyses the relations between Zambia and China including trade relations and their impact; Chinese aid and Chinese migration and prospects for future Sino-Zambia relations. In section four, the evidence of presence and character of Chinese FDI in Zambia is determined. Section five examines the socio-economic impact of Chinese FDI in Zambia. Section six directs the spotlight on the labour market and examines labour relations and working conditions and trade unions as well as assesses adherence to labour laws and ILO conventions in Chinese companies and compares them with other non-Chinese companies. Section seven concludes the study and discusses recommendations arising from its findings and analysis that have policy implications.

2. Socio-Economic and Labour Market Conditions

Zambia has an estimated total population of 11.4 million, of which females constitute more than 50 percent (CSO, 2007:10). Of the total population, 65 percent reside in rural areas, while the remaining 35 percent reside in urban areas. The population is relatively young with about 75 percent estimated to be below the age of 25 years (NELMP, 2004:37). The national poverty incidence stands at 68 percent of the total population, while the same for rural areas is 78 percent (LCMS, 2004:110).
Zambia is classified as a low-income country with a Gross Domestic Product (GDP at current US$) of 7.3 billion in 2005 and a Gross National Income Per Capita of US$ 490 (World Bank, 2006). The economy has grown between 2000 and 2007. In 2007 the economy recorded 6.2 per cent growth in real GDP with the main sectors of mining, agriculture, construction, manufacturing, tourism, transport and communication registering growth. However, this growth is partially negated by a population growth rate of about 2.9 percent per annum, resulting in only a marginal growth in per capita terms between 2000 and 2006 (Economic Report, 2006:10). Prospects for growth are still modest as the economy is projected to grow at an annual average of 5 percent over the period 2007 to 2023, still quite short of the 8 percent needed to reverse poverty trends (Ministry of Finance and National Planning 2006). Sectoral contribution to Zambia’s GDP are summarised in Table 1 below. As seen from the table, the major contributors are agricultural related activities, manufacturing and wholesale and trade activities.

Table 1: Sectoral Contribution to GDP, 1993-2005

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fisheries</td>
<td>25.0</td>
<td>13.5</td>
<td>18.4</td>
<td>17.2</td>
<td>15.7</td>
<td>15.1</td>
<td>17.5</td>
<td>17.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>9.4</td>
<td>16.7</td>
<td>12.4</td>
<td>11.9</td>
<td>11.8</td>
<td>10.7</td>
<td>6.6</td>
<td>6.4</td>
<td>8.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>26.2</td>
<td>9.8</td>
<td>10.0</td>
<td>9.9</td>
<td>10.3</td>
<td>10.9</td>
<td>10.5</td>
<td>10.5</td>
<td>10.6</td>
</tr>
<tr>
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<td>3.2</td>
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<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
<td>3.0</td>
<td>2.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Construction</td>
<td>2.2</td>
<td>5.0</td>
<td>4.9</td>
<td>4.0</td>
<td>5.2</td>
<td>5.2</td>
<td>4.8</td>
<td>4.9</td>
<td>9.1</td>
</tr>
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<td>Wholesale and Retail Trade</td>
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<td>14.8</td>
<td>13.6</td>
<td>17.1</td>
<td>16.9</td>
<td>16.9</td>
<td>18.5</td>
<td>18.3</td>
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<td>1.7</td>
<td>1.7</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.9</td>
<td>2.5</td>
</tr>
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<td>Transport Storage and Communications</td>
<td>4.7</td>
<td>6.0</td>
<td>5.9</td>
<td>5.9</td>
<td>5.7</td>
<td>6.3</td>
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<td>6.5</td>
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<td>8.3</td>
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<td>8.2</td>
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<td>12.9</td>
<td>12.0</td>
<td>11.9</td>
<td>11.8</td>
<td>11.5</td>
<td>10.7</td>
<td>10.9</td>
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</tr>
</tbody>
</table>


As at December 2007, inflation was 8.9 per cent which was slightly above the 8.2 per cent achieved in 2006. Domestic borrowing was 0.95 per cent of GDP against the target of 1.2 per cent. Gross International Reserves (GIR) improved considerably to 3.6 months of import cover against the target of 2.5 months (Budget Speech 2008).

The size of the Zambian labour force is 4.9 million (LFS 2007:23). This figure, however, excludes the economically inactive population reported at about 1.3 million. Thus, of the total eligible population of 6.2 million, 4.9 million persons were in the labour force in 2005. The labour force participation rate in Zambia is rather on the high side, largely because of the expanding informal sector employment. Out of 6.2 million persons aged 15 years and above, 80 per cent are economically active. Total formal sector employment in Zambia is estimated at 495,784 (LFS 2007:23). Thus, only 12 percent of the 4.9 million persons in the active labour force are formally employed, with the other 88 percent employed informally. The rate of unemployment currently stands at 16 percent in Zambia. The unemployment rate is significantly higher in urban areas (28 percent) than in rural areas (10 percent). A gender decomposition of the Zambian labour force reveals that about 2.6 million people, representing about 53 percent are male while about 2.3 million (or 47 percent) are female (LFS, 2007:21). This points to a fairly even distribution of males and females.
in the Zambian labour force. The most visible disparity, however, is in the spatial distribution of the Zambian labour force: Of the 4.9 million people in the labour force, about 3.3 million or 67 percent reside in rural areas while about 1.6 million or 32 percent are based in urban areas.

3. Sino-Zambia Relations

China has been present in Zambia since independence in 1964 when it established full diplomatic relations and put up its embassy. Zambia remains one of China’s oldest friends in Africa. It is, therefore, not surprising that successive governments have labelled China as an all weather friend. China has been instrumental in providing Zambia with development assistance and soft loans under bilateral agreements. One of the most notable projects was the Tanzania-Zambia Railway Authority (TAZARA), a 1,860 kilometre rail line linking the port city of Dar Es Salaam in Tanzania and Kapiri-Mposhi in Zambia close to the heart of the Copperbelt province. This construction started in 1970 and was completed in 1975. It was constructed at a cost of US$ 500 million making it the largest foreign-aid project ever undertaken by China then. A total of 25,000 Chinese and 50,000 Tanzanians and Zambians were engaged to construct this historical railway. The work involved moving 330,000 tonnes of steel rail, and the construction of 300 bridges, 23 tunnels and 147 stations. The significance of this project to land locked Zambia was that it created an alternative to rail lines via Rhodesia (now Zimbabwe) and South Africa.

This was during the era of UDI in Rhodesia and Apartheid in South Africa as well as heightened liberation struggles in the southern African region. Zambia equally benefited from other Chinese infrastructure projects such as roads, bridges, and telecommunication. In addition, a number of Zambian professionals benefited and continue to benefit from training in China through scholarships provided by the People’s Republic of China (PRC) in various fields.

It is difficult to ascertain how many Chinese are living and working in Zambia. The embassy of the PRC was not able to provide this information. It also pointed out that there were a number of Chinese nationals in Zambia that had not registered with the embassy. However, the 2000 census of population and housing put the Chinese population in Zambia at 166. With increased Chinese investment in Zambia in recent times this figure is estimated to have increased into thousands. One of the explanations behind the surge in Chinese migration into Zambia could be the many opportunities that exist in Zambia for investment and livelihood. On the other hand, the Zambians living and working in China are mostly those working for the embassy of the Republic of Zambia and students studying in China. It is for this reason that China is viewed as a special and “all weather friend” of Zambia. From sentiments expressed from high offices of authority in government one can state that China still has a privileged place among other foreign countries coming to do business in Zambia.

Zambia is one of the three most important destinations of Chinese FDI in Africa (Lafargue 2005). Chinese companies currently invest in most sectors of the Zambian economy. Between 1993 and 2007, 166 Chinese companies invested approximately

21 CSO, 2000 Census of Population and Housing
US$ 666 million and created 11,226 jobs (ZDA, 2007). However, this does not provide the total picture of Chinese investment in Zambia. Since the investment legislation ZDA Act No. 11 of 2006 does not provide for mandatory registration of foreign investment in Zambia information obtained from ZDA does not reflect the total national status. For instance the deal relating to the privatisation of ZCCM Chambishi Copper Mines to China Non-Ferrous Metal Industries Corporation of the PRC does not appear under the ZDA data bank. Chinese FDI flows comprised 12.5 percent of all flows in 2005 and accumulated Chinese FDI now comprise 10.5 percent of the total FDI in Zambia (UNCTAD, 2006; Kragelund, 2007). In fact, these figures are likely to increase significantly in the near future as Hu Jintao, during his most recent visit to Lusaka (5 February 2007), inaugurated the first of three to five African Economic and Trade Cooperation Zones. Consequently, during the next three years, this zone will foster FDI of US$ 900 million into Zambia and potentially create 6,000 new jobs. On the political front, Zambia has maintained to support and respect the one-China policy and has no diplomatic ties with Taiwan.

3.1 Trade Relations

Zambia’s trade relations China have continued to grow over the years. Table 2 below shows Chinese exports to and imports from Africa and Zambia.

Table 2 Chinese Export and Imports US$ Million 1995-2006

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Africa</td>
<td>4054.662</td>
<td>4110.078</td>
<td>5057.395</td>
<td>6007.508</td>
<td>6962.824</td>
<td>10199.43</td>
<td>13815.13</td>
<td>18686.76</td>
<td>26704.87</td>
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<td>Zambia</td>
<td>22.12814</td>
<td>8.397214</td>
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<td>37.19096</td>
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<td></td>
</tr>
<tr>
<td>Africa</td>
<td>1478.625</td>
<td>2375.129</td>
<td>5540.706</td>
<td>4792.452</td>
<td>5427.314</td>
<td>8364.784</td>
<td>15640.85</td>
<td>21114.12</td>
<td>28767.62</td>
</tr>
<tr>
<td>Zambia</td>
<td>6.21822</td>
<td>17.62317</td>
<td>69.39012</td>
<td>35.68319</td>
<td>46.05619</td>
<td>47.88155</td>
<td>171.0819</td>
<td>251.7765</td>
<td>269.1334</td>
</tr>
</tbody>
</table>

Source: World Trade Atlas

From the table above it is evident that trade between Zambia and China has increased in value over the years. The sudden increase in imports after 1999 can be attributed to commodity exports mainly copper. Even though China’s exports to Zambia have equally been on the increase, Zambia still enjoys a favourable trade balance with China. Most of China’s exports to Zambia are machinery, chemicals, medicines and electronic goods. On the other hand, Chinese imports from Zambia are basic commodities mainly copper and cotton. However, cheap products from China such as textile and apparels from China and Asia in general are said to be one of the factors behind the demise of Zambia’s textiles and apparels sector. In an attempt to expand Zambia’s exports to China, Zambia has been and continues to participate in the China International Fair for Investment and Trade and African Commodities Exhibition to take advantage of the enlargement of the number of zero-tariff Zambian exports from 190 products to over 440.

3.2 Social and Economic Impact of Trade

One of the sectors most affected by trade with China is the textiles sector. The influx of cheap and often low quality goods from China has on the overall impacted

negatively on the Zambian economy in particular the textiles sector. The industrial area in the town of Ndola that used to host a good number of textiles and apparels companies is almost lifeless. Most textiles companies including the Zambia China Mulungushi Textiles (ZCMT) have since closed, leaving hundreds of workers (mostly women) jobless. The National Union of Commercial and Industrial Workers says it has lost close to one fifth of its membership through the closure of textiles and apparel companies creating a major dent in its membership.

At its peek the ZCMT employed about 2,000 workers. Unlike many textiles companies in the world, ZCMT extended interests beyond the textile mill. ZCMT also owned two ginneries that could process about 20,000 tons of seed cotton annually and a refinery producing cotton seed oil. ZCMT supported thousands of cotton farmers to grow cotton for its consumption. It also contributed Billions of Kwacha in taxes annually. Many businesses in Kabwe town where it is located also depended on ZCMT for their survival. In 2002 and 2003 ZCMT was the largest cotton purchaser in Zambia and was exporting some of the excess cotton to China. It also set up marketing networks in Zambia and the sub-region this including 18 stores across Zambia and two subsidiary companies in Tanzania and Namibia. Taking advantage of the Africa Growth and Opportunity Act (AGOA), ZCMT was exporting textile products to the US market. Notwithstanding this success the company closed down in 2007 due to liquidity problems. At the time of closure the company had only remained with 583 workers out of the 2,000 plus employed at its peek. This development impacted heavily on women workers most of whom are single mothers and head of households. The impact on Kabwe and the Zambian economy arising from the closure of the factory for the second time is obvious.

Zambian traders see Chinese traders that are taking up shops in the local markets as a threat to livelihoods of Zambians. Zambian traders claim that business has not been good since Chinese traders came in. The cheap goods Chinese traders offer is taking away their customers as people prefer to buy cheap Chinese goods. Second-hand dealers are some of the most affected. On the other hand, there is an increase in street vending involving youths selling all sorts of cheap Chinese merchandise ranging from garments, toys to car and home accessories. Even if street vending is seen to be providing alternative employment for the youth, the dangers and hazards associated with street vending make it not acceptable by authorities and remains largely illegal.

However, government contends that the influx of cheap goods from China is good for Zambia as it is providing Zambians with choices. Cheap goods also imply that they could be afforded by many Zambians who are poor. As one politician once commented, Zambians not walking naked because they can now afford to wear new clothes and not the second-hand clothes popularly known as salaula thanks to the Chinese imports. Some further contend that the competition from Chinese imports is good for Zambian companies as the exposure will make them adapt and face the challenge to survive. This will force Zambian business to be innovative and competitive, which in turn will increase productivity and job opportunities.

3.3 Chinese Migration to Zambia in Recent Years

There is no concrete information on Chinese migration to Zambia in recent years. Official statistics put the Chinese population at 166 according to 2000 census results.
Visibly, there was a large presence of Chinese in most parts of Zambia in 2000. This suggests that the Chinese population in Zambia is increasing as Chinese interests and activities in Zambia increase. According to the Ministry of Home Affairs, Chinese population stood at 2,224 in 2006\textsuperscript{23}. But some recent studies estimate Chinese population in Zambia to be about 30,000 (Kaplinsky et al: 2007). However, more research is needed to ascertain Chinese migration into Zambia.

3.4 **Chinese Aid**

Zambia has been a recipient of Chinese aid well beyond the establishment of diplomatic relations in 1964. Chinese aid to Zambia has taken many forms including support for reconstruction and consolidation of national independence. Zambia received grants and interest free loans to support its infrastructure and reconstruction. The aid was extended to training of Zambian professionals and the provision of technical support by the PRC. In the early years of independence, China’s aid to Zambia, one could say, was mainly motivated by political and ideological factors. China needed its African partners including Zambia in the international arena. Some of the notable outcomes of Chinese aid are the TAZARA, major trunk roads linking Zambia’s provinces, the government complex housing several government ministries, the defunct ZCMT just to mention a few. In addition, China has opened a branch of the Bank of China and a trade and commercial centre in Lusaka.

In recent years, the economic and political cooperation between China and Zambia has taken a new dimension. Economic cooperation is now more diversified to include preferential loans, contract bidding for construction and FDI\textsuperscript{24}. The creation of the Forum on China-Africa Cooperation (FOCAC) has played a major role in this development. FOCAC now an integral part of the Ministry of Foreign Affairs tasked to coordinate Chinese foreign policy objectives towards Africa. Economic and technical cooperation is more focused on economic cooperation, in particular facilitating and consolidating outward-bound Chinese FDI into the Zambian economy. This development is manifested in increasing trade and investment. Chinese in Zambia are now engaged in the main sectors of the Zambia’s economy including agriculture, mining, manufacturing, construction, communication and transport and health.

As at December 2006, Zambia’s debt to China stood at US$ 217 million making China the highest non-Paris Club creditor to Zambia.\textsuperscript{25} In 2007, during President Hu Jintao’s visit, China wrote off US$ 211 million owed by Zambia.\textsuperscript{26}

3.5 **Future Relationship between Zambia and China**

Judging by comments from the highest levels in Government, it is certain that the future relations between China and Zambia are poised to strengthen and grow even further. During the last visit to Zambia by Chinese President Hu Jintao, the two

\textsuperscript{23} A parliamentary statement by Home Affairs Deputy Minister, Chrispin Musosha to parliament in response to a question on the population of Chinese in Zambia in January 2007.
\textsuperscript{24} Martine Dahle Huse & Stephen L. Muyakwa (2008) China in Africa: lending, policy space and governance
\textsuperscript{25} Ibid (p.36)
\textsuperscript{26} Africa Business, January 2007
governments agreed to strengthen the traditional friendship and cooperation between the two countries aimed at boosting the mutual understanding and trust between the two peoples and on opening up a bright future for bilateral ties. During his visit President Hu Jintao said that the friendship between China and Zambia, fostered by generations of leaders, has endured the test of changes in the international arena and both countries domestic situations.27

To underpin China’s commitment to Zambia, President Hu put forward a four-point proposal on fulfilling measures announced by China at the Beijing Summit of the FOCAC in 2006 and on facilitating the in-depth development of relations between China and Zambia:

- Strengthening dialogue and consultation to further mutual political trust;
- Sticking to the policy of mutual-benefit and a win-win outcome to expand trade and economic cooperation;
- Boosting exchanges of personnel and enhancing cooperation in areas such as education, culture, sports and human resources development; and
- Cementing international cooperation to accelerate the construction of a harmonious world.

According to several media reports, President Mwanawasa in addition to adhering to the one-China policy expressed appreciation for measures proposed by China on deepening the cooperation between the two countries, saying China has become a strategic cooperative partner for Africa’s development. He further said that the Zambian government and people are grateful for China's unconditional aid for the economic and social development of Zambia and welcomed China's decision to set up an economic and trade zone and expected more Chinese enterprises to invest or run businesses in Zambia. President Mwanawasa also made a reciprocal state visit to the PRC following President Hu’s visit.

Government seems to be determined to forge ahead with relations with China despite the anti-China sentiments in 2006 when frustrated groups protested against the Chinese presence in Zambia and the many strikes by workers in Chinese-operated companies demanding improved wages and working conditions. Commenting on the recent strike at the Chambishi Copper Smelter the Republican Vice President Rupiah Banda was on record saying that “the government fully supports FDI from the PRC and other countries of the world. It is our duty to ensure that foreign investments are protected so that Zambia remains a safe destination for FDI.”28

Zambia needs FDI in order to accelerate its development and for a long time this has not been forthcoming explains the Chinese Economic and Commercial Counsellor. He maintains that the secret behind China’s dramatic developed in the past years is the good policies that the PRC government has been pursuing. Important is the open policy to investment and provision of good policies and incentives to attract FDI. He said at first Chinese national also resented foreign investment just like some sections of Zambia had done. But in the end it has benefited the country at large. So there is a lot Zambia can learn from the Chinese experience especially that both countries are

27 Special Report 2008, Chinese President Hu visits 8 African countries, Embassy of the PRC in Australia
28 Times of Zambia, Friday 2008
developing nations. Zambia must take advantage of the FDI coming from China to accelerate development, expand production capacities for domestic and export markets, create employment opportunities and reduce poverty. The Chinese market of 1.3 billion people is also another opportunity for Zambia as such joint ventures between Chinese and Zambian business must be encouraged to create capacity to export finished goods to China and the rest of the world. Furthermore, Zambia is seen as a very stable country politically with very friendly people and this is reassuring to future Chinese FDI flows to Zambia.

4. Nature of Chinese Investments

The pattern of recent Chinese FDI involvement in Zambia can be characterised by four major trends:

(i) Increasing investment in the natural resource sectors mainly mining;
(ii) Participation in infrastructural projects (construction);
(iii) Participation in global production networks; and
(iv) Small scale entrepreneurial investments.

4.1 Investment in Natural Resource Sectors

The first Chinese investment in the mining sector in Zambia is NFC Africa Mining Plc Chambishi mines. Under Zambia’s privatisation programme, the NFC Africa Mining Plc acquired the Chambishi mine and ore body in the Copperbelt province of Zambia in 1998 for a cash price of US$ 20 million. At privatisation the ZCCM Chambishi copper mine had a workforce of 143 but now employs about 2,000 Zambians and 168 Chinese. In mining five new Chinese investments were recorded worth US$ 35 million and expected to create 550 jobs from 2000 to 2007. These are Tian Heng Mining and Minerals (Z) Limited (US$ 6,900,000) which is expected to create 37 jobs; Collum Coal Mining Industries Limited (US$ 656,766) expected to create 250 jobs; Cona Mining Limited (US$ 1,000,000) expected to create 39 jobs; Eastern Union Limited (US$ 1,362,133) expected to create 154 jobs and Golden Honesty Africa Development Limited (US$ 25,000,000) expected to create 70 jobs (ZDA, 2007).

In all mining acquisitions the Government enters into what is termed “Development Agreements” with the respective companies. The Development Agreement among other things details operational and employment issues, undertakings necessary for operations, taxation including incentives such as tax holidays, environmental issues and local business development.

4.2 Participation in Infrastructural Projects

Chinese firms have become an increasingly important participant in the construction sector in Zambia, reflecting also the competitiveness of the Chinese firms, which are reported to provide good quality projects at a price discount of 25 to 50 percent compared to other foreign investors. It is not clear how this cost-advantage is derived,

29 Interview with Chinese Embassy Economic and Commercial Counsellor
but a preliminary enquiry by Kaplinsky et al. (2006:19) suggests that it arises from a combination of factors, which include:

- Lower margins;
- Access to much cheaper capital than local investors;
- The almost exclusive employment of low-paid staff, often apparently living at even lower standards than locals, and living in secluded barracks;
- The use of Chinese materials, with very limited local sourcing;
- The use of standard designs;
- Less attention to environmental impacts;
- Access to hard currency premium paid by the Chinese government; and
- Subsidies to Chinese companies when they establish themselves overseas.

In addition there is always a pool of local workers who are desperate for jobs hence willing to take low wages and poor working conditions.

In Zambia, Chinese construction companies have participated in contract bidding for major construction works including the government complex, rehabilitation of national road networks, expansion works for Zambia Sugar Limited and the construction of the 85 million Euro Lafarge new 750,000 tons capacity cement plant in Lusaka (CBMI Construction Company limited). In 2008, China Jiangxi Corporation for International and Technical Cooperation and China Henan International Cooperation Group Company limited were awarded seven project contracts by the Road Development Agency (RDA) covering construction of roads and bridges valued at about US$ 19 million funded by the Zambian government and donor funds from the European Union.

4.3 Incorporation in Global Production Systems

In addition, Chinese investment is also operating in a way that points to a tendency for incorporating local production activities into the global value chain. This is especially true in the case of textile manufacturing where ZCMT would seem to be aiming at more interconnectedness in the global textiles value chain. The textile company, formerly under the Ministry of Defence, was built with Chinese aid (interest free loan) and inaugurated in 1998 and operated until 1994 when it closed due to the deteriorating economic situation prevailing in Zambia and due to mismanagement. The new joint venture ZCMT was revived in 1997 after negotiations with China who turned the outstanding loan as well as additional capital for the overhaul of the factory into 66 per cent stake in the company. The Zambian Government took up the remaining 34 per cent stake. According to the China’s Peoples Daily the ZCMT before its closure and taking advantage of AGOA, had reached an agreement with Wyler Team International Corporation, an agent of the retail giant Wal-Mart, to jointly finance the expansion of its garment factory to increase capacity to export pairs of pants to the US market.

4.4 Small-scale Entrepreneurial Investments

In terms of small-scale entrepreneurial investments, there appears to be a growth of this investment from China, especially in Lusaka’s Kamwala trading area and Cairo.
roads. Kamwala market has in essence now turned into a specialised market, retailing Chinese goods. Thus, small-scale entrepreneurial activities have almost certainly become a significant feature of Chinese FDI in Zambia. These Chinese traders mostly import and re-sell basic consumer goods such as clothing, textiles, footwear and simple electronic consumer goods, among others. Zambian traders are unhappy with Chinese traders who have taken up shops in Kamwala market claiming that the Chinese are luring customers away from Zambian traders because of their cheaply priced wares. This is one of the factors that triggered the 2006 anti-China protests in Lusaka.

While Chinese traders appear to be a threat to Zambian traders the Zambian consumers (most of whom fall in the poor bracket) seem to have welcomed the cheap Chinese goods because the majority can now afford to buy new things and not only used goods.

There is also an increase in Chinese fast food outlets and restaurants especially in the major cities in Lusaka and on the Copperbelt provinces.

4.5 Structure of Chinese FDI

4.5.1 Source and Nature of Capital

Turning to the structure of Asian FDI, it seems that Chinese FDI in Zambia is qualitatively different from European and United States sourced FDI. Historically, western FDI in Zambia has come from privately owned corporations focussed on profit maximisation, generally with relatively short-time horizons. By contrast, recent Chinese FDI in Zambia comes from firms, which are either wholly-or partially, state-owned.

For instance, Chambishi Mines, which is operated by NFCA, is a state-supported project, as is Zambia-China Mulungushi Textiles Limited. In addition, “the Zambia-China Economic and Trade Cooperation Zone is the fruit of the Chinese Government’s implementation of results of the Sino-Africa Cooperation Forum (Beijing Summit) held in November 2006” (Qiangmin, 2007). The Chambishi Copper Smelter Company is one of the first companies to operate under this economic zone. Thus, as Kaplinsky, McCormick and Morris (2006:14) write, “Asian investments have access to very low-cost capital, and hence operate with much longer time – horizons”. Moreover, many of these investments are either explicitly or implicitly linked to achieving strategic objectives, often those, which are either focussed on long-term access to raw materials, or closely bundled with aid.

Unlike trade, where there exist extensive data (particularly in relation to aggregate flows, and flows over time), data on Chinese FDI in Zambia is limited. In part this is because in Zambia, it is not clear how much of Chinese economic activity comprises FDI, how much is a result of winning commercial tenders, how much is linked to Chinese bilateral aid and how much is part of the integrated production network between Chinese and local firms. The anecdotal evidence emerging is that in cities of Lusaka and the Copperbelt, there is evidence of Chinese private entrepreneurship, sometimes through large firms such as Budget Stores limited of Lusaka and China
Hainan in construction and in other cases through smaller scale initiatives such as Ndola Sunshine Guest House Limited (see table 3).

4.5.2 Value in Absolute and Relative Terms

According to the Chinese Embassy in Zambia, the stock of Chinese FDI in Zambia reached US$ 316 million in 2005, and FDI flows reached US$ 666 million in 2007 (ZDA 2008). In relative terms, Chinese FDI flows comprised 12.5 percent of all FDI flows in 2005 and accumulated Chinese FDI now comprise 10.5 percent of the total FDI in Zambia (UNCTAD, 2006; Kragelund, 2007). In fact, these figures are likely to increase significantly in the near future as President Hu Jintao, during his most recent visit to Lusaka (5 February 2007), inaugurated the first three of five African Economic and Trade Cooperation Zones, the Zambia-China Economic and Trade Cooperation Zone. Consequently, during the next three years, this zone will funnel FDI of US$ 900 million into Zambia. The first company in the China-Zambia Multi Facility Economic Zone, the Chambishi Copper Smelter (CCS) whose total investment stands at US$ 300 million has been completed and was due to begin operations in October 2008 and create about 1,500 jobs for Zambians.

4.5.3 Listing on Stock Exchange

In terms of listing on the stock exchange none of Chinese-owned companies are currently listed. One hopes that the big players such as NFC Africa mining Chambishi Mine and Chambishi Copper Smelter would soon be listed on the stock exchange to allow for opportunities for ordinary Zambians to have a stake in Chinese companies.

4.6 Sectoral Distribution

Chinese investments in Zambia cover the following sectors: agriculture, construction, health, manufacturing, mining, and services (ZDA 2007). Table 3 below summarises statistics based on investment certificates granted to Chinese companies between 1993 and 2007. As seen from the table, significant investments have mainly been directed into the sectors of construction, manufacturing and mining. The tourism and services have also received substantial Chinese FDI.
Table 3: Chinese Investment Commitments for the period 1993 to 2007 by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>No. of Projects</th>
<th>Investment (US$)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>23</td>
<td>10,032,866</td>
<td>1,093</td>
</tr>
<tr>
<td>Construction</td>
<td>23</td>
<td>41,580,151</td>
<td>1,773</td>
</tr>
<tr>
<td>Engineering</td>
<td>1</td>
<td>476,000</td>
<td>12</td>
</tr>
<tr>
<td>Financial</td>
<td>1</td>
<td>3,000,000</td>
<td>8</td>
</tr>
<tr>
<td>Health</td>
<td>7</td>
<td>647,969</td>
<td>42</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>89</td>
<td>539,294,587</td>
<td>6,369</td>
</tr>
<tr>
<td>Mining</td>
<td>5</td>
<td>34,918,899</td>
<td>550</td>
</tr>
<tr>
<td>Services &amp; Retail</td>
<td>9</td>
<td>16,398,000</td>
<td>924</td>
</tr>
<tr>
<td>Tourism</td>
<td>7</td>
<td>19,447,300</td>
<td>451</td>
</tr>
<tr>
<td>Transport</td>
<td>1</td>
<td>456,000</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>166</strong></td>
<td><strong>666,251,772</strong></td>
<td><strong>11,226</strong></td>
</tr>
</tbody>
</table>

*Source: Compiled by Author from ZDA database (2008)*

Most of the big investments into manufacturing are in mining-related activities and these include the Chambishi Copper Smelter Limited (US$ 198,776,800); Jinchuan Group Mining Corporation Zambia (US$ 220,000,000); Sino Metals Leach (Z) Limited (US$ 12,000,000) and Bgrimm Explosives (Z) Limited (US$ 5,569,000). The other area of substantial investment in manufacturing is textiles: Zambia-China Mulungushi Textiles Joint Venture (US$ 18,975,000) and Chipata Cotton Company Limited (US$ 10,000,000). By and large manufacturing, which has performed poorly in the past and was the most negatively affected by structural adjustment programmes in Zambia, has lately shown marginal improvements. In 2007 the sector posted a positive growth of 3.4 per cent attributed to increase in value addition in the sector. However, it is difficult to state what share of this growth can be attributed to Chinese owned companies in the absence of disaggregated data. Suffice to say a contribution of 6,369 jobs is quite significant.

A significant proportion of Chinese FDI has gone to agriculture and construction. The agriculture sector has seen an injection of about US$ 10,032,866 with 1,093 jobs created from Chinese FDI. Some of the big investments in agriculture include Johnken Friendship Farm (US$ 1,840,000) and China Harvest Investment Limited (US$ 1,800,000). On the other hand, construction had an injection of Chinese FDI amounting to US$ 41,580,151 with 1,737 jobs created. However, during implementation of construction projects the jobs in this sector are known to increase significantly depending on the nature and magnitude of the project.

The Chinese companies in construction include China Hainan Zambia Limited (US$ 11,400,000); China Hainan Corporation (US$ 8,370,000); CBMI Construction
Company limited (US$ 5,000,000); Fifteen MCC Construction and Trade Limited (US$ 4,900,000); CGC Zambia Limited (US$ 2,669,200); Chico Zambia (US$ 1,840,000) and Seitco Zambia Limited (US$ 1,623,110). A notable joint venture is the ZCMT between the governments of China and Zambia. The Zambian government through ZCCM Investment Holding has a 15 per cent stake in NFC Africa Mining Chambishi Mines. The Chinese investments given investment licences under the ZDA are both state and private.

In the financial sector there is only one Chinese investor, the Bank of China. The Bank was registered in 1996 with an initial investment of US$ 3 million. The Bank employs eight people (all Chinese) and operates both corporate and personal banking. The Bank also plays an important role in backing Chinese companies in Zambia in providing performance bonds to support contract bids.

### 4.7 Profit and Turnover

Information on profits and turnover for NFCA/Chambishi copper mines was not available. Reports from media indicate that NFCA has been recording losses since its inception. On the other hand the ZCMT suffered liquidity problems forcing it to close down the factory. No clear explanation has been given by government or the Chinese management on what led to this development for a company that showed all signs of success since its revival in 1997.

### 4.8 Investment History and Predictions

Little is known about NFC Africa Mining Plc’s holding company, the China Nonferrous Metals Industry’s Foreign Engineering and Construction Corporation (GROUP), a company registered in the People’s Republic of China. What is known is that the Corporation is state-owned or controlled and as such Sino-Zambia relations are of essence in future NFCA operations and activities. The same is true for the future of the ZCMT.

Another tendency observed in Chinese companies is that some venture into businesses other than for which investment licenses were granted. For instance, a number of Chinese companies granted investment licenses under manufacturing are engaged in businesses other than manufacturing. Most notable is China Jiangxi Corporation Zambia Limited, which was granted a manufacturing license but is largely involved in construction. The company was awarded five contracts by the Road Development Agency (RDA) between January and May 2008.\(^{31}\)

### 4.9 Comparison of Zambia’s Asian FDI with US and EU FDI

According to the UNCTAD WID – country profile for Zambia, out of the total FDI stock of US$ 1,084.8 million in 2001 US$ 856.6 million (79 percent) originated from developed economies in particular Europe, North America (Canada and USA) and other developed countries (Australia). In the same period, FDI from developing economies stood at US$ 219.8 million (20 per cent). The FDI from developing economies came from Africa (mainly South Africa US$ 110.8 million) and Asia

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\(^{31}\) RDA 2008
(mainly China US$ 47.7 million and India US$ 3.5 million). Table 4 below shows FDI stock by geographic origin.

### Table 4: FDI Stock by Geographic Origin: 2000-2001 (Million US Dollars)

<table>
<thead>
<tr>
<th>Region/Economy</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>850.7</td>
<td>1084.8</td>
</tr>
<tr>
<td>Developed Economies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU</td>
<td>527.5</td>
<td>710.1</td>
</tr>
<tr>
<td>Other Developed Europe</td>
<td>664.4</td>
<td>527.5</td>
</tr>
<tr>
<td>North America</td>
<td>31.5</td>
<td>23.4</td>
</tr>
<tr>
<td>Other Developed countries</td>
<td>61.1</td>
<td>79.3</td>
</tr>
<tr>
<td>Developed Economies</td>
<td>28.8</td>
<td>28.8</td>
</tr>
<tr>
<td>Africa</td>
<td>179.5</td>
<td>219.8</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>133.8</td>
<td>143.2</td>
</tr>
<tr>
<td>Asia</td>
<td>6.3</td>
<td>25.4</td>
</tr>
<tr>
<td></td>
<td>39.4</td>
<td>51.2</td>
</tr>
</tbody>
</table>

*Source: UNCTAD WID; Country Profile Zambia*

Chinese FDI has become a major component of Zambia’s FDI equation. From 1993 to 2007, Chinese FDI amounting to US$ 666 million has flowed into Zambia involving 166 projects creating about 11,000 jobs (ZDA, 2007). While FDI from the EU and the USA has traditionally been dominant in Zambia, Chinese FDI is increasingly becoming significant. Within the same context, anecdotal evidence suggests that Asian FDI is increasingly becoming more important in Zambia compared to European and US FDI. Unlike US or EU investments, which adhere to certain rules and codes including corporate social responsibility, Chinese FDI has often no conditions attached to it.

Regarding Chinese investment in Zambia, the Minister of Commerce, Trade and Industry Felix Mutati, contends that China has been good for Zambia because China is bringing in investment, world class technology, jobs and value addition. To the contrary, FDI from US and EU is said to be elusive and targeting Asia, Latin America and the former Eastern Europe. Furthermore, it often brings in obsolete technology, creates few jobs with minimum or no value addition.

### 4.10 Incentives for Attracting FDI

The Zambia Development Agency (ZDA) is the agency responsible for investment promotion and licensing in Zambia. The following incentives are provided for in the appropriate tax codes for investors operating in the priority sectors or the Multi Facility Economic Zone (MFEZ) under the ZDA Act:

- Zero per cent tax rate on dividends for a period of five years from the year of first declaration of dividends;
- Zero per cent tax rate on profits for the first five years for years six to eight, only 50 per cent of profits will be taxed and for year nine to ten, only 75 per cent of profits will be taxed;

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32 New York Times 21 August 2007, Article by Lydia Polgreen and Howard W French
- Zero per cent import duty rate on raw materials, capital goods, machinery including trucks and specialised motor vehicles for five years for enterprises operating in the MFEZ; and
- Deferment of Value Added Tax (VAT) on machinery and equipment including trucks and specialised motor vehicles imported for investment in MFEZ and/or priority sector.

The priority sector under ZDA are floriculture, horticulture, processed foods, beverages and stimulants, textiles and apparels, manufacturing of copper products, iron products, other engineering products, beneficiation of phosphates to related materials and fertilisers, beneficiation of rock materials into cement.

The MFEZ priority areas are:

- Information and Communication Technology (ICT); development, assembly and manufacture of ICT equipment.
- Health; manufacture of pharmaceutical products.

The investment thresholds under the ZDA are as follows:

- US$ 250,000 and 200 jobs for self-employment permit.
- US$ 500,000 special tax incentives in a priority sector or product.
- US$ 10,000,000 special investment incentives in non-priority sector as approved by Ministers of Finance and Commerce, Trade and Industry.

The ZDA also undertakes to assist investors in ICT and health sectors to obtain up to five work permits for expatriate employees. It is argued that to attract FDI Zambia needs an open policy to FDI combined with a right mix of policies and incentives. The fact that FDI has been eluding Zambia notwithstanding the vast potential the country has in terms of natural resources points to lack of right policies important for attracting FDI. The ZDA has been established to address the issue of FDI and development in Zambia.

5. Socio-Economic Impact of Chinese FDI

The possible developmental benefits of FDI include, inter-alia, employment creation, the promotion of forward and backward linkages in the host economy, the development of human capital, the implementation of internationally acceptable codes of employment practice, improving the access of the host economy to world markets, and augmenting corporate tax revenues (Jenkins and Thomas, 2002:17). However, these benefits are not automatic hence the need to evolve national policies that would direct FDI regardless of its source to ensure that the benefits are not only realised but distributed equitably to enhance welfare and reduce poverty. While the Fifth National Development Plan (FNDP) seeks to stimulate investment into the growth sectors of the Zambian economy to create productive employment and eradicate poverty, it would need to evolve clear guidelines for directing FDI towards achieving its goals.

A related strategy under the trade sector is “to simulate investment flow into export oriented production areas in which Zambia has comparative advantages as a strategy for inducing innovation and technology transfer in the national economy” (FNDP 2006). While this is well intended, it can be argued that the FNDP in itself is still not
positioned to gain a lot from FDI beyond inducing strategies, which would attract “innovations and technology transfer”.

5.1 Chinese FDI and National Development Strategy

Chinese FDI into the agriculture, construction, manufacturing, mining, and tourism sectors does appear to be in conformity with the national development strategy, which still regards these sectors as growth sectors and important to national development (FNDP, 2006). The goal of the agriculture sector under the Fifth National Development Plan (FNDP) is to promote a self-sustaining export-led agricultural sector which ensures increased household income and food security. Chinese FDI in the sector has boosted cotton production and some 5,000 local cotton farmers have been contracted. The agriculture sector has continued to grow, recording food surplus in 2006 and 2007 (Budget Speech, 2008).

The construction sector, which has considerable Chinese FDI, has continued to register positive growth mainly driven by investment in mines and road construction. The objective of the manufacturing sector under the FNDP is to transform the sector into a competitive export engine in order to create more jobs and reduce poverty. The sector has continued to record positive growth, growing by 3.4 per cent in 2007 with increased value addition. The study found that the sector received US$ 539,294,587 in Chinese FDI in the period 1993 to 2007 representing 81 per cent of the total Chinese FDI (ZDA 2007) and this could be contributed to the good performance recorded by the sector. This is noteworthy because industrial output had generally been on the downswing since the mid-1980s. The objective of the mining sector under the FNDP is to promote investment in the mining sector in order to increase the sector’s production output, and thus its contribution to the national economy. Indeed, the study finds that with the presence of NFC Africa Mining in the mining industry, there was a noticeable increase in overall national copper output. More recently, however, Zambia has begun to witness some relatively sustained rise in production output. As shown in the Table 5 below, copper production has been increasing since 2000, with 2001 recording the highest increase of about 15.1 percent from 259,573 tonnes in 2000 to 298,822 tonnes in 2001. Copper output increased by 13.0 percent in 2002 and 3.9 percent in 2003. In 2004, 398,274 tonnes of copper were produced, recording an increase of 13.9 percent from the 2003 production of 349,814 tonnes (BOZ, 2006).

The tourism sector, which is another growth sector under the FNDP, has seen injection of some Chinese FDI though not on a large scale like in manufacturing and mining.

Table 5: Trend in Copper Production (in tonnes), 1994-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>308,888</td>
<td>249,030</td>
<td>296,609</td>
<td>259,573</td>
<td>298,822</td>
<td>337,743</td>
<td>349,814</td>
<td>398,274</td>
</tr>
</tbody>
</table>

Source: Ministry of Mines and Minerals Development and Bank of Zambia

In a few chapters of the FNDP are statements, which can be extrapolated and understood as intentions for governing FDI - regardless of their source. For instance, under the Commerce and Trade Chapter 13, a key policy thrust is “to achieve the objective of export promotion by working on the concept of MFEZ, taking into account domestic trade, investments and exports” (FNDP 2006). In this statement, it
can be extrapolated, broadly, that the investment implied is Chinese FDI that has targeted investment in the construction of MFEZ in Chambishi and Lusaka areas. The Chambishi MFEZ is almost complete. The Chinese government has been responsible for putting up the necessary infrastructure and services such as roads, water and sanitation as well as connections to the electricity grid. Currently the Chinese and Zambian governments are negotiating on further incentives to be extended to the MFEZ. The first Chinese company in the Chambishi MFEZ is the Chambishi Copper Smelter (CCS) built at a total cost of US$ 300 million, which will be commissioned in October 2008.

5.2 Transfer of Capital and Technology

Recent Chinese investments into the manufacturing and mining sector are increasingly contributing to capital and technological transfer to Zambia. Evidently, the NFC Africa Mining Plc Chambishi mines has also committed capital investment to achieve production levels of between 5,250 and 6,000 metric tonnes of ore per day within four years with an expenditure estimated at US$ 70 million. The Chambishi Copper Smelter (CCS) is also said to be a world-class smelter with the state-of-the-art technology.

Agriculture and construction stand to benefit from capital and technology transfer arising from Chinese FDI because all investments into these sectors are locally incorporated and not off-shore based.

However, a practice discovered in relation to the newly acquired capital equipment is that most of the new mine owners are increasingly relying on hiring heavy equipment rather than procuring their own. The disadvantage is that it will limit the extent of technology transfer in the sense that since the equipment and plant are not assets of the company, the incentive to develop capacity to harness the associated technology will be minimal.

But, Zambia needs the capital and new and advanced technology at this stage of development and so policies that compel investors to bring in the capital equipment for development must be encouraged, especially through the development agreements with foreign investors. At the same time, and recognising that Zambia has high levels of unemployment, particularly among the youth, it must become imperative to develop technical skills of the youths so that they are absorbed in productive employment to operate and maintain the new technology. In other words, a qualifier to capital and technological acquisition and transfer is that there must be a balance between the quest to acquire new technology and the need to create new jobs.

5.3 Effects on Local Industry and Downstream Operations

The effect of Chinese FDI on local industry and downstream operations is mixed. Investment in manufacturing in particular the textiles sector reveals interesting backward and forward linkages. The ZCMT joint venture which is currently closed demonstrated the ability to produce cotton for its textiles mill by contacting thousands of local farmers, the process of seed cotton in the ginneries and a refinery to produce cotton seed oil. The finished textile products feed into the garment sub-sector and the wholesale and retail sector.
The benefits of such FDI are spread broadly across sub-sectors, from the garment sub-sector expansion to garment manufacturing. The CCS will equally depend on processing copper from the expanding copper mining activities across the country.

Investment in NFC Chambishi mines have rejuvenated production activity and are contributing to capital expansion. However, investments in mining are still characterised by only a few forward and backward linkages. Hence, the direct capacity building effects of Chinese FDI in the mining industry is still limited. In addition, while increased Chinese demand for copper has been driving up prices, and thereby leading to increased copper production, this has also led to a sudden appreciation of the Kwacha. The indirect effect of this phenomenon has been uncompetitive industrial development, especially among industries specialising in Non-Traditional Exports (NTEs). This development has had a negative impact on export-oriented farming e.g. the horticultural industry that has felt the sharp end of a Kwacha squeeze. The effect of Asian FDI on local mine suppliers, however, has been generally positive. Interviews with local suppliers of NFC Chambishi mines indicate that those local suppliers that meet procurement and tender procedures are often given business contracts.

However, in the absence of concrete values generated through the forward and backward linkages in the local value chain, it is difficult to conclude that indeed Chinese FDI has had positive impacts. This is an area where future research is required.

5.4 Subcontracting/outsourcing and use of local companies

Subcontracting and outsourcing is more prevalent in the mining sector. Evidence at NFC Chambishi mines showed this practice. However, this practice was equally evident in the construction sector. This was highly evident during the construction of the Chambishi Copper Smelter. While subcontracting and outsourcing when directed towards local industry or contractors are important for the economy, the study revealed that usually major works and contracts are often awarded to foreign companies and not Zambia companies. Lucky Zambian companies are sometimes given contracts for small jobs. According to one local contractor, Zambians are left to scramble for the scraps left at the master’s table, suggesting that local companies lose business since foreign companies tend to come with their own workforce, depriving locals of much needed jobs.

5.5 Employment of local workforce, Training and Skills Transfer

The objectives of the Zambia Development Agency are to foster economic growth and development which in turn will create job opportunities and contribute towards poverty reduction by promoting trade, investment, education and skills training to increase productivity. Existing research shows that the most important factor in shifting poor people out of poverty is access to employment, especially formal-sector

34 Ibid, p. 25
employment (Jenkins and Thomas, 2002:11). From 1993 to 2007, Chinese FDI totalling about US$ 666 million involving 166 projects is estimated to have created about 11,000 jobs for Zambians (ZDA 2007). This is quite significant for Zambia whose formal economy currently absorbs only 10 per cent of the total labour force. Under the ZDA, investors are allowed to bring in expatriate workers depending on the investment threshold.

The Development Agreement between the government and NFC Chambishi mines provides for development and implementation of a policy on Training and Human Resources Management. The aim of the policy is to secure the maximum training of and benefits to Zambian citizens from the companies’ operations. The policy states clearly that the companies will not discriminate in its recruitment, promotion and assignment of personnel. The policy goes further to state that effort will be made to attract qualified Zambian citizens working overseas. It however, also adds that the companies shall not be restricted in their employment, selection, assignment or discharge of personnel as long as all is carried out in compliance with the laws and regulations of Zambia or any arrangements with the trade unions. Practice at NFC Chambishi mines indicates the contrary. Training and skill transfer is not a priority of the company and there is a tendency towards discrimination in the appointments to management positions. All top management positions are held by Chinese, the most senior Zambian being the head of Human Resource. Currently NFC Chambishi mines employs 169 Chinese nationals and 2,000 Zambians. The Chinese workers are deployed largely in engineering and purchasing departments. Recently in justifying the employment of Chinese the NFC Chambishi mines, Vice General Manager Gao Xiang was quoted by local media saying that there was a shortage of qualified mining engineers and geologists in Zambia, hence the need to bring expatriates from China. However, union officials maintain that the shortage of qualified staff is the company’s own making. The reality is that the low salaries offered cannot attract Zambian engineers, who are paid two or three times more with better conditions of employment in other mining companies compared to their counterparts at NFC Africa Mining Plc Chambishi mines.

In reality training of Zambians is no longer a priority and less and less is being invested in training, the local union contends. The Zambians are expected in most cases to come into employment already equipped with the necessary skills to carry out their duties. Entitlement to training is no longer a worker’s right but is left to the discretion of management. The trend towards employing foreigners in professional, managerial, engineering and scientific occupations at the expense of qualified Zambians is still being experienced both at NFC Chambishi mines. A mechanism to monitor and evaluate training and employment policy is imperative. However, this must be complimented by effective compliance mechanisms to ensure Zambian citizens benefit and are not discriminated.

35 According to the 2007 LFS the CSO estimates the total labour force at 4.9 million. The labour force is understood as the sum of the number of persons above the age of 14 who were employed and the number of unemployed persons who were available for work above the age of 14 years during the reference period (of seven day prior to the Labour Force Survey of 2005)
36 Development Agreement is an agreement of sale mining rights detailing obligations and responsibilities of government on one hand and the buyer/investor on the other it also outlines an abstract of the investor’s business plan/intentions.
37 The Post, July 16, 2008
5.6 **Occupational Health and Safety and Environmental Protection**

It is a requirement under Zambian law that companies adhere to certain regulations and guidelines regarding environmental issues. It is mandatory for companies that are likely to impact on the environment to carry out environmental impact assessments before starting the business project. This is a must for all “greenfield developments”. In the mining sector development agreements compel the companies to go a bit further by requiring the development of company environmental policies. The specific requirement is to develop a Final Environmental Management Plan (FEMP), which NFC Chambishi mines Plc has done and which were approved by the Environmental Council of Zambia (ECZ).

Through the FEMP, the companies undertake to carry out environmental projects to ensure environmental stability and sustainability. In addition, the companies strive to attain international certification or accreditation relating to best practices in environmental standards. In the case of Zambia government has not joined the “race to the bottom” by lowering its environmental and labour standards to attract and prevent loss of investment regardless of its source. While environmental laws appear to be adequate, it is important that capacity in monitoring and enforcement mechanisms is strengthened to take care of lapses that have been experienced in the past. So far there has not been any complaint against any Chinese FDI for environmental breach or violation.

The nature of occupation health and safety in the Chinese companies was recently brought to light following a spate of industrial accidents on the copper belt, including the death of about 52 employees at a Chinese owned explosive manufacturing company (BGRIMM Explosives) in April 2005. While most of Chinese companies could be said to have policy statements on occupational health and safety, the policies are not being implemented. A number of workers in Chinese companies interviewed at NCF Africa Mining and China Geo-Engineering Corporation felt that Chinese companies paid lip service to occupational health and safety issues. The unions at NFC Africa Mining Plc and China Geo-Engineering Corporation admit that joint (worker-management) health and safety committees do not exist and as such there is no coordinated effort towards addressing workers health and safety challenges at the work place. The seriousness with which Chinese companies adhere to health and safety is doubtful, according to a union official who was recently involved in an incident at Sunfeng Minerals and Mining (Z) Limited. When management received news that the Principle Labour Officer was coming to inspect the operations, all their employees were given protective clothing. But as soon as the Labour Officer left, the management asked all employees to return the protective clothing and continue working without protective clothing.

5.7 **Corporate Social Responsibility**

5.7.1 **Social Corporate Responsibility Practices - Macro Aspects**

NFC Africa Mining Plc Chambishi Mines has invested in a 70-bed hospital offering services to staff and the general public. NFC Africa Mining also supports the communities in partnership with local authorities such as road building in Chambishi
and Kitwe town, building public sports facilities in Kitwe, Kalulushi and Chambishi and the HIV/AIDS and malaria prevention and curing programmes.

5.7.2 Involvement in Community or Environmental Programmes
NFCA’s Chambishi Copper mines; however, appear to be performing poorly on the corporate social responsibility front. Firstly, NFCA’s Chambishi mining has no HIV/AIDS policy. According to Fraser and Lungu (2007), the company’s human resources manager claims that there may be such a policy on the way: “The HIV-AIDS pandemic. Now that is the talk of the day but we have had no policy here. Right now we are building up a policy and beginning with some activities towards that because that affects not only the workers but the community from where these guys are coming from. So, we are building up something and really by the end of the year we should have a lot of activities going on as far as HIV/AIDS is concerned. A lot of organisations have come in. The Union and CHEP were involved at some time. Currently there isn’t a specific budget, but what we are doing is looking for activities and looking at what it would cost.” Well, NFCA has owned the mine for over eight years and the same has been true for much of that time: policies are “on the way” on a wide range of issues, including an array of obvious corporate responsibility activities. Of course, some HIV/AIDS peer educators were trained at NFCA’s subsidiary BIGRIMM explosives, but they were all killed in an industrial accident.

Further, while ZCCM had a complex preventative health system, focused on malaria, TB and HIV/AIDS, NFCA has made little effort to reproduce this system. The company did not engage in anti-malaria spraying until 2006, relying on the neighbouring company, Chambishi Metal Plc, to spray many of the relevant areas for NFCA employees, covering the area within 10 km of the Chambishi Mine Township as part of the nationwide “Roll Back Malaria” programme.

Overall, however, a comment made by the General Secretary of the Mine Worker’s Union of Zambia aptly describes the view of the citizens on corporate social responsibility practices of Chinese FDI in the mining sector: “We acknowledge the modest efforts such as roll back malaria programmes but this is not enough…we are looking for something tangible like construction of houses and building of roads.”

5.7.3 Transparency in Financial Management
NFCA Africa Mining Plc complies fully in all other aspects of Zambia’s Companies Act and the Boards are committed to conducting business in a transparent manner. No major breach on corporate governance has been reported against both NFC Africa Mining and KCM Plc. Under the Companies Act, public limited companies are obliged to disclose their financial statements and accounts. The agreements entered into with government also compel the two companies to supply government with records and reports relating to commercial and financial transactions. However, it was difficult to get financial statements and accounts of NFCA from management or other sources.

5.8 Developmental Impact of Chinese FDI in Mining
Overall, it is undeniable that Asian FDI in the extractive industry is of great economic importance to national development. Currently, the mining sector contributes between nine and 10 percent to GDP. The Fifth National Development Plan (2006-2010) has, among other programmes; the development of large-scale mining premised on a
vibrant, well organised private sector led mineral sector development process. A key objective of this goal is to attract responsible investment for development of the mining sector and the integration of the mining sector with the rest of the economy through backward and forward linkages. Admittedly, the privatisation of the mines has rejuvenated an industry that had been on its feet in the 1990s. In this respect, Chinese investments in NFC Chambishi Mine can be said to be positively impacting national development through increased copper production, modest capital and technology transfer as well as absorption of a limited number of the available labour force. These outcomes are consistent with the overall goal of the Fifth National Development Plan to create wealth and job creation (FNDP 2006).

However, FDI in mining is characterised by very few forward and backward linkages. Hence, direct capacity building effects arising from investment in the mining sector are limited. Within this context, therefore, attainment of the goal of the FNDP to foster the integration of the mining sector with the rest of the economy through backward and forward linkage appears remote going by the form and pattern of Chinese FDI in Zambia’s mining sector. It is also argued that the direct benefits arising from the increased copper production and sales are not being translated into improved welfare for the citizenry at large. At least two reasons account for this: (i) the nature of the Development Agreements and (ii) the low tax take from mining investors. As Fraser and Lungu (2007:54) report, “Profits from the mines leave the country without any positive impact on the Zambian economy, rather than being re-invested in building up the national economy, [they are] placed in banks or re-invested in companies outside the country.” In addition, the low tax take from mining investors due to huge tax incentives accorded to them is another factor undermining the positive impact that mining could have had on the national economy. As the World Bank argues, mining contributions to total tax revenues - after privatisation of the mines - are extremely low (World Bank, 2004:38 quoted in Fraser and Lungu, 2007:55). On this account, Fraser and Lungu (2005:55) demonstrate that the contribution of around US$ 75 million made into the national treasury by new mine owners in 2005 was less than one third of the contribution made to the national treasury by ZCCM in 1991.

Overall, therefore, the net impact of Chinese FDI investment on national development has been modest but potentially beneficial, especially if the policy framework is structured in a way that succinctly guides FDI to participate constructively in Zambia’s national development.

Some residents of Chambishi had contrary views to those expressed by Fraser and Lungu and believed Chinese investment was good for Zambia.

<table>
<thead>
<tr>
<th>Chinese Investments: Chambishi Residents’ Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>The coming of Chinese investors to Chambishi is a blessing and good for the Chambishi and surrounding community. They claim that after the closure of the mine in Chambishi prior to privatisation, Chambishi degenerated into a ghost town and the youth engaged in vices such as crime for survival. There were gangs involved in copper thefts. But with the coming in of the Chinese to revive the mines and also open the multi facility economic zone things have changed for the better. Most youths now have jobs created by the Chinese even though not well paying. Business in the local markets is once again booming like in the olden days of ZCCM and most families are now able to put some food on the table. This is a positive development and the future seems bright. (Interview with residents of Chambishi Town)</td>
</tr>
</tbody>
</table>
These sentiments were echoed by the Chambishi Town Municipal Council who whole-heartedly welcomes Chinese investment into their community. Chinese investment will guarantee the council of revenues from property rates and other levies and bring development as well as reduce poverty.

Responding to concerns raised by various stakeholders including trade unions that the country was not benefiting from the boom in mining activities government in the 2008 budget introduced a windfall gain tax on mining companies. Government has project K 1.3 Trillion (US$ 415 million) in additional revenues from the windfall taxes. It is hoped that these gains in tax revenues would be channelled to poverty reducing and pro-poor programmes to the benefit of the citizenry.

6. **Employment, labour relations and working conditions**

Employment, labour relations and working conditions are regulated by the principle labour laws. The following are the principle labour laws administered by the department of labour under the Ministry of Labour and Social Security (MLSS):

- The Employment Act, Cap. 268
- The Industrial and Labour Relations Act, Cap. 269
- The Employment (Special Provisions Act), Cap 270
- The Employment of Young Persons and Children’s Act, Cap 274
- The Minimum Wages and Conditions of Employment Act, Cap. 276

Other important legislation that has a bearing on labour administration includes:

- Workers Compensation Act Cap 271
- National Pension Scheme Authority Act No. 40 of 1996.
- Public Holidays Act.
- Pension Scheme Regulations Act, No. 28 of 1996
- Preferential Claims in Bankruptcy Act of 1995
- Zambia Institute of Human Resources Management Act No. 11 of 1997

The Employment Act and the Industrial and Labour Relations Act (ILRA) regulate the conduct of labour market actors namely, the employers and their organisation and employees and their representative organisations (trade unions). The government is currently reviewing some labour laws including the ILRA.

The Minimum Wages and Conditions of Employment Act set minimum wages for employees not covered by collective bargaining and agreements across all sectors. However, the ILRA does not apply to the Zambia Defence Force; Zambia Police Force; Zambia Prison Services; Zambia Security Intelligence Services; and the judges, registrars of the court, magistrates and local court justices. The study found out that the unions took advantage of the labour laws to gain inroads in organising workers in Chinese companies and fight for their rights. At the same time companies took advantage of ignorance of such laws among the workforce to deny them their rights especially in entities without union representation.
6.1 Profile of the Chinese Companies

The study attempts to look at two Chinese companies in the mining sector NFC Africa Mining Plc Chambishi mines and China Geo-Engineering Corporation in construction in the mining sector. Table 6 below details the profiles of the companies.

Table 6 NFC African Mining Plc Chambishi mines Company Profile

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
<th>Ownership</th>
<th>Sector</th>
<th>Investment US$</th>
<th>Employment</th>
<th>Local Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFC Africa Mining Plc</td>
<td>1998</td>
<td>state</td>
<td>Mining</td>
<td>20,000,000</td>
<td>2,000 Zambians</td>
<td>Chamber of Mines</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>168 Chinese</td>
<td></td>
</tr>
<tr>
<td>China Geo-Engineering</td>
<td>2000</td>
<td>state</td>
<td>Construction</td>
<td>2,669,200</td>
<td>1,000 Zambians</td>
<td>Association of Building and Civil</td>
</tr>
<tr>
<td>Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>120 Chinese</td>
<td>engineering Contractors</td>
</tr>
</tbody>
</table>


NFC Africa Mining Plc is a company incorporated in Zambia in 1998 and majority owned by China Nonferrous Metal Industry’s Foreign Engineering and Construction Corporation, a state owned entity incorporated in the Peoples Republic of China. The Zambian government through the ZCCM Investment Holding has 15% shareholding in NFC Africa Mining Plc. According to the Development Agreement, NFC Africa Mining will commit itself to investing and develop the mine to achieve production levels of between 5,250 and 6,000 metric tonnes of ore per day within four years of acquisition with expenditure estimated at US$ 70 million. NFC Africa Mining Plc Chambishi mines employs 2,000 Zambia and 168 Chinese. On the other hand, China Geo-Engineering Corporation Zambia Limited, another subsidiary of a Chinese-based state enterprise, was incorporated in 2000 and currently employs 1,000 Zambians and 120 Chinese. China Geo-Engineering Corporation Zambia Limited invested US$ 2.7 million and is participating in a number of construction projects locally private, government including donor funded projects. While the Zambian Government has a stake of 15 per cent shareholding in NFC Africa Mining, it has none in China Geo-Engineering Corporation which is wholly Chinese owned.

6.2 Trade Unions in Chinese Companies

In accordance with existing labour laws, trade unions are generally allowed to organise in any establishment with eligible employees. The Industrial and Labour Relations Act (ILRA) makes explicit the rights of workers to freely form and join trade unions of their choice. An employee according to the ILRA means any person who has entered into or works under a contract of employment with an employer whether such contract is explicit or implicit, oral or written, or serving a probationary period of employment, a casual employee, a person engaged on temporal or seasonal basis. The ILRA defines an eligible employee as a unionised employee other than a member of management of an undertaking.

The history of trade unions in Zambia is closely linked to the evolution of the mining industry. As such trade union activity has always been part and parcel of the development of the mining sector in Zambia. Even the Development Agreements entered into during the sales of state-owned mines recognised the existence of the
trade union in the sector. At the time of the acquisition, the recognition of the trade unions was part of the conditions for the take-over. At NFC Africa Mining’s Chambishi mine, employees are represented by two unions: the Mineworkers Union of Zambia (MUZ), which is the oldest union in the mining industry affiliated to Zambia Congress of Trade Unions (ZCTU) and the National Union of Mines and Allied Workers (NUMAW), a splinter union from MUZ. The NUMAW is affiliated to the Federation of Free Trade Unions of Zambia (FFTUZ). MUZ has a membership of about 300 workers while NUMAW has a membership of about 1,700 workers. The two rival unions, however, negotiate jointly during collective bargaining.

Initially employment practices at NFC Africa Mining Plc Chambishi mines encouraged casual employment contracts. Out of a Zambian workforce of 2,000 there were only 52 Zambian unionised employees on permanent contracts, all of them former ZCCM employees. A total of 687 were on fixed contracts, ranging from one to five years. The remaining employees were employed on casual contracts or supplied by Chinese subcontracting firms. This is besides the Chinese workers and management team employed on contract.

The unions continued to pressure management to end casual contracts and allow all workers to join the union. Following a fatal accident that killed 52 employees (mainly casuals) at an explosive manufacturing company BGRIMM Explosives in 2005, a Chinese firm based at Chambishi mines contracted to supply explosives to the mine management had a change of heart and put most of the casual employees on fixed contracts. The unions have since organised and recruited them. The unions claim that they are less than 100 casual workers at the mine now.

At China Geo-Engineering, the National Union of Building, Engineering and General Workers (NUBEGW) organises the workers. The trade union’s response to dealing with Chinese companies is mixed. While there are some unions that have made inroads in engaging Chinese companies and organising workers to form or join the union, there are some that are still trying to find a foothold in the same. The unions in the mining sector have been quite aggressive in their approach in organising and engaging in Chinese companies. Workers interviewed at China Geo-Engineering Corporation felt that the union (NUBEGW) had failed to articulate their issues effectively with the Chinese management. Again the absence of union structures to carry out union representation at the work place at China Geo-Engineering Corporation points to this.

6.2.1 Workplace Forums
The Chinese management at NFC Africa Mining allows workplace forums for the workers organised by the unions. In fact, the Human Resources Manager holds monthly meetings with union officials to discuss workers’ concerns as well as new developments in the company. The Chief Executive Officer has also started an open door policy whereby one day is set aside every month during which ordinary workers are free to meet him in his office to discuss work and personal issues. This is indeed a major shift from the traditional Chinese boss who is often unapproachable.

The unions have set up occupational health and safety committees which closely work with the department of safety and environment. Other committees set up by the unions include some look into workers’ welfare such as mealie-meal distribution.
However, the same is not the case at China Geo-Engineering Corporation Zambia Limited. There are no work place forums for workers and management to engage. Collective Agreement negotiations take place at the Joint Industrial Council (JIC).

6.2.2 Industrial Action
The first work stoppage at NFC Africa Mining Chambishi mines took place in 1999 when workers staged a sit in to protest the low salaries/wages as well as a new salary/wage structure that was introduced by the management. Management introduced what it termed a scientific salary/wage structure, which split the salary/wage into two halves. In this system only one half could accrue overtime and only to a certain limit. The management scrapped the system following these protests.

Again in 2000, workers went on strike protesting management decision to reduce severance pay. Management reduced the severance pay from 28 months basic pay plus one month basic pay per each completed year of service to only one and half months basic pay per each completed year of services. The protest by workers forced management to arrive at a compromise, which is 20 months basic pay plus one and half months basic pay per each completed year of service. In 2001 workers again went on strike to protest low wages and the company was said to be one of the lowest paying in the mining industry.

No industrial action has been recorded at China Geo-Engineering Corporation.

6.2.3 Child labour, Forced Labour and Discrimination
The study found no evidence of child labour and forced labour at NFC Africa Mining Plc Chambishi mines and China Geo-Engineering Corporation. While company policy or indeed the Development Agreement does not allow any practice that promotes or encourages child labour, forced labour and discrimination, it was difficult to explain why no Zambian held any management position in the company. In the absence of any explanation, the study concluded that evidence of discrimination did exist in the company. At the time of the study, all management positions were held by Chinese nationals. Above this, the 168 Chinese employees in the company, mainly foremen and ordinary workers, stayed in boarding-like facilities and did not mix with Zambian workers in mine residences. While it was not possible to get access to any of the Chinese workers or management to explain the condition surrounding their employment, it was established that they were not allowed to come with their families and were entitled to an allowance only and the rest of their salaries/wages were paid in China.

6.2.4 Trade Union Structures and Rate of Unionisation
MUZ and NUMAW maintain branches at NFC Africa Mining Plc Chambishi mines. Branch officials who are periodically elected by workers run the union at branch level. Shop stewards, who represent workers at the shop floor in the various sections of each operation, handle worker grievances and disputes, assisted by the branch officials. Before the privatisation of the state owned Zambia Consolidated Copper Mines (ZCCM), the rate of unionisation in the mining industry was almost 100 per cent, because all eligible employees were obliged to join the union. However, recent
trends suggest a decline and there are now a growing number of non-unionised employees engaged as casuals and those sub-contracted by third party agencies.

The rate of unionisation at NFC Africa Mining Plc is around 70 per cent. However the rate of unionisation in the mining industry is high compared to levels existing in other sectors where Chinese companies operate. In sectors such as construction, services and manufacturing, unionisation can be as low as 40 per cent and in a number of Chinese-owned small enterprises (retail, fast foods, restaurants, medical clinics etc.) workers are largely not unionised.

The trade union structure at China Geo-Engineering Corporation is not well-defined and sometimes the union members wonder what the union does. For instance, shop stewards could not be identified. The organising is done by regional structures of NUBEGW with no supporting structures at the enterprise level.

6.2.5 Collective Bargaining
At NFC Africa Mining Plc, the union and management engage in collective bargaining at enterprise level. The collective agreement covers wages, salaries and conditions of employment and service. The two unions, MUZ and NUMAW, negotiate jointly with management and conclude one collective agreement that applies to all unionised workers. The collective agreement on wages and salaries is reviewed every year while that of conditions of employment and service is reviewed every two years. Table 7 summaries cross company wages and conditions of services at Chinese-owned NFC Africa Mining Plc Chambishi mines and two other mines: Konkola Copper Mines (KCM) Plc (Indian-owned by UK listed Vedanta Resources) and China Geo-Engineering Corporation, a construction company.
<table>
<thead>
<tr>
<th>Benefits</th>
<th>*KCM Plc</th>
<th>NFC Africa Mining Plc</th>
<th>China Geo-Engineering Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wages/salaries</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lowest K 1,885,249 (US$ 539)/per month</td>
<td>Lowest K 1,216,575 (US$ 348)/per month</td>
<td>Lowest wage K650,000 (US$ 186)/per month</td>
<td></td>
</tr>
<tr>
<td>Highest K 3,265,352 (US$ 932)/per month</td>
<td>Highest K 2,330,892 (US$ 666)/per month</td>
<td>Maximum wage K 1,139,450 (US$ 325)/per month</td>
<td></td>
</tr>
<tr>
<td><strong>Working Hours</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 hours daily shift divided in 3 shifts 8 hours per shift Beyond 8 hour shift overtime applies</td>
<td>24 hours daily shift divided in 3 shifts 8 hours per shift Beyond 8 hour shift overtime applies</td>
<td>8 hours per day Week days and 5 hours on Saturday. Beyond overtime applies</td>
<td></td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td>Yes at management discretion Scholarship and Sponsorship Scheme</td>
<td>Yes at management discretion Scholarship and Sponsorship Scheme</td>
<td>Training only given for Occupational, Health and Safety Issues</td>
</tr>
<tr>
<td><strong>Occupational Health and Safety</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Social Security/ Pensions/ Severance Pay</strong></td>
<td>Yes In house Saturnia Regna Pension Scheme. National Authority Pension Scheme (compulsory)</td>
<td>Yes Life Assurance benefits paid at 20 of basic pay plus 1.5 months pay for each completed year of service. National Authority Pension Scheme (compulsory)</td>
<td>Yes National Authority Pension Scheme (compulsory)</td>
</tr>
<tr>
<td><strong>Annual Leave</strong></td>
<td>Ranges from 2.5 – 3.5 days per month K 4,000 (US$ 1.14) per day as leave allowance</td>
<td>33 day per annum on average K 3,000 (US$ 0.86) per day as leave allowance</td>
<td>2 days per month paid leave calculated on basic pay</td>
</tr>
<tr>
<td><strong>Sick leave</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Maternity Leave</strong></td>
<td>Yes 90 days paid maternity after completion of two year of continuous service or since the last pregnancy</td>
<td>Yes 90 days paid maternity after completion of two year of continuous service or since the last pregnancy</td>
<td>Yes 90 days paid maternity after completion of two year of continuous service or since the last pregnancy</td>
</tr>
<tr>
<td><strong>Medical</strong></td>
<td>Yes employee and registered dependants</td>
<td>Yes employee and registered dependants</td>
<td>No</td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>Yes Transport allowance K 150,000 per Month</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Bonuses</strong></td>
<td>Yes Christmas one month basic salary</td>
<td>Yes Christmas 8% of annual basic salary and company take up the tax on same</td>
<td>No</td>
</tr>
<tr>
<td><strong>Profit Sharing or ESOP</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Funeral Benefits</strong></td>
<td>Yes K 1,000,000 (US$ 286) grant</td>
<td>Yes K 1,000,000 (US$ 286) grant</td>
<td>Funeral Grant K 380,000 (US$ 108) Employee K 200,000 (US$ 57) Spouse and K 150,000 (US$ 43) Dependents plus transport to and from cemetery</td>
</tr>
<tr>
<td><strong>Other Benefits</strong></td>
<td>Subsistence Allowance max. K 425,000 (US$ 121) Lunch allowance K 25,000 (US$ 7.14) Underground Allowance 14.5% basic monthly salary Long Service Award 10 years K 500,000 (US$ 143) 15 years K 750,000 (US$ 214) 20 years K 1,000,000 (US$ 286)</td>
<td>Vocational Allowance K 237,500 per month (consolidation of mealie-meal and educational allowance. Repatriation allowance K 1,300,000 Away from Home Allowance K 60,000 per day Long Service 5 Years K 300,000 10 Years K 500,000 (US$ 143) 20 years K 1,500,000 (US$ 429)</td>
<td>None</td>
</tr>
<tr>
<td>Watch</td>
<td>25 years  k  1,250,000 (US$  357)+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>---------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 years  K  2,000,000 (US$  571)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


*non-Chinese Company

From the table above it is evident that NFC Africa Mining Plc Chambishi mine remains the lowest payer in terms of salaries/wages in the mining sector. While the lowest paid employees in the non-Chinese owned copper mines earn on average about US$ 539, NFC Africa Mining Plc pays about US$ 348. Their counterparts in non-Chinese mining companies get much higher salaries/wages, with the lowest earning US$ 539 and the highest US$ 932. The two mine unions, which represent workers in both Chinese and non-Chinese copper mines point to the salary/wage differential as a challenge. The unions are under constant pressure from members in the Chinese-owned mines to narrow this gap. However, the unions have gained considerable inroads in negotiations with the Chinese management and the result is visible. It is evident in the table above that the gap in the general conditions for unionised workers in Chinese and non-Chinese companies is narrowing and in some cases getting even. In the 2008 collective agreement, NFC Africa Mining Plc Chambishi mines adjusted the other conditions of service such as severance, sponsorship of employees for training, tax relief on Christmas bonus, repatriation, vocational allowance and long service award which now compare well with those offered in the non-Chinese copper mines.

However, casual employees who presently are not covered by the collective agreement continue to complain of poor working conditions. The casual employees have no social security payments and get very low wages compared to the unionised employees. The unions say they are trying to find ways to ensure that some of the conditions enjoyed by unionised employees are extended to casual workers as well.

**The Chinese Boss**

In the beginning it was very difficult to organise and recruit workers into the union. The few unionised workers were those that had remained in the company after privatisation. The new Chinese management made it difficult for the union to recruit the workers engaged after privatisation, the majority of who were on fixed term contracts or casual contracts. Some of these workers were sometimes intimidated by management with threats of dismissal if they associated with unions. Relations between the union and management were equally terrible. The Chinese looked down on Zambians as inferior. Even when using the same cage going underground, the Chinese would always keep to themselves in one corner. Chinese were generally rough in handling Zambian workers. Some incidents of Chinese beating up Zambian workers were witnessed and when Zambians hit back they were immediately dismissed.

However, the management’s anti-union stance did not discourage the unions to continue pressuring for unionisation of eligible employees and recognition of workers’ rights. The persistent struggle by the unions for workers rights have now paid off. About 2,300 workers are now union members including those on casual contracts whose contracts have now been changed to fixed term contracts.

Relations are now sound with scheduled monthly meetings to discuss workers’ welfare and new developments in the company. Union officials are given time to conduct union duties and are free to distribute information to members within company premises. But despite constant union requests, management is refusing to give the union information on company performance such as company accounts and sales information to assist them in preparing for negotiations on collective bargaining.
The typical Chinese boss is a bad boss according to workers and union officials interviewed. They often disregard rules, regulations or procedures in their approach to industrial relations. To the Chinese boss, firing or dismissing an employee is the only remedy for any workplace grievance. The Chinese bosses are difficult to communicate with as they put no effort in learning the official language English. The Chinese boss rarely mixes with Zambian workers even during social events and often discriminates against Zambians. For example, in all management positions there is no single Zambian.

But the union says relations are slowly becoming better in particular with the top senior managers, the CEO and his deputy (Interview with workers and union officials - NFC Africa Mining Plc).

However, the salaries/wages in Chinese companies in the construction sector are even lower compared to the mining sector. At China Geo-Engineering Corporation the lowest paid Zambian worker receives K 650,000 (US$ 186) and the highest paid K1, 139,450 (US$ 325). At the China Geo-Engineering Corporation the situation is different. Negotiations are done at the industry level within the context of Joint Industrial Council (JIC). The NUBEGW negotiates industrial minimum wages and conditions with the employers association, the Association of Building and Civil Engineering Contractors (ABCEC). Wage negotiations take place yearly while negotiations for conditions of service take place every two years. Apart from wages the JIC agreement provides classification of workers; conditions for shift work; annual leave (two days per month paid); sick leave (maximum 90 days paid, thereafter on half pay for period not exceeding 90 days and beyond 90 days notice of termination on medical grounds); maternity leave (90 days paid maternity leave on completion of 2 years of continuous service); funeral benefits (standard coffin and a cash grant ranging from K 150,000 (US$ 43) – K 370,000 (US$ 105)); redundancy; protective clothing; occupational health and safety (provides for OHS policy and establishment of OHS committees at work place. But the experiences of workers at China Geo-Engineering Corporation point to not so favourable experiences with management. Some permanent workers stated that they do not have a salary/wage structure and are paid per hour using job cards. Workers avoid going on leave because often it translates into less pay. They gave an example of a colleague who was granted leave for a few days to enable her write exams, but her salary was deducted for the number of days she was out. Table 8 show benefits accruing to workers at China Geo-Engineering Corporation.
Table 8: Benefits provided by the China Geo-Engineering Corporation

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Local Workers Temporal/Casual</th>
<th>Local Workers Permanent</th>
<th>Expatriate Chinese</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Social security</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Medical care</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Paid sick leave</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Subsidised housing/housing</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>allowance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child care services</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Severance pay</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Employee Share Ownership Plan</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Company-level or in-house</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>pension schemes/provident fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for example</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

Source: Interview with workers and NUBEGW and ABCEC Joint Industrial Council Collective Agreement 2008-2009

The above table indicates that benefits to workers in Chinese companies in construction are less than those received by their counterparts in Chinese mining companies. Further there is little difference in benefits accruing to casual and permanent Zambian workers while there Chinese counterparts have more benefits on the whole.

Another finding by the study was that there was none or little networking or solidarity among the unions organising in the various sectors where Chinese investment was present. Instead some unions have been involved in disputes over which union should organise the workers in the company. The lack of exchange of experiences and information and as such the absence of a cross sector collective approach to engaging Chinese companies has worked more against the unions and more to the advantage of Chinese companies who the study suggests are constantly engaging one another regardless of sector of operation.

6.3 Compliance with National Labour Laws and ILO Conventions

Currently no investments, either local or foreign, are exempted from labour laws. Even though the ILRA gives the Minister of Labour powers to exempt persons of entities from the provisions of the Act, this has never been exercised. On the surface, Zambian labour laws are fairly good and protective of workers. However, the biggest challenge has been compliance and enforcement. Labour inspection which is

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38 Subsection 2 (2) of the ILRA states, “The minister may, after consultation with the Tripartite Consultative Labour Council (TCLC) by statutory instrument, and subject to such conditions as he may prescribe, exempt any person or class of persons or any trade, industry of undertaking from all or any of the provisions this Act, or any regulation or order made, or any direction given, in pursuance of this Act.”
mandated to promote compliance with labour laws remains limited due to financial and human capacity. Many companies - Chinese and non-Chinese - have usually taken advantage of this lapse to exploit workers. Some of the practices by companies undermining national labour laws include paying wages below statutory minimum wage, no written contracts or conditions of employment, non-payment of statutory entitlements such as overtime, housing allowance, workers operating in deplorable work environments, physical and verbal abuse of workers and arbitrary dismissals. Workers and union officials in some of the Chinese companies confirmed occurrence of such practices.

Recently a Chinese supervisor assaulted a Zambian worker at the NFC Africa Mining Plc Chambishi mines and management tried to cover up the incidence. But since assault is a criminal case and management was not taking any action against the Chinese supervisor, the victim was advised by the union to report the matter to police and the case is now in court awaiting judgement.

The ILO labour standards conveyed in Conventions and national labour laws do complement one another. It is for this reason that unions insist on domestication of ILO Conventions into national laws. Zambia has ratified the eight core conventions which are considered as fundamental to the principles and rights at work: freedom of association and protection of the right to organise; right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of worst forms of child labour; equal remuneration and the elimination of discrimination in respect of employment and occupation. These principles are also covered in the ILO’s Declaration or Fundamental Principles and Rights at work (1998). Interviews with the workers and union officials in most Chinese companies points to the following:

- Freedom of association is often violated (Chinese managers usually intimidate workers with threats of instant dismissal if they associate with unions, for example at NFC Africa Mining Plc, Collum Coal Mining Industries Limited, Sunfeng Minerals and Mining (Z) Limited, Chambishi Copper Smelters, China Zambia Friendship Farm as well as a number of fast food outlets, restaurants, and retail stores);
- The right to collective bargaining is often undermined (often casual employees are denied this right);
- Disguised forms of forced or compulsory labour exist;
- Unequal remuneration and discrimination is evident (management positions are reserved for Chinese even when qualified Zambians exist like in the case at NFC African Mining Plc Chambishi mines)

Surprisingly, at the official company level, there is no report of violation of international labour standards or the core labour standards. However, reports from the department of labour in the Ministry of Labour and Social Security indicate some violations and non-compliance with national labour laws in a number of companies in general without segregating Chinese and non-Chinese companies.

According to company policy at NFC African Mining, for example, workers are free to organise and join trade unions of their choice. Besides, there was no reported case of forced labour or child labour. Despite the glaring discrimination practices at NFC
Africa Mining Plc Chambishi mines, no official case of discrimination or racism has been put on record. Admittedly, it might be the case that while on paper, Chinese and Indian investors commit to respecting core labour standards; such intent is often not matched by actual practice. The role of the department of labour inspectorate would therefore seem critical in ensuring that foreign investors wherever they operate in the country always respect fundamental rights and principles at work as enshrined in international core labour standards.

7. Conclusions and Recommendations

Chinese FDI is often presented as Zambia’s only hope for driving the country’s development agenda forward and providing the basis for a new “win-win” relationship. It is argued that Chinese FDI offers the prospect of augmenting domestic resources for development and improving job opportunities and standards of living for the citizenry. The results obtained in this study suggest that while Chinese FDI is increasingly becoming significant in terms of overall FDI flows in comparison to FDI from the USA, EU and South Africa, its socio-economic impact is mixed. On the one hand, Chinese FDI has had positive effects on national development, for instance, in terms of increased production, limited levels of employment creation and modest transfer of capital and technology. On the other hand, the labour market has had to endure, on balance, more negative effects, for instance, in terms of lower wages and poor terms and conditions of employment; industrial accidents and hazardous work environments and casualisation. Besides, the impact on the standard of living of the citizenry has, hitherto, been limited. Against this background, the conclusion the study reached is that Chinese FDI in Zambia has had modest impacts on national development but with overall negative impacts on the labour market. Thus, Chinese FDI in Zambia has not yet provided a basis for a “win-win” situation. As such, the government of the republic of Zambia could consider finding an appropriate balance to ensure that Chinese FDI can participate more constructively in Zambia’s development.

7.1 Recommendations

The foregoing discussion, therefore, bears implications for policies and intervention programmes directed towards Chinese investors, government and trade unions. The following are therefore recommendations on policy issues that arise from the study.

7.1.1 Government of the Republic of Zambia

Revisiting Development and Investment Agreements

On the basis of the finding of this study, significant Chinese FDI in Zambia is going to the growth sectors, in particular agriculture, construction, manufacturing, mining services and tourism as prioritised in the FNDP. The policy implication of this finding is obvious. Government through the ZDA must direct and coordinate Chinese investment in a manner that it impacts positively on local industry and “downstream operations”. Incentives currently being given under ZDA can be conditional upon fulfilment of this objective by prospective foreign investors. In a nutshell, incentives must be awarded to investment that stimulates local industries, with increased backward and forward linkages, value addition and increased opportunities for
creation of durable and quality jobs aimed at improved welfare among the citizenry and eradicating poverty.

Government must seek to utilise increased tax revenue from copper exports to fund pro-poor development initiatives.

The argument for revisiting the development and investment agreements between Government and investors in the mining sector and other sectors is therefore of utmost importance. For instance, with the enacting of the Citizens Empowerment Act which favours and promotes the concept of joint ventures between Zambians and foreigners as an investment strategy, it is imperative that the agreements are reviewed to encourage Zambian participation in economic activities. Currently, the nature of development and investment agreements between Government and the Chinese investors while restricting the amount of tax returns that can accrue to government treasury either in form of direct or indirect taxes, including royalties and incentives are void of monitoring and follow-up mechanisms to ensure that investors adhere to the other conditions of the agreement (such as training, skills transfer, technology transfer, employment of qualified Zambians into management positions). Profit externalisation is also unlimited and this often undermines re-investment of profits locally. Government must therefore revisit the development agreements to harness the full revenue potential that it can receive from increased Asian FDI in mining in the interest of Zambia and its citizens.

**Developing a Comprehensive Industrial Development Policy**

The study revealed that one important and significant aspect of the Asian presence in Zambia is the growing number of cheap Chinese goods flooding the Zambian markets. This has affected Zambia on two related and threatening fronts – competition in internal markets for domestically oriented manufactured products, and competition in the external market from export-oriented industry. With regard to the domestic market, imports from Asia, generally, and China in particular are making life very hard for domestic manufactures and retailers. A related challenge beyond existing industry is potential industry from Zambia’s own small-scale entrepreneurs. There is therefore urgent need for a comprehensive industrial policy framework that should address among other concerns, the protection of local industry and business, small-scale producers and traders in a way that ensures that citizen economic empowerment becomes a reality. From the study it is evident that the bulk of Chinese FDI is going towards the manufacturing sector, which is encouraging. The government however, must strive to ensure joint ventures between Chinese and Zambian entrepreneurs. Chinese FDI must be directed towards producing products that Zambia is now importing from China and choking the local industry. Chinese investment should be directed towards enhancing local industry capacity to meet domestic and as well as export demand. The ZDA must develop follow-up and monitoring mechanisms to ensure that investments stick to areas of business for which they have been licensed.

**Training and Employment of Local Workforce**

This study acknowledges the potential benefit that Chinese FDI would render in terms of skills development for the local human resource. However, the study reveals that less priority is being placed on harnessing the potential benefit in this area. In part, this is because of failure on relevant government departments to monitor compliance of new mining investors to the pledge for skills development. On the other hand, it is
because of the weakness (or sheer absence of a labour market law) in the existing labour legislation framework that investors bring in expatriate staff, especially in management and technical positions. A strengthening of the labour legislation to ensure that foreign investors are compelled to train and engage locally trained human resources appears essential. Alongside this, foreign investors must be restricted by law in terms of the number of managers as well as expatriate workers they can bring into the country.

**Enhancing the Capacity of Occupation Health and Safety Institutions**
The study revealed a worrying trend in industrial accidents and broad occupational health and safety deficits in Chinese FDI in mining and construction sectors, which highlights the need for increased capacity of the mining sector, as well as the ministry of labour’s factory inspection unit. The government must put in regulations that require companies to establish joint health and safety committees at the work places. Functioning health and safety committees at work places must be one of the monitoring indicators of company compliance towards sound occupational health and safety practice. The study also notes that the issue of HIV and AIDS was not prioritised and workplace HIV-AIDS policies were lacking. Government must create awareness among companies to develop work place HIV-AIDS policies in line with the national HIV-AIDS policy. On the Mines Safety Department it is suggested that it be restructured into a commercial entity that can operate on a cost recovery basis with mining companies and also be mandated to operate a regime of unannounced mine inspections.

**Strengthening the Employment and Industrial Relations Law**
The growing tendency for poor wages and atypical forms of work in Chinese FDI projects is quiet revealing. This points to the need to amend the Employment Act and the Industrial and Labour Relations Act to end the scourge of casualisation, subcontracting and labour hire to secure quality jobs and equal treatment of local workers with expatriates. This reform should secure the right to freedom of association of all workers and the requirement for employers to recognise collective bargaining rights of unions. But an amendment of the legislative framework alone, while being a necessary precondition, will not in itself suffice. As the study notes, while the laws are relatively fair, the enforcement mechanism remains largely very weak. It is therefore imperative that the institutional mechanism for the enforcement of the labour laws is strengthened and capacitated to ensure that foreign investors at all times adhere to national labour legislation.

**Protection of the Environment**
The evidence of environmental degradation arising form Asian FDI activities in the extractive industry sector highlights the need for the Government to consider adopting the policy of “the polluter pays” whereby Asian FDI involved in polluting the environment must be made to clean up and compensate the victims.

7.1.2 **Chinese Companies/Chinese Investment Promotion Agencies**

**Developing Social Development Management Plans**
The study underscored the generally accepted notion of corporate social responsibility that points to the obligation that corporations have to constituent groups in societies in which they operate. On this basis, Chinese companies in Zambia must consider
developing comprehensive social development management plans that reflect a realistic assessment of the needs and capacities of local communities in which they operate, and ensure they can contribute to the socio-economic provisioning, particularly in areas of health service delivery, education, sanitation, hygiene, housing and recreation programmes.

**Adaptation to Zambian Culture and Society Norms**

The study highlighted the nature of the typical Chinese boss, one that is reserved and is not embracing and interactive with the workforce and is content with doing business the Chinese way. The failure in communication as a result of language barrier was equally a common issue on both divides. Chinese investors, in particular the management, must put in more effort towards learning English as Zambia’s official language and must also take interest in other local languages. This is possible because if the Chinese traders in the Zambian markets are able interact with their largely Zambian customers there is no reason this cannot happen in the Chinese companies.

**Respect of National Legislation**

The study revealed cases of disregard of existing national legislation by some Chinese FDI in Zambia. It is clear in the current legislation that no investor is exempt from the provisions of labour laws. As such, it becomes imperative that foreign investors should make public commitments to respect the labour, environment, employment, immigration and health and safety laws of the land, and co-operate with regulatory bodies, including committing to transparent processes for rewarding workers. Chinese companies must be encouraged to join local associations such as sector specific employers’ association and at the national level the chambers of commerce and employers’ federations. This will enable them understand and adapt to Zambian labour laws easily.

7.1.3 **Trade Unions**

**Organising the Unorganised Workers**

The study revealed that terms and conditions of unionised workers were generally better than those not unionised, especially casual workers. Trade unions must therefore act on existing possibilities to broaden their coverage and begin to organise casual workers. The ethic of worker solidarity must invoke within the trade union a collective the spirit of “an injury to one is an injury to all” and this must propel them evolve mechanisms of representing casual workers. The current labour laws do not restrict unions from organising workers including casual workers except in the case of those exempted such as army, police and security services.

**Strengthening Trade Union Structures**

The study revealed some weaknesses in trade unions’ approach to engage foreign investors in general in the quest to organise and represent workers. The unions have often not taken the advantage the labour laws such as lack of restrictions to engage and organise workers. The study also noted weaknesses in trade union structures for effective representation and delivery of services to members. The inability by some unions to organise and secure better wages/salaries and working conditions for their members points to a lack of organising strategy. The success behind the unions in the mining sector in gaining inroads in Chinese companies and improving wages/salaries
and working conditions is more attributed to their strategic approach. They have taken advantage of the labour laws to organise workers persistently and consistently despite meeting resistance from management, and once they have organised the workers, they have put in place structures to support representation including strong cadres of shop stewards. It is important to strengthen trade union structures and develop organising strategies to engage and organise foreign investors and multinational corporations. The unions must invest resources and time in building capacity of organisers and shop stewards as a priority.

**Networking and Solidarity**

The study revealed that while the Chinese investment was spread across a number of sectors and that Chinese companies where definitely engaging one another across sectors, this was not the case with the unions in these sectors. The unions in the agriculture, construction, manufacturing mining sectors were not engaging one another, networking or working in solidarity to address and deal with the challenges that they were facing with Chinese companies. It is important that unions start networking and exchanging experiences in organising in Chinese companies. In the case of Zambia, the unions in agriculture, construction and manufacturing have a lot to learn from the union unions in the mining sector who appear to have found a formula to engage Chinese bosses. For trade unions working in solidarity in any organising effort is essential. At regional and international levels, the national unions and Global Union Federations (GUF’s) must have a more coordinated effort in building organising capacity and developing collective responses to investment and multinational corporations. Building alliances aimed at promoting global framework agreements is important in this regard.

**8. References**

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3.4 Chinese investments in Namibia

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1. Introduction and Background

China and Namibia share a long-standing tradition of political friendship dating back to the 1960s. The Chinese government has given firm support to the Namibian liberation struggle and to Namibia’s government after independence. “We will always be grateful to China for the support extended to our struggle and for standing firmly with us in our current efforts towards economic and social development,” said Namibian President Hifikepunye Pohamba (New Era, 6 February 2007). Diplomatic relations between the two countries were established the day after Namibia gained independence and friendly cooperation between them has ever since been developing. “In recent years, there have been frequent exchanges of high level visits, which greatly helped deepen mutual political trust and promotes cooperation in all fields with marked results,” said the former Ambassador to Namibia, Liang Yinzhu (New Era, 5 October 2007).

The former Secretary General of Namibia’s governing party, the South West Africa People’s Organisation (SWAPO), Dr. Ngairikutke Tjiirange, pointed out that while Britain and the United States had refused to give any assistance to SWAPO as a liberation movement, China had been a trustworthy ally. Dr. Tjiirange made the statement after China donated US$ 30 000 to the SWAPO Party. Dr. Tjiirange commended China’s Communist Party for its continued support to SWAPO and said that China had been instrumental in giving military support to SWAPO, even sending instructors to train former combatants in Tanzania to fight the South African Apartheid regime. “The donation of this magnitude is a vivid pointer to the usual excellent relations between the SWAPO Party of Namibia and the Chinese
Communist Party,” Dr. Tjiriange said. He added that when Founding Namibian President Sam Nujoma solicited support in the form of weapons, he was shunned by Britain and the US, but the Chinese received him well and trained the fighters of the People’s Liberation Army of Namibia (PLAN) in warfare (New Era, 16 June 2003).

According to the former Chinese Ambassador to Namibia, Liang Yinzhu, China and Namibia have had very close cooperation in international affairs by making joint efforts to safeguard the interests of developing countries. “I feel that our bilateral relations are showing signs of gaining momentum in recent years. During my term of office, I attached great importance to making the Chinese in Namibians abide by local laws, behave in a civilized manner to get on well with the locals as well as assist the vulnerable” (New Era, 5 October 2007). As a result, Chinese businessmen made repeated donations to victims of floods in the Caprivi Region and San students. Chinese Charge d’Affairs and member of the Communist Party, He Shijing remarked: “We both face a common task and struggle against imperialism, but now have a similar one which is for the economic development of our countries” (New Era, 16 June 2003).

In recent years, there were frequent visits between the political leadership of China and Namibia. In 2005, Li Changchun, standing member of the Political Bureau of Communist Party of China (CPC) and Central Committee member visited Namibia. In 2006, Namibia’s first president, Sam Nujoma, visited China for the 13th time while President Pohamba went to China to attend the Forum for China–Africa Cooperation, known as the “Beijing Summit” (New Era, 5 October 2007). Also, exchanges between parliamentarians, political parties and local governments of the two countries are increasing. Namibia supports the “One–China” policy, which recognises Taiwan as part of mainland China and advocates China’s national reunification. Namibia has helped China thwart Taiwan’s attempt to join such international organisations as the United Nations (UN) and World Health Organisation (WHO) (New Era, 5 October 2007).

China’s President Hu Jintao visited Namibia for the first time in February 2007 with a delegation of 130 people. “It has been my long – cherished dream to come and visit Namibia,” he said upon arrival. “I hope that my visit will enhance mutual understanding and trust, strengthen the bond of traditional friendship and advance the friendly relations and cooperation between China and Namibia” (New Era, 6 February 2007; Xinhua, 6 February 2007). The Chinese President met his Namibian counterpart as well as the former President Sam Nujoma during his visit to strengthen relations between the two governments as well as the governing parties (Government Information Bulletin, February 2007).

Namibia’s Minister of Trade and Industry at the time, Immanuel Ngatjizeko, came out in full support of Namibia’s relations with China, denouncing criticism. He said that the negative reports in the local and international media were only aimed at causing suspicions and distrust among Africans about China’s interest on the continent. “I would like to emphasise unambiguously that the Namibian Government has no doubt that China means well and is entitled to trade and investment in or with any country of its choice, just like all other countries are free to do. The historical records are there for all to inspect and judge objectively,” he said. He added: “Strangely, those who consistently, and at all costs, rejected our pleas for independence have now appointed
themselves as champions of Africa’s economic interests… Unproductive sentiments bordering on xenophobia and outright narrow-mindedness not supported by historical and empirical evidence should not be entertained by Africans as regards our Chinese brothers, who supported us all these years without any counter-demands” (The Namibian, 3 April 2007). Such sentiments are clear proof that Namibia’s government as well as the governing SWAPO Party regard China as a natural ally and as a partner in the struggle for economic independence from neo-colonialism (Dobler 2007).

1.1 Economic relations

A Joint Commission on Economic Cooperation and Trade was established between the two countries and two sessions were convened. This resulted in an increasing number of Chinese enterprises investing in Namibia in recent years. According to former Ambassador Liang Yinzhu, China has significantly increased its assistance to Namibia and a number of projects were completed. Trade volumes between the two countries increased rapidly and bilateral cooperation in such areas as the economy, trade, jurisdiction, education and health, amongst others, have been on the rise. “In recent years, our bilateral trade has been growing rapidly. When I just took up my post in 2003, China – Namibia trade volume of that whole year was US$ 74.57 million, which jumped to US$ 255.5 million in 2006. In the first seven months of this year (2007), our bilateral trade volume has already reached nearly US$ 200 million. It is expected that the annual trade figure this year would be re-doubled compared to 2003” (New Era, 5 October 2007). By the end of 2007, the value of trade between Namibia and China had reached US$ 400 million. While this is a significant amount for Namibia, the Chinese Embassy pointed out that this is equivalent to only about 5% of China’s global trade which had reached US$ 2 000 billion in 2007. China’s economic counsellor predicts an increase in mineral exports, including copper and uranium, from Namibia directly to China in the years to come (Interview with Liu Kaungyuan, 3 April 2008).

China’s President Hu Jintao said the two countries should further expand the scale and scope of bilateral cooperation and lift trade and economic cooperation to a new level. He further said that China was ready to step up cooperation with Namibia in such areas as mineral resources, agriculture, fishing, infrastructure and telecommunications. China will thus encourage well-established Chinese companies to participate in the construction and development of Namibia (Xinhua, 20 December 2005).

In April 2007, the Chinese Deputy Minister of Commerce, Goa Hucheng, visited Namibia with a 25-member delegation which held a business seminar with the Ministry of Trade and Industry and various businesses. The seminar culminated in the signing of 13 business memoranda of understanding between Namibian and Chinese businesses. The two countries signed business agreements on marble blocks, seal oil, wet-blue cattle hides, manganese ore, marble slabs, fishmeal, tuna as well as blister copper (New Era, 4 April 2007).
A N$ 27.8 million (US$ 2.78 million) interest free economic and technical cooperation agreement and a grant agreement of the same value are two of the five agreements that were signed between Namibia and the Chinese delegation during the state visit of Chinese President Hu Jintao to Namibia in February 2007 (Government Information Bulletin, February 2007). The three other agreements that were signed provide for the building of two rural schools, a feasibility study on a youth training centre at Berg Aukhas and a plan to facilitate the visits of organised Chinese tour groups to Namibia (Government Information Bulletin, February 2007). Since then, the Chinese Embassy in Windhoek announced that a third school would be built as a gift to Namibia. China also offered the Namibian Government one billion Namibian Dollars (US$ 100 million) as a concessional loan over a three–year period until 2010 plus another N$ 720 million (US$ 72 million) as a credit line. The offer was made during bilateral talks shortly before Chinese President Hu Jintao concluded his state visit to Namibia (The Namibian, 7 February 2007). China further reaffirmed its readiness to assist Namibia and to support the country’s efforts in promoting economic growth and social progress (Government Information Bulletin, February 2007).

Thus far, China has provided economic aid to Namibia for the implementation of projects such as low cost housing, schools, clinics, borehole drilling, irrigation, an aquaculture research centre, building of a children’s centre, regional council buildings and the new State House. In addition, a small group of Chinese science teachers and medical staff have been dispatched to work in Namibia, which was warmly welcomed by the Namibian government (New Era, 20 April 2007; Namibian, 10 February 2009). Further Chinese support is envisaged for the upgrading of the military school of the Namibia Defence Force (NDF) into a fully-fledged Defence Academy (N$ 65 million/US$ 6.5 million) and the construction of a youth training centre for about N$ 130 million (US$ 13 million) (The Namibian, 10 February 2009).

| Table 1: Chinese grants and loans to Namibia since 1990 |
|-------------------|------------------|
| Grant 1           | 30 million Yuan (about N$ 39 million/US$ 3.9 million) |
| Grant 2           | 50 million Yuan (about N$ 65 million/US$ 6.5 million) |
| Interest free loan| 30 million Yuan (about N$ 39 million/US$ 3.9 million) |
| Concessional loan | 1 billion Yuan (about N$ 1.3 billion/US$ 130 million) |
| Credit line (signed in February 2007 but not yet utilised) | N$ 1 billion (US$ 100 million) |

*Source: The Namibian, 10 February 2009*

According to former Chinese Ambassador to Namibia, Liang Yinzhu, China attaches great importance to cooperation with Namibia in the field of human resources and capacity building. For years, China has helped Namibia in human resources training courses and academic scholarships in China as well as by sending teachers to Namibia. For instance, from 1998, the Ministry of Commerce of China started training programmes each year for government officials and technical personnel from Namibia and other African countries in areas like public administration, macro-economics, agriculture, aquaculture, mining and health. In 2006 alone, there were 62

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39 In January 2009, the exchange rate between the US$ and the Namibia dollar (N$) stood at about 1-10.
Namibian officials and technical personnel going to China for such courses. Since
2000, China offered five scholarships every year for Namibian students to study at
Chinese universities. In 2007, the number of Namibian students awarded scholarships
from China increased to 21 (New Era, 5 October 2007).

1.2 Sources of information

This study is based on a thorough review of relevant literature, media reports and
policy documents. We also carried out extensive field work in various regions in
Northern, Central, Western and Southern Namibia to investigate the practices at
Chinese companies. We conducted interviews in the retail sector with 42 workers and
15 owners or managers at 33 different companies. We also visited various
construction sites of four Chinese construction companies, interviewing 42 workers
and five owners/managers there. Furthermore, we visited Chinese textile companies,
restaurants, health shops and manufacturing plants to conduct interviews with
workers, managers and owners. Thus, our sample was substantial and reflected
construction and retail as the main focus of Chinese investments in Namibia.

Further information on Chinese investments in Namibia was obtained from the
Chinese Embassy in Windhoek as well as from interviews with government officials
from the Ministry of Trade and Industry as well as the Ministry of Labour and Social
Welfare. We also interviewed trade union officials, an architect and various local
business people in Northern Namibia (see appendix 1 for details).

2. Nature of Chinese Investments and Trade

The Namibian and Chinese presidents want their countries to strengthen cooperation
in tourism, justice and human resource development as well as road and harbour
construction, power generation, telecommunications, agriculture, fishing and mining
(Xinhua, 6 February and 20 December 2005). The Namibian government has asked
China to consider seconding experts in infrastructure development, training and
human resource development (New Era, 6 February 2007). Former Namibian
President Sam Nujoma encouraged Chinese companies to explore and develop co–
operative projects promoting value addition in fields such as food processing, mine
refining, cement production, medicine, furniture and garment manufacturing (New
Era, 21 July 2004).

Brautigam (1998) observed that the Chinese state tended to use its aid for high profile
infrastructure projects and used Chinese State-Owned Enterprises (SOEs) to
undertake the bulk of the work. Today, much of the Chinese aid is “tied” or comes in
the form of export credits so that Chinese firms benefit (Sautman 2006). This has
resulted in a rapid inflow of Chinese former SOEs entering African countries in key
sectors such as oil and mineral exploration, transport infrastructure, construction,
telecommunication, and agro–processing. From the start, Chinese traders have been
involved in cheap consumer goods rather than “up–market” products (Mohan and
Kale 2007). This trend is clearly visible in Namibia where “China shops” offer cheap
goods for lower income groups. Furthermore, Namibia’s Works and Transport
Minister Helmut Angula indicated that the Chinese government was pushing for
Chinese workers to do construction work in Namibia, seemingly because African
workers have a “different culture”. The Minister also pointed out that the Chinese government doubted the capacity of Namibian construction companies to undertake large projects (The Namibian, 10 February 2009).

Construction, property development and retail are currently the main destinations of Chinese investments in Namibia, while mining and local processing are only occurring on a small scale. Despite several attempts to obtain accurate statistics on Chinese investments from the Offshore Development Company (ODC), the Investment Centre in the Ministry of Trade and Industry, and the Bank of Namibia, we could only establish that total foreign direct investment (FDI) coming into Namibia stood at around N$ 2, 2 billion (US$ 220 million) in 2006 (interviews with Moses Pakote and Daniel Nghidinua). According to information provided by the Bank of Namibia, the bulk of FDI went to finance insurance, real estate and business services (43%) and mining (33%). We could not obtain any information regarding the percentage of FDI that could be attributed to Chinese investments. This points to severe administrative weaknesses in tracking FDI flows in Namibia, an observation that was confirmed by the Chinese Embassy which had expected the Ministry of Trade and Industry to set up a FDI database (Interview with Liu Kaungyuan).

Local newspapers quoted politicians who believed that there were up to 40 000 Chinese in Namibia, but according to the Chinese Embassy in Windhoek, there are currently about 3 000 Chinese nationals living in the country (Interview with Liu Kaungyuan).

2.1 Retail

“China Shops” have become a permanent feature in virtually all Namibian towns and even in villages. There are over 500 small Chinese shops registered on the database of the Ministry of Trade and Industry. One of the first things any traveller from Angola will notice along the main road in Oshikango is the large letters on the brown wall of a new warehouse complex, welcoming the public to “China Town”. This is one of two large complexes currently under construction by Chinese firms. Together, they will add up to 70 new Chinese shops to the 20 that are already in existence in Oshikango. The shop owners are Chinese while the complex was also built by Chinese construction companies (Dobler 2007). China’s exports to Namibia consist mainly of commodities like vehicles, machinery, electrical appliances, cigarettes, textiles, and shoes (Liang Yinzhu interview, New Era, 5 October 2007). China has also started selling computer software to Namibia.

LIN’S Investments and the Rainbow Import and Export companies, both owned by Jindan Lin, have invested over N$ 33.1 million (US$ 3, 3 million) in Namibia’s retail sector over the last seven years. Genie Marketing Concepts (GMC) and Lin’s Investments recently entered into several marketing contracts totalling N$ 6 million (US$ 600 000) over two years. According to Lin, from 1997 to 2000 the companies focused on import and export, wholesale warehousing and established 10 chain retail stores in Namibia. Although Lin said that the Namibian market was small, he believed that there was space for development and that business was fine. Lin employed about 150 Namibians across the country (The Namibian, 2 June 2004).
Most small-scale Chinese ventures are in retailing and in the intermediation of commodity sales. These ever-growing Chinese retail shops mainly deal in clothing, textiles, shoes, electronics and all kinds of cheap consumer goods, but also motorcycles, furniture and small tractors (Dobler 2007).

Most China shops are owned and run by private business people and many are not even registered with the Ministry of Trade and Industry. Some set up their shops after obtaining a work permit for Namibia and have little contact with the Chinese Embassy, which does not encourage the setting up of small Chinese shops as they have little impact on employment creation (Interviews with Moses Pakote and Liu Kaungyuan).

2.2 Transport

In 2004, Namibia’s transport parastatal TransNamib purchased passenger trains from China. The company announced that this purchase was based on the good relations that Namibia shares with China (New Era, 6 September 2004). The modern luxury trains have three coaches with a carrying capacity of 170 passengers. The trains have an economy and business class.

One of SWAPO’s businesses, Namib Contract Haulage (NCH), has entered into a deal with a Chinese car company that will pave the way for the assembling of buses and trucks in Namibia. NCH and China FAW Bus and Coach (Wuxi) signed a memorandum of understanding in Windhoek after a delegation from the Namibian company visited China in early February 2007. During the trip, NCH bought 22 buses and tipper trucks and invited their Chinese counterparts to enter into a joint venture that not only targets Namibia but also the Southern African Development Community (SADC). In terms of the memorandum, NCH will act as FAW’s representative in Namibia and buy an additional 100 vehicles for sale in the Namibian market while waiting for the assembly plant to be set up. NCH said FAW had extensive Asian experience in other sectors such as road construction and property development, which would be beneficial to the Namibian company. Speaking at the signing ceremony, former SWAPO President Sam Nujoma said the joint enterprise would assemble and sell vehicles and even mining equipment at a fraction of the current cost of similar items in Namibia (The Namibian, 8 February 2007).

2.3 Manufacturing

According to the economic and commercial counsellor of the Chinese Embassy, Liu Kungyuan, the major Chinese investments in manufacturing cover the production of bricks, fabrics, detergents, mattresses, quilts, lighters, water processing, assembling of diesel engines and power generators (New Era, 20 April 2007). However, these are currently still quite small projects despite the political commitments made.

2.4 Development of Namibia’s natural resources

Namibia and China have reached an agreement to cooperatively develop Namibia’s resources. A framework agreement is under negotiation as the Namibian Government does not only want to develop its natural resources, but also its infrastructure and other areas. Namibia’s resources are used as guarantee for concessional loans
provided by China to finance Namibian projects. “Once this agreement is concluded, we will enter into high – profile cooperation,” said Liu Kungyuan of the Chinese Embassy (New Era, 20 April 2007).

Overall, the current export of Namibian primary commodities to China is rather insignificant if compared to other African countries like Angola. The indirect effects of China’s emergence on the Namibian primary economic sector, however, are large. Commodity prices have risen sharply over the last few years mainly due to the increasing Chinese and Indian demand. Experts say that profit margins on government construction projects have declined from 30% to around 10% due to Chinese companies (Dobler 2007).

Namibia’s former Minister of Trade and Industry, Immanuel Ngatjizeko, stated that the cooperation between Namibia and China in the areas of mining would be advantageous to both countries: “Chinese investment in Namibia’s mining industry would create many jobs in Namibia and contribute to social stability and economic growth... In addition, Chinese investors would derive high profits from such investments, and access resources essential for fuelling the Chinese economic growth.” The minister also said that Namibia would like to gain Chinese expertise, capital and technology to transform its natural resources such as uranium, copper, gold and diamonds into value-added products (The Namibian, 13 October 2006).

Currently there are two Chinese – funded companies that have registered to conduct exploration of mineral resources. Up to now they are only at the exploration stage, which they carry out in conformity with the applicable laws and regulations. They do not enjoy more preferences and privileges than any other foreign company. For various reasons, these Chinese companies have encountered several difficulties in their operations and thus progress was slow. One license was granted for uranium prospecting near Rossing Uranium Mine while the other license is for the exploration of lead and zinc (New Era, 20 April 2007). Thus the direct Chinese involvement in the Namibian raw materials market has until now not been very prominent. This is partly due to the tight control over Namibia’s mineral production through established distribution networks and due to the long – term contracts (Dobler 2007). The two countries are, however, looking at stone minerals processing, the purchasing of marble and marble blocks as well as copper and manganese.

The most important field of primary sector exports is less publicised, as it does not involve mineral resource: Chinese firms invested in joint ventures in Namibia’s fishing industry since independence and in 2003 about 80% of Namibian exports to China consisted of fish and fish products (Dobler 2007). Other Namibian exports to China include minerals like uranium, copper and manganese. According to Gao Hucheng, China’s Vice Minister of Commerce, China signed contracts to purchase Namibian products worth US$ 34.7 million, including marble, fish meal, copper, manganese ore, tuna, etc (New Era, 5 October 2007).

Chinese oil and gas explorer Circle Oil Plc, through its wholly owned subsidiary First African Oil Corporation and China Shine H F, announced that the companies had signed an agreement whereby China Shine would acquire a 72% interest in Circle Oil’s Namibia license. Circle Oil Plc currently holds a 90% interest in this license and the National Petroleum Corporation of Namibia (NAMCOR) holds the remaining
10%. China Shine HF is a Chinese SOE that is involved in oil and gas exploration, production, development and supply of oil field equipment and is focused on assisting China in its long-term strategic economic goals. China Shine is estimating a budget of over US$ 1 billion for the local project and expects additional costs for exploration, development and infrastructure once the initial stage has been successfully completed. First Africa Oil Corporation was awarded the Namibian license for oil exploration on 40,000 acres concession in Northern Namibia in 2003 and it was acquired by Circle Oil Plc in March 2004. In November 2004, Circle Oil Plc announced the completion of an airborne gravity and magnetic survey of its concession in Northern Namibia. The survey was aimed at evaluating the hydrocarbon potential in an area with no previous seismic coverage or modern gravity or magnetic data (The Namibian, 1 February 2005).

2.5 Construction

Besides retail, this is the most prominent area of Chinese investments in Namibia. The Construction Industries Federation of Namibia (CIF) estimated that 60-70% of the country’s large construction projects were awarded to Chinese construction companies (Interview with CIF President Renate Schmidt, 21 July 2008). These included several prominent public construction contracts. China Jiansu International Namibia Ltd was responsible for the construction of the Supreme Court in Windhoek, the new police station and prison training college also in Windhoek and the magistrates’ court in Katutura. China Beijing Corporation for International Economic Co-operation built 102 houses in Katima Mulilo in 1999, funded through an interest-free Chinese government loan. Northern Tannery in Ondangwa, built in 2000–02 and shut down in 2006, was financed by the Chinese government as well as constructed by China Nanjing International Namibian Construction (Dobler 2007).

The private firm New Era Investment was responsible for, among many other public projects, the new town council building in Helao Nafidi. The most prominent instance of Chinese involvement in public construction projects is the new State House on the outskirts of Windhoek. As with Heroes’ Acre, the main contractors are North Korean firms. After the Chinese government donated N$ 55 million for the construction of State House in 2002, a Chinese company was given a share in the project without public tender (Dobler 2007). In May 2005, another generous grant by the Chinese government for the building of the new State House was announced, but its amount was not disclosed. While Chinese construction companies came into the Namibian market in the late 1990s by tendering for public projects often backed by Chinese government money, they have since moved into the private sector and are providing stiff competition for Namibian and South African construction companies (ibid). The main reason for the Chinese success is pricing: Chinese firms are undercutting Namibian competitors on a regular basis.

The two regional council buildings constructed with Chinese grants have been handed over to the councils while work on the residence of the new State House is in progress. Preparations are being made to build the Youth Vocational Training Centre (New Era, 5 October 2007). China Nanjing International (Namibia) (Pty) Ltd has won the tender to construct the new Head Office for the Ministry of Lands and Resettlement (The Namibian, 3 December 2007).
A Chinese road–building firm landed a substantial contract to build a tarred road connecting Rundu to the recently proclaimed town of Nkurenkuru in the Kavango Region. The contract is worth N$ 309 million (US$ 30, 9 million). The project will employ more than 250 people from the unskilled market while the skilled personnel will be imported (New Era, 21 November 2007).

2.6 Tourism

China listed Namibia as one of the overseas tourism destinations for Chinese citizens (Xinhua, Dec 20 2005) but this sector is still quite insignificant at present with only a small number of Chinese tourists visiting Namibia.

2.7 Taxes

In general, the traders appear to pay for goods in advance, and deal in cash only with their local customers. The profit margins are thus unclear and make taxation very difficult (Mohan and Kale 2007). Most of the warehouses operating in Oshikango operate offshore, the goods are imported “in bond” for export to Angola, without paying Namibian import duties and taxes (Dobler 2007). It was also reported that Chinese businesses hardly bank in Namibia, despite the country’s foreign exchange restrictions (New Era, 16 July 2008; Republikein, 30 October 2008; Interview with V. Usiku, 18 July 2008)

2.8 Employment creation

Chinese traders generally live quite simple lifestyles, often in a couple of rooms above or behind the shop and studies show that they rely on family labour. They tend to use local African labour mostly for menial tasks. A lack of trust is often cited as the reason for employing Chinese labour over Africans (Mohan & Kale 2007).

Chinese businesses usually create unskilled jobs for Namibians. Once Oshikango’s “China Village” is completed, around 200 Namibians will find employment there. Most China shops employ Namibians as shop assistants, store hands or security guards (Dobler 2007). Employment is mostly provided in the retail and construction industries, which are currently the main areas of Chinese investments in Namibia.

An inspection by the Ministry of Labour and Social Welfare in 2006 found that Chinese construction companies employed a significant number of foreign workers, even for some of the jobs that required low levels of skills. These included Asian as well as African workers, mostly from Zimbabwe, who accepted any rate they were offered due to difficulties experienced in their countries of origin (Ministry of Labour and Social Welfare 2006; Interview with Justine Jonas, 17 July 2008). Our own fieldwork revealed, however, that the majority of workers employed at Chinese construction sites were Namibians.

2.9 Skills transfer

A Chinese employer pointed to a lack of skills in the country, saying that often Namibians claimed to know a certain job but after a few hours it would become clear
that they are clueless. “We cannot afford to waste money by employing people who are not qualified to do the job. We often have to send them back to Vocational Training Centre to upgrade their qualifications” (New Era, 23 August 2006).

The evidence collected during our fieldwork revealed that Chinese investors do not place an emphasis on developing the skills of their Namibian employees. Even the larger (construction) firms which employ more than 25 workers and thus are legally required to implement affirmative action (including the appointment of Namibian understudies to transfer skills from expatriate staff) tend to ignore this requirement. Instead of developing Namibian skills, they tend to import skilled workers from elsewhere.

The economic and commercial counsellor of the Chinese Embassy pointed out that it was the Namibian government’s duty to invest in human capacity building while the investor should only be expected to do on-the-job training. He added that investors preferred to employ locals as this was cheaper than bringing in expatriate staff (Interview with Liu Kaungyuan). Likewise, government officials believe that government has to train Namibians and provide them with scholarships (Interview with Moses Pakote). They also believe that Namibian workers can learn from their Chinese counterparts: “The Chinese are working much faster. You can learn from the Chinese. When it is five o’clock then our people go home. We believe in exposure from working together with the Chinese. With the machines that come here, there will be technical training on maintaining and operating those machines” (Interview with Daniel Nghidinua, 2 April 2008).

The general secretary of the Namibia Employers Federation, Tim Parkhouse, also found the Chinese work ethics impressive but did not notice any transfers taking place: “The Chinese know how to work. It is in their culture to work... They work from early morning until the evening and even on a Sunday. Unfortunately it is not rubbing off onto Namibians. I think they see it as a threat instead of saying: if they can work that hard, we can do so too” (Interview, 30 July 2008)

2.10 Economic impact of Chinese investments

The Chinese traders buy from China, either from large wholesalers or directly from the factories there. The ability of Chinese traders to utilise networks rapidly helps explain these traders’ ability to keep costs very low and out-compete their Namibian competitors (Mohan and Kale 2007). Various studies show that local traders have been put out of business as a result of Chinese traders (Sylvanus 2007). Similar frustrations were expressed by local construction companies, which have repeatedly accused Chinese firms of unfair practices. A tender board decision to award a N$ 75 million (US$ 7.5 million) contract for the building of the new head office for the Ministry of Lands and Resettlement to a Chinese construction company survived an attack on its legality in the Namibian High Court on the 30th November 2007 (The Namibian, 3 December 2007). Namibia Construction and Murray & Roberts (Namibia) also tendered to construct the new head office. They argued that the playing field in the construction industry in Namibia was not level when it comes to what is legally required from Chinese and other construction companies. Local construction companies pointed out that they couldn’t compete with Chinese investors and felt that they lost out on potential income and employment creation.
A well-known local architect, Kerry McNamara, documented in detail how Chinese construction companies were awarded government tenders despite the tender rules which require applicants to adhere to local laws and regulations, including the Affirmative Action (Employment) Act, the Labour Act, the Social Security Act as well as the gazetted minimum wages and agreed conditions of employment. He pointed out that government had become an accomplice in breaking its own laws and warned: “Once the laws and the state are corrupted, those who are still honest will be in trouble. Corruption becomes a self-reinforcing process of self-destruction” (Interview, 31 July 2008).

McNamara also pointed out that wage-related costs tended to account for almost 50% in the construction industry and that companies adhering to the applicable laws and minimum conditions of employment could thus not compete with Chinese companies which often paid less than a third of the minimum wage. “The benefits like pension and living-away allowances amount to about N$ 20 per worker per day on top of the minimum wage. This is a 27% increase of the basic wage. As Chinese don’t pay this, they have a massive advantage when it comes to tender prices… They win tenders by stealing workers pension funds, social security and minimum wages. How can we allow this and remain silent?” (Ibid). Our own fieldwork confirmed that hourly wages of N$ 3 (US$ 0,30) were the norm for Namibian workers at Chinese construction companies who were supposed to pay a minimum wage of N$ 8,44 (US$ 0,84). Our field work also revealed that these workers did not receive the benefits that are stipulated in the collective agreement for the industry.

It may be argued that the “China shops” brought low–cost commodities for Namibian consumers and that the presence of Chinese construction companies in Namibia lowered the costs of construction (New Era, 20 April 2007; Interviews with M. Pakote and D. Nghidinua). Chinese shops offer consumer goods (such as clothing, blankets, mattresses and shoes) at low prices, making them more accessible to the poorer consumers. For many people, a cheap radio of inferior quality at an affordable price looks more convincing that one of superior quality that is beyond their means (Dobler 2007).

The welcoming attitude towards Chinese investments that is prevalent amongst Namibian politicians and government officials is, however, not shared by Namibia’s small traders. They have pointed out that Chinese businesses are now even threatening the small subsistence home industries trading in “kapana” (roasted meat) and “fat cakes”. A local businessman, John Endjala, stressed that the biggest threat to SME’s in the country were Chinese and Lebanese traders. Endjala was not happy that government failed to protect local people from unfair competition: “Threats from the Chinese are harming our businesses – they are also going into the kapana business and competing with our people because they know how to do it. We cannot go against the Chinese because they have been welcomed here by our government”. The Chinese kapana traders set up stalls mostly in the North and other parts of the country where competition for Namibian customers has been stiff. “Most of them employ locals to do the meat roasting and selling. Chinese traders in Windhoek, particularly at the popular Chinatown, have been accused of paying their employees paltry salaries of as low as N$ 300 per month. … After having overtaken the construction and other established businesses they are now competing against our mothers who are selling
kapana and they are even speculating in bread making” Endjala said (Informante, 7 June 2007).

In June 2008, a group of indigenous business people in Northern Namibia publicly voiced their outrage over what they termed unfair competition from Chinese traders: “Some of these people (Chinese) get subsidies from their government, they can afford to sell their products at a very low price and we don’t have any type of protection. Chinese investors are taking all the business opportunities from the local people. We understand that we have a free market economy, that we have to compete, but what is happening is robbery, it is not free and fair competition” (Interview with Epafras Mukwiilongo, 20 June 2008).

The group calls itself the Anti-Chinese group and called on government to protect local businesses. They pointed out that the Chinese merchants have an advantage because they source their goods directly from China. The group demanded that Chinese merchants should be restricted to operating warehouses from where local businesses could buy. “The survival of the local business should not be compromised only to accommodate the Chinese business community,” said the group’s chairman Epafras Mukwiilongo. He further warned that: “The Chinese are buying and developing land now, and Namibians without money don’t have access to this land. In few years time many Namibians are going to start buying land from Chinese. The government is telling the youth that they should go and establish SMEs, but how does government expect these people to compete against already skilled and experienced business people if they are not given any type of protection?” (Interview, 20 June 2008).

During our field work, we also spoke to a group of residents in Outapi, Omusati region. They expressed similar resentments about Chinese traders: “We don’t understand why government is allowing the Chinese to have businesses everywhere… Our children will not have a chance to open up businesses, because opportunities are given to the Chinese. When we have national or regional trade fairs, the stalls are always occupied by the Chinese, selling cheap quality products. The type of products the Chinese are selling can be sold by Namibians… Why doesn’t government give these opportunities to the Namibian youth who are sitting on the streets without jobs? We don’t see the Chinese creating employment or alleviating poverty, instead they are creating more poverty. Women work long hours for only N$ 300 or 400 (US$ 30-40) a month. What will a person do with that wage?… Chinese are taking more from this country instead of developing it. We know that Namibian businesses also pay low wages, but at least the money is put into Namibian banks and it develops our economy. Something needs to be done to stop the spread of these cheap shops in our communities” (Focus group discussion, 20 June 2008).

3. Labour relations and working conditions

There have been numerous debates and strong criticisms regarding labour relations and working conditions at Chinese companies (Fraser and Lungu 2007, Trofimav 2007). Most African employees of Chinese firms are employed for low-skill jobs and there have been many complaints about ill – treatment of workers. The Construction Industries Federation of Namibia (CIF) complained that the Chinese contractors were
breaking most of the labour laws drawn up by the Government to control state building procurement intended to deliver the benefits of the post – independence economy to the citizens, and particularly, the workers of Namibia (CIF Press Release, 30 March 2007). A government inspection in the construction industry discovered that most of the Chinese companies did not comply with all the relevant provisions of the Labour Act of 1992, and also did not adhere to the minimum wage and other basic conditions of employment. Chinese construction companies also did not keep any records regarding conditions of employment of their workers as required by Section 4 of the Labour Act (Ministry of Labour and Social Welfare, 2006).

The National Union of Namibian Workers’ (NUNW) 4th Ordinary Congress in 2006 was concerned about the many real and perceived problems associated with the manner in which Chinese businesses operated and how they treated their employees. There were many instances where Chinese investors have come into conflict with organised labour as they attempted to prevent trade unions from organising their employees. In several instances, Chinese employers resorted to unfair labour practices, including paying less than the legal minimum wages, victimisation and unfair dismissals. It is against this background that the NUNW’s national congress resolved in 2006:

• “That a proper research study be conducted to ascertain the validity of the allegations most especially as they relate to labour relations;
• To ask the Labour Resource and Research Institute (LaRRI) to conduct the said research study in carefully selected industries or specific Chinese business establishments and
• That the NUNW uses its presence at the Immigration Selection Board to raise many of the workers’ concerns” (NUNW 2006 Congress Resolutions Nr. 14).

The NUNW Central Executive Committee (CEC), which met on 17th November 2007, further noted with deep concern and disappointment the manner in which some the Chinese investors, particularly those in the construction industry, violate Namibian labour laws. The NUNW also noted that some of the Chinese investors in the construction industry made use of cheap labour brought in from China, some of whom are allegedly serving prison terms. The NUNW therefore resolved that this and some other allegations be investigated by government with the utmost urgency (NUNW Press Release, 22 November 2007).

A government inspection among Chinese construction firms in 2006 found that Chinese companies paid wages as little as N$ 2.77 – N$ 3 (US$ 0.27-0.30) per hour, which is far less than the agreed minimum wage rate of N$ 8.44 (US$ 0.84) per hour. The report from the Ministry of Labour and Social Welfare further indicated that most Chinese companies did not adhere to the prescribed health and safety standards and regulations (Ministry of Labour and Social Welfare 2006).

At a consultative meeting called by Labour Commissioner Bro–Mathew Shinguadja, Chinese business leaders were subjected to a barrage of criticism about their failure to adhere to Namibian labour laws. These included persistent claims of hiring and firing workers at will and failure to comply with established minimum wages in certain industries. Chinese businesses have also been criticized for not providing employees with minimum benefits and failing to respect work – hour regulations for public
holidays and Sundays. Another common complaint against Chinese companies raised by the Labour Commissioner was their negative attitude towards trade unions. There have been allegations of “union–bashing” at Chinese companies and not allowing trade unions to organise at their workplaces (New Era, 23 August 2006).

The Labour Commissioner said that Namibia valued Chinese investments and their contribution to the Namibian economy, but that this did not mean that Chinese businesses did not have to comply with the statutory provisions of Namibian labour law, just like any investors. “Orderly collective bargaining is not optional but a prerequisite for conducive labour relations, high productivity, profit and better conditions of employment,” said Shinguadja. During the meeting a Chinese employer argued that labour problems often arose because of communication problems. Some Chinese business people could express themselves in English while others could not (New Era, 23 August 2006).

One of the tactics used by Chinese companies to evade their responsibilities towards their employees is by employing workers through sub–contractors or individuals of non-registered companies. These companies would receive payment from the main contractors and once they received the payment, they would not pay out the full amount to the workers for the services delivered. Another way to pay less than the minimum wage was to demand education certificates form workers. Many of them did not possess such certificates, but were able to do the work due to long practical experience. Some Chinese companies used the lack of certificates as an excuse for not paying the full wages. In some instances, Chinese construction companies used labour–hire firms (labour brokers) to get workers, thus avoiding their social and legal obligations (The Namibian, 7 March 2007).

According to the Construction Industries Federation of Namibia (CIF), Chinese construction companies in Namibia are operating illegally and completely ignore Namibian laws. The CIF pointed out that not one single Chinese building contractor in the country was in possession of a valid affirmative action compliance certificate. The Federation said that the government failed to act, although the Employment Equity Commission (ECC) and the Tender Board of the Government were fully aware of the situation (The Namibian, 2 April 2007). “It has become common knowledge that Chinese contractors operating in the Republic of Namibia do not regard themselves to be subject to the laws of this country and to that end have been allowed to break the law with impunity,” Karl–Heinz Schultz, Co–chief Executive Officer of Namibia Construction said in a court affidavit (The Namibian, 3 December 2007).

In a statement released in December 2007, the Construction Industry Federation complained that Chinese contractors were able to artificially reduce the price of their tenders by not respecting Namibia’s laws, especially minimum wages, which have a substantial influence on costs. The Social Security Commission Act requires that every employee must be registered and that both employees and the employer contribute 0.9% of the wage as a monthly contribution. Paid-up members are entitled to various benefits such as maternity leave, sick leave, and death benefits. In addition, the collective agreement for the construction industry in Namibia prescribes a compulsory pension fund. Most Chinese firms avoid these responsibilities and as a result could tender at cheaper prices than companies that adhered to the legal requirements (CIF Press Release).
The tender board rules stipulate that companies tendering on State construction projects have to meet a set of legal requirements. This includes providing proof of registration as a Namibian taxpayer, a certificate of good standing from the Social Security Commission, a valid affirmative action certificate issued by the Employment Equity Commission and proof of compliance with the Labour Act, which includes that the company should be a party to the collective agreement concluded between the Construction Industries Federation of Namibia (CIF) and the Metal and Allied Namibia Workers Union (MANWU). Chinese companies are accused to not adhering to these requirements but still being awarded government tenders (ibid).

One Chinese company (New Era Investment) received complaints from their employees stating that they have to buy protective Clothing from the company, which is a violation of the Section 96 of the Labour Act. Workers at that company also raised a host of other complaints including:

- That they were not paid according to the Minimum Wage in the construction industry;
- That they were not issued with protective clothing;
- That they were not paid living-away allowances;
- That they were not sleeping in hygienic environments, with 27 workers sleeping in small rooms like pigs; and
- That workers were not given pay slips, no contracts of employment and no severance pay, paid leave, service allowances as well as certificates of employment (MANWU letters to New Era Investment, 8 & 12 October 2007).


In stark contrast to the concerns raised by the Namibian labour movement and some of the local business people, Namibian government officials and the Chinese Embassy proposed that low wages should be endured as a means towards a prosperous future. The economic and commercial counsellor advised Namibia to “...sacrifice a little bit of labour protection. The labour cost is too high. Namibia does not have production. In China, if you have N$ 1000 you are rich but in Namibia you cannot buy anything with it because you import everything. If you sacrifice on labour costs now for future generations, then Namibia will develop. Let people be paid lower wages now and attract more FDI and set up manufacturing so that the future generation will reap the benefits of the sacrifices” (Interview with Liu Kaungyuan, 3 April 2008).

This view was shared by an official from the Investment Centre who stated that: “We need to look at the system that we have in place (capitalist economy) before Namibians start complaining about Chinese exploiting and paying low wages. If we want to develop our country, we need to sacrifice labour costs now to benefit later. The objective is to create jobs for Namibians and any FDI should be able to do that” (Interview with Moses Pakote, 9 April 2008).
3.1 Findings

We found that Namibian workers at Chinese retailers were employed as general workers doing everything from packing, unpacking, cleaning to selling and in some cases working as security guards. Workers at construction companies were mostly general labourers, doing all types of duties from bricklaying, mixing of concrete, welding to painting. According to the Chinese employers, if an employee has been on the job for more than a year, s/he would be considered permanent staff. This was, however, not confirmed by the Namibian workers who pointed out that they had no employment contracts and no job security. The following quotes exemplify the typical responses:

“I am a builder, mixer of concrete, welder and painter. I have been working for this company for eight years. I do not have an employment contract and do not know on what basis I am employed and what my position is in the company. I can be fired from this company any day and I would not even get a payout package.” (Construction worker in Walvis Bay).

“With the Chinese it does not matter how long a person has been working in the company. If the manager on the site decides that he does not want me anymore, he will ask me to leave without any payout” (Construction worker in Walvis Bay)

“I don’t know my employment position. With Chinese you don’t get those things. They won’t even ask for your qualification neither an identification card. They don’t care because they hire and fire as they feel.” (Retail worker in Swakopmund)

“I worked for this company for three years and I am still a casual worker, because until now I don’t have an employment contract. There is no difference between me and someone who started working here two months ago, our conditions of employment is the same.” (Construction worker in Walvis Bay)

“I do not know whether I am employed permanently or what my position is in this shop. With these people a person never knows, the boss might just come and tell you ‘Go home, there is no job’. (Retail workers in Swakopmund)

“When I started I was a brick layer and a painter and now I cook for the Chinese mostly and sometime I am asked to paint again. I don’t like to cook, because it is not my job. I am a bricklayer and a painter. Now they make me cook maybe because I am a woman, and I make little money with cooking.” (Construction worker in Walvis Bay)

As a general rule, workers at Chinese companies do not have employment contracts and do not receive severance pay in case of dismissal. Most Chinese employers consider Namibian workers as unskilled workers because according to their standards, they are not efficient enough. When workers are hired, they are not required to have certain qualifications or skills. According to Ms Lee, Manager of China Jiangzu Construction company, the company hires more workers than it needs because some people come to the construction sites begging the site manager to give them jobs even if just for that day at any wage rate. Additionally, Ms Lee stated that her company
picks up workers who wait in the streets. They then receive on-the-job training from their colleagues (Interview, 17 June 2008).

### 3.2 Wages, Benefits and Working Conditions

Our study showed that the majority of workers at Chinese companies were poorly paid and that no single worker got any benefits besides the legally required social security membership and workman’s compensation. Even these provisions were only enjoyed by a minority of employees. This was confirmed by the Employment Equity Commissioner, Vilbard Usiku, who observed that Chinese employers paid lower wages than most other employers and offered no benefits to their workers (Interview, 18 July 2008). This happened despite the long hours they worked and the variety of duties they were required to carry out.

Some employers in the retail industry explained that they paid their workers according to what other (Chinese) employers were paying in the same industry. Others indicated that they determined wages according to workers’ performance and skills. In many instances, wages were as low as N$ 300 (US$ 30) for shop assistants and general labourers in the construction companies. Our investigation found that the highest paid worker at a Chinese company was employed as a chef in a restaurant and earned N$ 2 800 (US$ 280) per month.

In the construction industry there is an agreed minimum wage of N$ 8.44 (US$ 0.84) per hour for a general labourer. Chinese employers argued that according to the agreement between the Metal and Allied Namibian Worker Union (MANWU) and the Construction Industries Federation (CIF) a worker should reach a certain target per day to qualify for the minimum wage. Chinese construction companies claimed that Namibian workers did not reach their target and thus were not entitled to the minimum wage. However, this argument was rejected by trade unions as fabricated. They also pointed out that Chinese construction companies did not pay the required legal benefits such as pension, paid leave etc.

Workers cited several other violations of their rights and of Namibia’s labour laws, which they experienced at the hands of their Chinese employers. They also pointed out that no negotiations over conditions of employment took place:

“**We don’t have any benefits. In 2007 my child was ill and she was admitted in the hospital for one month. I requested leave, but the management refused. So I had to take unpaid leave**” (Retail worker in Oshakati)

“**We get only N$ 7.00 (US$ 0.70) for overtime no matter how many hours we work. If anyone of us makes a mistake, they either deduct from our salary or dismiss us on the spot.**” (Retail worker in Oshikango)

“I started working with the Chinese in 2005. My salary per month is N$ 550 (US$ 55) and my boss is the one who decided on my salary. The only benefit we have is Social Security.” (Textile worker in Oshakati)

“I have a one year-old child who is very sick because he has a heart problem. The doctors said there is a hole in his heart. I am supposed to take my child for check up
at the hospital every third month. My boss complains about it. He says I have too many problems maybe he should get someone else to work without many problems like me or someone who does not get sick.” (Retail workers in Swakopmund)

Other problems that workers experienced were verbal abuse, intimidation as well as harassment. Female workers at a construction company in the North said that their Chinese employers and Chinese supervisors sexually harassed them but because of a lack of job security they had to bear such harassments.

Most workers felt that they had no right to express their views or lodge their complaints. In some cases they were either told that they talked too much or if they were not satisfied with their jobs, they should quit. The workers stated that despite the fact that they were ill-treated, they still had to come back to work because they needed the money to survive.

Our study also found that Chinese companies hardly kept any records regarding their employees’ conditions of employment as required by the Labour Act. We also found a high level of discrimination between the local employees and expatriates, who in most cases were supervisors and enjoyed better working conditions and benefits. The expatriates were provided with food and accommodation while the local employees were not. A similar situation had existed at the Malaysian textile company Ramatex, which operated in Windhoek from 2002 until 2008 (LaRRI 2005; Jauch 2008a).

The following quotes exemplify the conditions that workers experienced:

“We are not free to complain. They call us pigs and we don’t ask why or fight back because if we do that we will lose our jobs. We work in fear, even though the working conditions are bad and wages low. We need this job to survive.” (Construction worker in Walvis Bay)

“I can’t even stand to catch my breath. The foreman will start shouting and I don’t understand what he is saying.” (Retail worker in Oshikango)

“We work here not because the conditions are good, it’s because we don’t have a choice. We need work to survive.” (Retail worker in Windhoek)

“My boss transferred me from Okahao to Outapi. I requested him to provide accommodation and he refused.” (Retail worker in the North)

“If a woman falls pregnant it means it is the end of her work in a Chinese shop. They don’t like pregnant women.” (Retail worker in Walvis Bay)

“They discriminate against us in many ways. I see all Chinese employees have protective clothes like overalls, masks and shoes.” (Construction worker in Oshakati)

### 3.3 Working Hours

Most workers (particularly in the retail sector) indicated that they had to work from 7h30 am to 17h30 pm from Monday to Friday while on Saturdays and Sundays they worked from 7h30 to 13h00. This is longer than permitted by Namibia’s Labour Act
The workers were also expected to work during public holidays without any extra remuneration. Furthermore, most workers did get lunch breaks, and those who did were only granted 30 minutes. This is another violation of Namibia’s Labour Act. The following quotes highlight workers’ experiences regarding working hours and overtime payment:

“If I work overtime I get paid N$ 10 (US$ 1) for the extra hours, it does not matter how many hours, I will get N$ 10. It is easy for them to do that, because I don’t get paid an hourly rate.” (Retail worker in Oshikango).

“I work 12 hours per day and seven days a week. Overtime is a must here. Everyday I work extra hours for which I am not paid. I tried to ask for my overtime pay and was told I could go elsewhere if I was not satisfied with what they give me.” (Retail worker in Oshikango)

“No overtime is paid. We don’t get lunch hour and we are supposed to be on our feet the whole day. If I am seen sitting, I might get fired or money gets deducted from my salary.” (Retail worker in Ombalantu)

“We have lunch for 20 minutes only and if we come late even for minutes they deduct N$ 20.” (Retail worker in Oshakati)

“There are no lunch breaks. I give food to eat here, no problem.” (Owner of a retail shop in Oshakati)

Several of the Chinese employers confirmed the long working hours and indicated that their operations would run for seven days a week if there was a need to do so, particularly when they had to meet deadlines with construction projects. The employers, however, claimed that overtime work on Saturday and Sunday was voluntary. In the retail sector, working weeks of between six and seven days were the norm at Chinese shops.

### 3.4 Labour Relations

Most workers at Chinese companies were not trade union members. The reasons given varied, but many workers indicated that they lost faith in unions’ ability to solve their problems. They said that even if they informed their union about their problems, nothing was done to solve them. Some indicated that when union officials came to their workplace, they talked with management only but not with their members. As a result, several workers cancelled their membership and are no longer interested in trade unions.

Regarding the relationship between Chinese companies and trade unions, we noticed serious tensions. None of the companies we visited had entered into collective bargaining. Several managers told us that unions only caused problems between employers and employees. Most companies indicated that they did not allow trade unions onto their premises and in one case workers who were members of a union were dismissed – another violation of the Labour Act. Thus, many workers chose to engage officials of the Office of the Labour Commissioner if there was a conflict at
work because this was safer than involving a union. Several workers told us that they were afraid of losing their jobs and thus did not want to join a trade union.

The problems experienced by workers with their unions as well as with management are shown in the following quotes:

“The relationship is not good, we are treated badly. The Chinese have an attitude of treating us the way whites treated our fathers during the colonial era. The Chinese refuse to recognise the union. They solve their problems with the Labour Commissioner’s office.” (Retail worker in Oshakati).

“If I am using a broom and if the Chinese employee wants the broom, the Chinese supervisor grabs the broom from me and hits me. Really the way we Namibian employees are treated is not the same as the Chinese employees.” (Construction worker in Oshakati)

“We once went to the trade union (NAFAU) offices, because we wanted them to help us but they referred us to the labour court.” (Retail worker in Walvis Bay)

“We cannot join the union for fear of dismissal. There used to be a security guard here, he joined the trade union and when the boss found out he was dismissed from the job.” (Retail worker in Swakopmund)

Various labour relations officers and labour inspectors that we spoke to confirmed the poor state of labour relations and highlighted poor wages and unfair dismissals as the common problems experienced. An officer in the Erongo region summarised her experiences as follows:

“They (Chinese companies) claim that Namibian workers are lazy and that they (the Chinese) are working very hard. Construction workers are supposed to be paid according to the CIF-MANWU agreement but they are not adhering. They are underpaying their workers and therefore Namibian companies don’t want to pay minimum wages too. The retail shops are underpaying their workers and at times pay as little as N$ 10 (US$ 1) per day, which is unacceptable. They are hiring and firing workers as they please.... Workers at construction sites in most cases don’t know who they are working for and don’t even have their contact details to follow up complaints. Workers start stealing because of low wages.... In most cases when you go to visit them (Chinese companies) they offer you cool drink to soften you. I am of the opinion that if they are not complying with our laws, they should be closed down. They are not contributing to poverty eradication. They are worsening the situation in the country.” (Interview, 11 June 2008).

A labour inspector added:

“I have nothing good to say about labour relations at Chinese companies in the construction sector. The salaries are low, they ill-treat workers and they don’t adhere to health and safety regulations. I had a case where a worker was offered groceries instead of a salary for the month. Where in the world have you heard of such a thing?... The government must do something. The situation is making my job very difficult. The government is treating some companies favourably but not others.
This is causing conflict for me in executing my duties because I can’t give fines to some companies and not to others.” (Interview, 11 June 2008)

An organiser of the Namibia Food and Allied Workers Union (NAFAU) in Windhoek explained how victimisation prevented the union from recruiting members:
“As soon as the Chinese employer discovers that employees are members of a union, they (employees) end up in a problem that might lead to dismissals. They do not fire a worker because s/he is a member of a union but they do it indirectly. Employers will accuse the worker of a transgression that can lead to a dismissal. It is difficult due to the fact that Chinese employers pretend not to understand English. I say they pretend because when you walk into a Chinese-owned business they will talk to you in English but the minute you identify yourself as a union official then they will tell you that they do not understand English.” (Wilma Angula, Windhoek, 15 May 2008).

Chinese employers on the other hand claimed that they had no serious problems with their workers but did not want trade unions to be involved. Instead they preferred to deal with their workers directly, although they admitted that there were communications problems:

“Labour relations are not bad at all. The major problem we have here is communications. The local workers don’t understand us. They don’t even ask or say that they don’t understand. We always have to use an interpreter to make them understand... We always try and make workers understand what is expected from them. I don’t know whether the local workers belong to a trade union, because the Chinese workers cannot belong to any organisation that is not Chinese... Chinese people work 24 hours and for seven days a week. That’s our work culture. We do pay overtime if the workers work for more than nine hours and it depends on the quantity of work done and how well it is done. We don’t have a fixed amount that we pay per hour. If overtime is caused by a mistake of the workers because they have worked very slowly, then it is the workers’ problem. The company cannot be held responsible and therefore they won’t get paid for working overtime to rectify their faults.” (Manager of a Chinese construction company in Ondangwa).

This statement clearly highlights that the practices at the workplace are not shaped by Namibian labour law but rather by the views of the employer.

3.5 Health and Safety

We found that health and safety issues were not paid much attention at Chinese companies. The interviewed workers in all Chinese companies indicated that there was neither a health and safety policy, nor protective clothing, nor a health and safety committee nor any form of training on health and safety issues at their workplace. The manager of a Chinese construction company explained that her company only employed people who are healthy and strong. As the company respected culture they did not want to know the employees’ HIV status and hence, saw no need for an HIV/AIDS workplace programme. Another manager at a construction company in Oshakati added:

“Regarding HIV and AIDS, we know the health status of the workers. We don’t do testing but we select our workers very carefully. We only employ those who are
healthy. We can tell because we know the local people and we have studied them well.”

Most Chinese employers seemed to be ignorant about Namibian labour laws and ILO standards and believed that it was their right to take decisions unilaterally. In the construction companies, we found that none of employees had protective clothing even those who work with dangerous chemicals and paint. However, some employers argued that they provided their workers with protective clothing but that the workers preferred their own clothes. This was denied by workers who explained that the protective clothing they had been given was of such poor quality that they were torn after the first wash.

Construction workers at Oshikango indicated that they even had to mix concrete with their bare hands and that they were not even provided with equipment such as paint brushes as they had to bring their own. The risk of workers getting injured at work was high because of the work that they were performing when building, for example a double story building. A construction worker in Walvis Bay recalled how a colleague was injured when they were constructing a Ministry of Finance building in Walvis Bay. The Chinese construction company did not compensate the worker and also did not take care of the worker’s medical bills.

The following quotes highlight the concerns of workers regarding their health and safety at work:

“The factory has no fire extinguishers or fire exists and is so full of materials that a small fire could explode into an inferno within a second.” (Retail worker in Ombalantu).

“I remember one time we were working in Noordoewer and we had an accident there. One of my colleagues was killed and some were injured including me. I know my deceased colleague’s family did not get any compensation, and neither did we get any. We had to use our money for medical treatment.” (Construction worker in Windhoek)

3.6 Training

Virtually all training at Chinese companies consisted of informal on-the-job training that usually takes place when new workers are hired. The more experienced workers then induct them. The owners of a retail shop in Ondangwa explained:

“No training is offered. I normally tell the old workers to show the new workers what to do and what is expected of them.”

The Chinese foreman of a construction company in Walvis Bay added:

“I have people who have worked for me for a long time and they now teach the new intakes.”

The only training that was more systematic was that of cooks who were introduced to Chinese cuisine, either as employees of restaurants and in some cases to prepare food for the Chinese employees on construction sites.
4. Comparing Chinese practices with Namibian labour laws, ILO conventions and national labour practices

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<td>1. Freedom of Association &amp; Protection of the Right to Organise (Convention 87, 1948)</td>
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<td>2. Right to Organise and Collective Bargaining (Convention 98, 1949)</td>
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<td>3. Forced Labour (Convention 29, 1930)</td>
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<td>4. Abolition of Forced Labour (Convention 105, 1957)</td>
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<td>5. Minimum Age (Convention 138, 1973)</td>
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<td>6. Worst Forms of Child Labour (Convention 182, 1999)</td>
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<tr>
<td>7. Equal Remuneration (Convention 100, 1951)</td>
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<tr>
<td>8. Discrimination (Employment &amp; Occupation) (Convention 111, 1958)</td>
</tr>
</tbody>
</table>

With the exception of Convention 100 on equal remuneration, Namibia has ratified all core conventions of the International Labour Organisation (ILO). The country’s labour laws give effect to that commitment. The first post-independence Labour Act of 1992 replaced the colonial labour legislation and provided workers with basic rights as outlined in the section on basic conditions of employment. These rights include freedom of association, protection against victimisation and unfair labour practices, limitations of working hours; right to have paid annual and sick leave as well as maternity leave; the right to form and join trade unions etc. The Act does not prescribe minimum wages and encourages collective bargaining as the preferred option to determine wages. However, the Minister of Labour may appoint a wage commission to make recommendations regarding minimum wages for a particular industry or area. This has not happened thus far, but trade unions managed to conclude industry-wide minimum wage agreements for the construction industry (N$ 8,44/US$ 0.844 per hour), the agricultural sector (N$ 2,20/US$ 0.22 per hour) and for security guards (N$ 3/US$ 0.3 per hour).

A new Labour Act was passed in parliament and signed into law towards the end of 2007. It consolidates the basic rights as enshrined in the ILO conventions and provides for improved leave provisions, compared to the previous Act. Women on maternity leave now receive up to N$ 6 000 (US$ 600) per month from the Social Security Commission as opposed to old “ceiling” of N$ 2400 (US$ 240). The new Labour Act also provides for the conciliation and arbitration of labour disputes and will replace the expensive and time-consuming, court-based system of dispute resolution.

Overall, Namibia’s legal labour framework is underpinned by the notion of “tripartite partnership”. This concept is however, not extended into the sphere of economic policy-making, which is shaped by the neo-liberal dogma and the almost religious belief that only an open, highly liberalised economy that will appeal to foreign investors can lead to socio-economic development. It is telling in this regard that only a few years after independence, Namibia passed an Export Processing Zone (EPZ) Act that granted foreign capital even greater concessions than those given through the Foreign Investment Act of 1991 (Endresen and Jauch 2000).

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40 Namibia’s maternity leave benefits are currently limited to a maximum basic wage of N$ 6 000 (US$ 600) per month. This is the reason why Namibia has not yet ratified the ILO Convention 100 on equal pay.
The previous chapter has highlighted the numerous and regular violations of Namibian labour laws and ILO conventions by Chinese companies in Namibia. The very core of those laws and conventions is undermined and officials in the economic ministries seemed willing to subdue workers’ rights and interests under the interests of foreign capital. This is nothing new as can be seen from the many labour rights violations that occurred at many EPZ companies, particularly the Malaysian clothing and textile company Ramatex, which closed its operations in Namibia in March 2008 (Endresen and Jauch 2000, Jauch and Shindondola 2003; Jauch 2008a).

The experiences of Namibian trade unions paint a damming picture of labour relations at Chinese companies. According to the regional organiser of MANWU, Justine Jonas, Chinese employers are exploiting workers and are worse than other foreign employers (Interview, 17 July 2008). NAFAU organiser Wilma Angula agreed: “Chinese are worse than other foreign employers. The working conditions at Chinese companies are terrible. You cannot compare them with any other companies in Namibia. At Chinese companies you will be dismissed if you don’t want to work overtime…. The big problem is that they pretend not to understand English at all.” (Interview, 15 May 2008). This was the general experience of trade unions as shown by the following quotes:

“The Chinese are worse compared to other companies. Their wages can be compared to the wages of domestic workers in this town… The Chinese don’t bank with our local banks and trade their money on the black market.” (John Kamati, NAFAU, Walvis Bay, 12 June 2008)

“Chinese and BEE construction companies are not complying with the minimum wage and this makes our job difficult when we try to reprimand other companies. We want the Walvis Bay Council when awarding tenders to force companies to comply with the CIF agreement and other national agreements.” (Eila Kamanya, MANWU branch organiser, Walvis Bay, 12 June 2008)

“They (Chinese) are offering the worst conditions because they are paying their employees poorly. They work long hours without compensation, they are hired on short-term contracts with no signed contracts at all. Employees are working in unhealthy conditions, they get no sick leave and no maternity leave and there is no safety at the workplace. The rights of the employees are not respected.” (NAFAU organiser in Oshakati, 18 June 2008)

“Compared to other companies, working conditions at Chinese companies are the very worst. In other companies they have rules and regulations, written contracts, benefits and union structures.” (Matti Haimbili, MANWU regional organiser, Oshakati, 18 June 2008)

Following repeated reports of non-payment of the legal minimum wages and failure to provide protective clothing, the Namibian Ministry of Labour finally took action in August 2008 and stopped the construction of a N$ 60 million shopping complex in Rundu for a week. The Chinese construction company (Chan Ling CC) was ordered to pay the legally prescribed wages and to provide its workers with protective clothing. Furthermore, the Ministry investigated accusations of children being
employed by the company, a charge that was categorically denied by the managing director, Stina Wu (New Era, 21 August 2008).

4.1 A national comparison

We carried out a comparison of wages, working conditions and labour relations at Chinese companies and other companies in Namibia, both local and foreign. This was based on various studies carried out by the Labour Resource and Research Institute (LaRRI) between 2003 and 2008. This included data from a national labour market study, wage bargaining reports, studies into EPZ companies as well as studies into the living and working conditions of vulnerable workers like farm workers, domestic workers and petrol station workers. In addition, we drew on other reports on working conditions in Namibia.

The most prominent area of discrepancies is the construction industry where Chinese companies tend to pay only about a third of the legally prescribed minimum wage. However, Chinese companies are not the only perpetrators: a study into SMEs engaged in the construction sector in Namibia, commissioned by the CIF, found that only 17.5% of SMEs paid their workers the prescribed minimum wage of N$ 8,44 (US$ 0.84) per hour. The study concluded that the majority of businesses in the construction industry did not know the set minimum wage; that these businesses exploited their workers and that law enforcement is not executed properly (Consult Buro 2007). Thus it seems that Namibia’s best industry-wide collective agreement is undermined and effectively being destroyed by Chinese construction companies and Namibian SMEs alike.

Namibia’s retail sector is still overwhelmingly dominated by South African retail chains, which cater for various market segments. Chinese retail stores cater for the lower end of the market, providing mostly cheap goods of low quality. In terms of wages, the larger retailers which are unionised pay entry-level wages of around N$ 1 300 (US$ 130) per month (LaRRI 2007). However, there are many smaller retailers (both local and foreign owned), which pay substantially less. Thus the Chinese retailers are not the only ones that apply the capitalist logic to their own advantage. Like others, they take advantage of Namibia’s high levels of unemployment and the resulting desperation among job seekers (especially young people) which prompts them to accept any job under virtually any condition.

The wages and benefits offered at Chinese companies are amongst the lowest in Namibia’s formal economy. Farm workers on commercial farms earn on average N$ 300 – 600 (US$ 30-60) per month (Karamata 2006) while petrol station attendants earn mostly between N$ 500 and N$ 1 500 (US$ 50 - 150) per month (Jauch 2008b). Security guards are supposed to earn at least N$ 3 (US$ 0.30) per hour (about N$ 770/US$ 77 per month). These figures put the wages paid at Chinese companies into perspective and confirm that Chinese employers are currently amongst the worst in the country – although they are certainly not the only ones engaged in exploitative practices (see table 2 below).
Table 2: Comparison of Basic Wages (in N$)

<table>
<thead>
<tr>
<th></th>
<th>National Wage</th>
<th>Minimum Wage in Bargaining Agreements</th>
<th>Wages at Chinese Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Workers</td>
<td>None</td>
<td>Minimum wages of N$ 1300 per month (US$ 130)</td>
<td>300 – 600 per month (US$ 30-60)</td>
</tr>
<tr>
<td>Construction Workers</td>
<td>9.03 per hour (entry level); 1674 per month (US$ 167)</td>
<td>9.03 per hour; 1674 per month (US$ 167)</td>
<td>2.50 – 3.50 per hour; 480 – 677 per month (US$ 48-68)</td>
</tr>
<tr>
<td>Farm Workers</td>
<td>2.87 per hour, 517 per month (US$ 52) plus food and accommodation (entry level)</td>
<td>517 per month (US$ 52); substantially higher at individual employers</td>
<td></td>
</tr>
<tr>
<td>Security Guards</td>
<td>3.80 per hour; 987 per month (US$ 99)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petrol Station Workers</td>
<td>None</td>
<td>Current practice: 500 – 1500 per month (US$ 50-150)</td>
<td></td>
</tr>
<tr>
<td>Informal Economy Workers</td>
<td>None</td>
<td>Current practice: N$ 100 – 300 per month (US$ 10-30)</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Mwilima 2006; Karamata 2006; LaRRI 2007; Jauch 2008b; Newspaper articles 2009

The on-the-job training provided at Chinese companies is not too different from what is happening at most other Namibian workplaces. LaRRI’s labour market study of 2003 found that only about 20% of Namibian workers received ongoing training with another 20% receiving on-the-job training when they started work. Almost 50% of Namibian workers received no training from their employers (LaRRI 2004).

Likewise, health and safety issues are given low priority at many workplaces (including petrol stations), although the practices at Chinese construction companies seem to be extremely notorious.

Finally, unionisation rates in Namibia’s formal economy are quite high (around 50%) but unions have been unable to organise and effectively represent workers at Chinese businesses. While this may be partly explained by labour’s own weaknesses, the low unionisation rates also point to high levels of intimidation and victimisation.

5. Possibilities for trade union intervention

Namibia’s trade unions experienced a host of problems when dealing with Chinese employers. The branch organiser of the Metal and Allied Namibia Workers Union
(MANWU), Justine Jonas, pointed out that Chinese construction companies employed Chinese workers for jobs that could be done by Namibian workers, while other foreign companies only brought skilled technical workers to Namibia. She mentioned that some South African companies used to bring in their workers but that this practice stopped after a strike over that issue. “We are not against the Chinese but they are stubborn. There is a law that they need to comply but none of them are complying.” (Interview, 17 July 2008)

NAFAU organiser Wilma Angula also experienced problems with Chinese employers in the retail sector. She pointed out, however, that there were also several Namibian and South African employers who engaged in similarly bad labour practices. Her colleague Martin Nekongo in Swakopmund added that while there was a need to improve labour relations at Chinese companies, the situation was even worse for workers at labour hire companies like Africa Personnel Services (APS) (Interview, 11 June 2008). NAFAU’s acting regional chairperson John Kamati added that:

“We want our workers to be free from intimidation and victimisation... The Chinese must improve wages and labour relations. They must allow trade unions to visit their companies. When they come to Namibia they come through the Ministry of Trade and Industry and therefore the Ministry must ensure that before they come they must be given an induction course on the laws and regulations of the country. It should be compulsory for all new business owners to undertake the induction course.” (Interview, 12 June 2008)

Many workers we interviewed blamed the Namibian government for the labour rights violations at Chinese companies. They argued that government had the power to force foreign investors to adhere to the laws of the country. Some workers felt that the government did not care about them and warned that the government must intervene before the situation got out of hand.

In the construction industry, MANWU proposed the setting up of a committee consisting of representatives of the union, the CIF, the Ministry of Labour and the Ministry of Works and Transport to monitor the construction industry with a view of securing adherence to all legal requirements (Interview with Justine Jonas). This idea might soon become formalised, as there is currently a bill in Parliament that will pave the way for the setting up of a Council for the Construction Industry. It will consist of the CIF representing the private sector, MANWU, the relevant government ministries (Ministry of Labour, Ministry of Finance and Ministry of Works and Transport) and others. The aim of the council body is to serve as a regulatory body that ensures adherence to relevant legislation by construction companies in Namibia. This council was an initiative of the CIF as its President Renate Schmidt explained: “Registration with that council will be compulsory and legal compliance will be enforced. CIF supports the establishment of such a council and campaigned for its establishment for the past five years.” (Interview, 21 July 2008)

According to Liu Kungyuan, the Economic and Commercial Counsellor, the Chinese Embassy has set up a Chinese Construction Association to ensure that Chinese companies understand the national laws and comply with their provisions. This Association together with the China Chamber of Commerce and Industry aims to force Chinese companies to abide by the relevant Namibian laws. The message
seemed to have reached some of the Chinese employers that we visited during our fieldwork. They indicated their willingness to learn about Namibia’s labour laws and to abide by them. The owner of a retail shop in Oshakati suggested that: “The government must translate the Labour Law in Chinese language so that we know and understand the Namibian law.” His colleague from another shop expressed some concerns and added:

“We want the Namibian government to be fair and to look at both sides when we have problems with workers. Sometime we don’t want a worker. We want to fire him as our right, but we cannot because the government asks us to pay the worker a lot of money even if he does not deserve to be paid. Sometimes the worker does not do proper work and we don’t want him in the shop. We want him to go.” (Interview, 17 June 2008).

Overall, Namibia’s trade unions still face a host of challenges when dealing with Chinese companies. In the construction industry, it is a matter of enforcement, which could be achieved by a pro-active collaboration between labour and the relevant Ministries as well as the business representatives in the industry. Adherence to national laws and minimum wages cannot be negotiable and trade unions should initiate a national campaign on this matter. Such a campaign must target all companies, not only the Chinese.

The situation is different in the retail sector where trade unions hardly represent workers employed at the China shops and other small retail outlets. The nature of this sector with few employees and high levels of intimidation makes unionisation very difficult. Demanding an industry-wide minimum wage might be an option to ensure that retail workers are at least protected against the most exploitative practices. Trade unionists that we spoke with (NAFAU, MANWU) suggested the introduction of a minimum wage of at least around N$ 800 (US$ 80) per month. They suggested that Chinese companies should be tackled jointly by the unions and the government to ensure that the provisions of the law are enforced.

The “Anti-Chinese group of businesspeople” from Northern Namibia indicated (despite their name) that they welcomed the Chinese business people but that the Namibian government should not allow them to enter the retail market. This demand might find some sympathy with the Chinese Embassy, which indicated that it did not support the establishment of small shops in Namibia as this did not contribute to job creation and economic development (Interview with Liu Kaungyuan). It remains questionable if the Namibian government will be willing to take such a step and limit the number and reach of Chinese traders. This will only happen if there is sufficient pressure from below and Namibia’s trade unions will have to debate if they want to lend support to the Northern business people. This debate should be shaped by broader considerations for economic development and the creation of sustainable, decent jobs. Special emphasis must be placed on the creation of manufacturing activities, if Namibia is to break the colonial pattern of being a supplier of raw materials and a buyer of manufactured goods.
6. Conclusion

The excellent political relations between the People’s Republic of China and Namibia as well as the increasing levels of trade between the two countries point to increasing economic ties in the years to come. The various agreements signed pave the way for closer economic co-operation, although the Chinese investments are currently concentrated in construction, property development and retail. Currently there is little evidence of the envisaged expansion of manufacturing and value-addition of Namibia’s mineral resources. This has to become a priority if the Chinese-Namibian economic relations are to become qualitatively different from those between Namibia and the former colonial powers. The classical colonial pattern of being an exporter of raw materials and an importer of manufactured goods has to be broken and the Namibian government has to negotiate strategically if this aim is to be realised.

Despite the many setbacks with several investors in the country’s export processing zones, we found little evidence of a more selective and strategic engagement regarding foreign investments. Namibia still seems to believe that any foreign investment should be welcome and that there is little room to impose strategic criteria. Officials in the Ministry of Trade and Industry also still seem to believe that they have to be “flexible” regarding workers’ rights and working conditions. This paves the way for a continuation of exploitative labour practices and certainly undermines the creation of “decent jobs” as promoted by the ILO.

The lack of clear data on investment trends within the Ministry is another area of concern as such information would be critical to assess whether Namibia is indeed moving away from extractive investments (for example in the mining industry) towards manufacturing and value-addition.

Despite the long-standing bonds of solidarity and friendship between China and Namibia, it is naive to believe that Chinese investors would behave fundamentally different from other foreign investors. After all, China’s phenomenal economic growth rates over the past decade were achieved within an economic system that adhered to the logic of global capitalism and attracted FDI from the major global corporations. Despite China’s ruling party still calling itself a communist party, its policies and practices have turned the country into a successful capitalist venture. Although not accompanied by the western liberal notion of democracy, China has used the rules of market-driven capitalism to its own advantage.

The Namibian government will have to set its own strategic priorities and negotiate based on these priorities, if it wants to achieve better investment and trade deals than those offered by Europe or the USA. The latter have their own interests, which often contradict those of African states. The latest example in this regard is the negotiation around the “Economic Partnership Agreements” (EPAs).

China has adopted a very strategic approach towards its relations with the rest of the world. China can hardly be blamed for trying to secure the raw materials needed for its continued rapid industrialisation elsewhere. The challenge for countries like Namibia is thus to secure better deals than they had in the past with Europe and the USA. This means paying particular attention to value-addition and manufacturing activities that can create the much-needed jobs in the country. Furthermore, skills and
technology transfers should be a central component of any investment deal. The current practice of allowing thousands of Chinese small traders to set up China shops across the country holds little benefit for Namibia’s overall development.

The current labour practices at Chinese firms in Namibia are unacceptable. A matter of particular concern is the awarding of tenders to companies, which do not adhere to national laws and regulations. Such practices undermine not only Namibia’s legal foundation, but also erode the country’s social fabric. Workers are left unprotected from highly exploitative practices while government seems to be reluctant to take decisive actions. Even the Namibian labour movement has not embarked upon a systematic campaign to enforce compliance with the legal provisions. Such a campaign has to be national and target local, Chinese and other foreign investors alike. The longer the violations of Namibian labour laws are tolerated, the more they will be relegated to the status of “friendly recommendations” that look good on paper but have little practical impact. Namibia’s government and labour movement alike will have to show that they are serious about the enforcement of laws and collective agreements as well as the promotion of a decent work ethic. The proposed council for the construction industry might be a suitable tool for enforcement.

The Chinese Embassy and Namibian government officials suggested that workers’ rights and wages should be compromised now in order to achieve development and prosperity in the future. This is a highly problematic proposition, both on political and economic grounds. Namibian workers have experienced a long colonial history of exploitation and independence was directly linked to the promise of moving away from the highly exploitative and racist practices of the colonial past. This is why many Namibian workers indicated that they regarded the working conditions at Chinese companies as a new form of colonialism. They simply reminded them of conditions they had to endure before independence in 1990.

Likewise, the low skill-low wage strategy towards industrialisation and development is a highly retrogressive proposition. While several developing countries adopted this strategy between the 1970s and 1990s, their experiences have shown that this strategy does not necessarily lead to the desired outcomes. It often locked countries into low-wage activities and only some managed to move towards higher-skill wage production over time. Given the ruthless competition that characterises the global capitalist economy today, the proposed low wage strategy to make Namibia internationally competitive holds little promise. Instead a more selective approach to foreign investment with an emphasis on value-addition to the country’s resources, coupled with a systematic programme for skills and technology transfer seems a much better option. Furthermore, Namibia should increasingly look towards the SADC and African markets, as intra-African trade is still highly underdeveloped and dominated by a few transnational corporations from South Africa.

It remains to be seen if the Namibian government will be able to shape the emerging economic relations with China along its own strategic priorities or if Chinese investments will merely be an addition to the current patterns of foreign investments that leave the benefits with the investors while contributing very little to the host country’s socio-economic development.
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8. Appendix: Interviews conducted

8.1 Construction industry
1. China Jiangsu International
2. New Era Investments
3. Lee’s Investment and Property Development
4. Auas Property

8.2 Retail industry
1. Yangtse River Properties
2. Omega Wholesale
3. Sunshine Shop
4. Huan Lin Loudspeakers and Factory
5. S2 China town
6. JFJS Smile Shop
7. China Wholesalers
8. Cheap Shop
9. China Jan Su
10. China House Store
11. China fashion Shop
12. China Brother Shop
13. Omega Wholesaler
14. Ling Shop
15. Lin Shop
16. Sogo Shop
17. China Shop No 1
18. Namibia Dragon City
19. China Shop
20. Mondesa Fashion China Shop
21. Ganen Lushan Shop
22. Shop Outapi
23. Wind Shop
24. Shop No 1
25. The Great Wall
26. Factory Shop
27. Twakoka
28. Namchina
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30. Ziang Bin
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33. China Town S2

8.3 Other industries
1. Chinese Natural Herb and Health Clinic
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4. Yang Tze Restaurant
5. China Grand Restaurant
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7. Mei Luo (textiles)
8. Blue Sky Manufacturing
9. Zhen Huacc (Kombat clay bricks)
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8.4 Chinese Embassy
1. Liu Kaungyuan
2. Zhang Jun

8.5 Ministry of Trade and Industry
1. Moses Pakote
2. Daniel Nghidinua

8.6 Ministry of Labour and Social Welfare
1. Martha Shipo
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4. Martha Shipushu
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8.7 Trade union officials
1. Justine Jonas
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3. Martin Nekongo
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2. Renate Schmidt
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4. Group of business people in Northern Namibia

8.9 Others
1. Kerry Mc Namara, architect
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3.5 Chinese Investments in Zimbabwe

Naome Chakanya and Nyasha Muchichwa
Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ)

Research methodology

Data collection

The data used in this research came from both primary and secondary sources. On the primary research, the researchers used two sets of questionnaires to solicit information from the employers and the employees. The questionnaires were sent to critical trade unions where Chinese activities were more prevalent. They include mining, construction, clothing and textiles as well as cement and lime. Interviews with workers and trade union representatives were also recorded while notes were taken down during the interviews. As regards secondary sources, different organisations responsible for trade and investment were visited. The Ministry of Foreign Affairs was also visited although they could not provide much information as they considered the information requested as very sensitive. Government statistics, articles, trade journals, periodicals, research reports and reports from the National Employment Councils (NECs) were also used.

Data analysis and organisation of the data

To analyse the impact of Chinese investments on the Zimbabwean economy and the labour market, the research paper used both descriptive methods in the form of graphical notations and quantitative methods of research. This included analysing the questionnaire responses using Excel and a statistical package called STATA.

Limitations of the research

The research process faced a lot challenges given the political and economic crisis in Zimbabwe. Most of the government officials including the Ministry of Foreign Affairs could not provide the researchers with relevant information. The main reason given was that there had been some reports that some other researchers were giving the information to what the government calls “our detractors”, that is, the West. This is in light of the tense relationship between Zimbabwe and the West. One of the government officials said in the vernacular language Shona: “Tave vana Itai kwete vana Taurai,” meaning that the government is now interested in doing things, not talking about them.

At the company level, most of the employers refused to give information. They argued that their deals were more on a government to government basis. Thus, if researchers needed information, they had to obtain it from the government itself. Some of the Chinese employers when approached by the researchers pretended not to understand English and had to ask for more time to look for their interpreters to assist them.
Furthermore, the pre- and post-Presidential election period resulted in high political uncertainty and a stalemate in most economic activities. Most foreign investors’ activities, including the Chinese, were put almost on a standstill as there was great uncertainty regarding which government would come in place, something which would consequently influence the future.

In addition to the above challenges, the absence of a substantive government for a relatively long period after the run-off elections made it difficult for the researchers to embark on the fieldwork earlier and hence meeting with the various stakeholders.

Nevertheless, despite all the hurdles, information from the NECs and the filled in questionnaires provided insight into the labour relations at Chinese companies.

1. Introduction and Background

1.1 Zimbabwe’s relations with China

1.1.1 Pre-independence Period (1970-1980)
During Zimbabwe’s struggle for independence two main political parties were at play: ZAPU led by Joshua Nkomo and ZANU led by Robert Mugabe. The Soviet Union supplied arms to ZAPU while ZANU was supported by China. From there onwards, China developed relations with ZANU. Robert Mugabe then met with Chinese officials in January 1979 in Mozambique and both sides expressed their intent to strengthen ties. After the decisive victory of the ZANU Party in the presidential elections of 1980, China’s close ties with Zimbabwe grew. The Government of the People's Republic of China and the Government of the Republic of Zimbabwe, in conformity with the interests and desire of the two peoples, decided to establish diplomatic relations at ambassadorial level between the People's Republic of China and the Republic of Zimbabwe effective from April 18, 1980. This was signed by the then Minister of Foreign Affairs of the People's Republic of China, Huang Hua and the then Minister of Foreign Affairs of the Republic of Zimbabwe, Simon Muzenda, in Harare.

1.1.2 Post-independence Period (1980-1999)
In June 1980, in one of the first official acts after independence, Zimbabwe’s Foreign Minister, Simon Muzenda visited Beijing to thank the government for supporting the ZANU Party. This was also followed by Mugabe’s visit to Beijing the following year. The years after saw trade expansion and cultural exchanges between the two countries which were accompanied by state dinners and good will visits. The close ties between ZANU and the Chinese Communist Party (CCP) that persist today are an extension of these early relations, which are routinely referred to in each countries’ state-run press. As the People’s Daily reported, “Relations between China and Zimbabwe started in the days of the liberation struggle in the African country when China aided the liberation fighters in various ways.”

To boost the relations, the governments of China and Zimbabwe have signed agreements ranging from economic and technical cooperation, trade and investment

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41 Zimbabwe: China’s African Ally, by Joshua Eisenman, China Brief Volume 5; Issue 15, 5 July 2005
promotion. In fact, a joint economic and trade commission between the two nations has also been set up. Since the establishment of diplomatic relations in 1980, China has rendered assistance to Zimbabwe in the construction of the National Sports Stadium, hospitals, dams, school dormitories, wells, clothing factories, military equipment among others. With the support of the buyer's credit by the Export-Import Bank of China, the China Capital Iron and Steel Corporation took part in the reconstruction of No.4 blast furnace of Zimbabwean Iron and Steel Corporation, the project was completed in June 1999.

Sino-Zimbabwe relations have grown following the country’s isolation by the West and its neighbours. For Zimbabwe, a perceived international pariah state, China represents its only major international supporter.

1.1.3 The Crisis Period (2000-2008)
In 2000, Zimbabwe controversially implemented a Land Reform Programme which triggered a decline in production. This prompted isolation of Zimbabwe by the West. In response, the government officially declared a ‘Look East Policy’ in 2000 as an alternative survival technique. In fact, China showed support for the land reform as evidenced by a statement by Premier Wen Jiabao (2003) stating, “China respects and supports efforts by Zimbabwe to bring about social justice through land reform.” The relationship was also cemented given that like Zimbabwe, China represses the opposition, labour unions and other civil society organisations and the media as well as commits human rights violations (Sachikonye, 2007).

Statements about developing strong relations with Malaysia were initially made by the Zimbabwean government. However, it later emerged that the focus was more on China. In this context, meetings between the Chinese and the Zimbabwean governments multiplied. The purpose of these encounters is documented in numerous reports on the lasting friendship between Zimbabwe and China. As a result of these intensified exchanges, a number of new trade and co-operation agreements were concluded. Given Zimbabwe’s severe economic problems and estrangement from western technology, sources of capital and trade, China became a critical ally. At the same time, the “Look East Policy” provided China with opportunities to unearth Zimbabwe’s valuable natural resources and secure lucrative deals for Chinese state-owned firms.

The Minister of Industry and International Trade, Mr. Mpofu in an interview with Xinhua News Agency in September 2006 stated that, "We have an all-weather relationship with China, both at the economic and political level, but it has become more imperative now for us to grow our economic ties for mutual benefit. This is particularly so given that we are reforming our economy, and China is doing the same.” He revealed that the two countries had signed a series of protocols to enhance economic cooperation, in areas of infrastructure development, tourism, trade and investment. This was meant to pave the way for the Chinese government and private companies to explore more economic opportunities in Zimbabwe. Other measures to facilitate investment flows into Zimbabwe, especially from China and other developing countries have been put in place, thus doing away with a lot of the red

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42 www.chinaembassy.org.au/English
43 The Look East Policy of Zimbabwe now focuses on China, FES Policy Briefing Paper, Nov 2004
44 Zimbabwe: China’s African Ally, by Joshua Eisenman, China Brief Volume 5; Issue 15, 5 July 2005
tape that was in place to give investors convenience and confidence in Zimbabwe. Therefore, it is within the above context that China has become a significant player in Zimbabwe.

1.2 Trade relations with China

Figure 1 indicates that trade between Zimbabwe and China increased significantly in the last years while a few years ago, China was not even among the top ten trade partners of Zimbabwe. Exports to China recorded an annual average increase of 17% between 1995 and 1999. Whilst there was a devaluation of the Zimbabwean dollar in 1997 the increase in US dollars is still significant. The jump came between 1998 and 1999 when Zimbabwean exports to China in US dollar terms increased from 17 million to 103 million, representing nearly a 506% increase. Thereafter, exports to China have been fluctuating until in 2003 when exports reached a total of about US$1 billion before declining drastically to about US$75 million in 2004. Figures for 2005 in US dollar terms could not be calculated as the year comprised of various exchange rates. However, in 2006, exports recorded an increase of 119% from the 2004 figures to reach US$136 million. The main export good is tobacco and it accounted for over 90% of the exports to China. The other exported mineral products include asbestos, iron and steel, chrome and platinum.

Figure 1: Zimbabwe-China Trade Pattern, 1995-2004

A further analysis of the nature of exports to China indicates that Zimbabwe’s major export crop to China is tobacco and yet its major import from the same country is also tobacco. This has been due to the fact that Zimbabwe, has leased land for tobacco farming to the Chinese and whatever is taken out of the country is considered among the exports in raw form. Zimbabwe in turn imports processed tobacco for its domestic consumption.

Source: ZIMTRADE, 2008

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45 An interview with the Zimbabwean Ambassador to China, Mr Chris Mutsvagwa, The Chronicle 06/07/2006
Imports from China have been fluctuating over the given period with high figures in 1998, 2004 and a figure of US$136 million in 2006. Zimbabwe imports manufactured products such as machinery, electrical items, engine and motor parts, plastics and telecommunications items. The recent lower industrial capacity in Zimbabwe with most companies operating below 30% capacity (CZI, 2007) has created the need for imports from China. Figure 1 also indicates that Zimbabwe has maintained a positive trade balance except for 1997 and 1998. A very high trade balance in 2003 was as a result of very low imports (the lowest over the given period) of only about US$5 million.

The Zimbabwe-China trade relations are characterised by the classical pattern of trade between developing and developed economies as noted by Moelesti Mbeki (2005) below:

“Africa sells materials to China and China sells manufactured products to Africa. This is a dangerous equation that reproduces Africa’s old relationship with colonial powers”

However, lately, Zimbabwe’s trade relation with the West has been still stronger than with China or any other Asian country. For example, from January up to June 2005, Africa and Europe made up a combined 81.37% of Zimbabwe's exports. Infact, Zimbabwe’s own ranking as an export destination of Chinese goods declined from the 24th to 28th position in 2006 (Sachikonye, 2007).

1.4 Trends in Chinese Tourism in Zimbabwe

As a result of the 2001 human rights violations, the political, social and economic crisis, the repressive nature of the Zimbabwean government and the country’s negative publicity, the tourism sector saw overall setbacks. According to Zimbabwe Tourism Authority (ZTA) the number of foreign tourists visiting Zimbabwe dropped by 8% between 2001 and 2003 before increasing by 11% in the following year and again further dropping significantly by about 18% by 2004. This resulted in a massive decline in foreign currency earnings.

To further strengthen the ties between Zimbabwe and China along with the “Look East Policy”, the two countries signed a tourism agreement on June 15, 2004 allowing Chinese nationals to travel to Zimbabwe. In the same year, China granted Zimbabwe the Approved Destination Status tourism green-light which resulted in increased tourists from China between 2003 and 2007.
Table 2: Number of Chinese Tourists to Zimbabwe, 2003-2007

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. Of Arrivals</td>
<td>2 256 205</td>
<td>1 854 488</td>
<td>1 558 501</td>
<td>2 285 572</td>
<td>2 508 255</td>
</tr>
<tr>
<td>China’s % share of the total arrivals</td>
<td>0.36</td>
<td>1.40</td>
<td>0.46</td>
<td>0.42</td>
<td>0.50</td>
</tr>
<tr>
<td>% changes</td>
<td>-</td>
<td>216.8</td>
<td>-72.5</td>
<td>34.1</td>
<td>28.9</td>
</tr>
</tbody>
</table>

Source: Central Statistical Office (CSO) 2008 & ZTA 2008

Table 1 indicates that despite the reports that there has been an increase in the number of tourists from China, China’s percentage share in the annual tourist arrivals has been significantly low between 2003 and 2007. The highest percentage share was only 1.4% in 2004. This indicates that the campaign by the Zimbabwean government to lure in more tourists from China has not yielded much in terms of tourist arrivals. A further analysis of the percentage changes over the years shows that the highest increase was in the period 2003/2004 which recorded 216.8%. Thereafter, the figure declined massively by 72.5% in 2005 and remained low in 2006 and 2007 respectively. Table 2 shows China’s position among other sources of tourists in Zimbabwe.

Table 3: Top 10 overseas source markets for tourists in Zimbabwe, 2005-2007

243
The table above shows that China/Hong Kong have remained among the top 10 overseas markets in Zimbabwe from 2005 to 2007. Although China maintained its eighth position over the above period, the number of tourists increased by 34.1% between 2005 and 2006 before declining slightly by 28.9% between 2006 and 2007. A further look at the table indicates that in the Asian market Japan is the major source market for Zimbabwe followed by China.

ZTA is also training local guides to speak Chinese (Mandarin) as the authority expected to receive about 2 000 Chinese tourists every week. However, Zimbabwe’s airline, Air Zimbabwe, which has the capacity of 100 passengers, flies to China once a week.

### 1.5 Official Development Assistance (ODA)

The researchers could not obtain figures of the actual ODA that China is giving to Zimbabwe as the information was concealed by the government for national security reasons. However, in a study undertaken by ZIMCODD, it was revealed that traditional European and American donors in Zimbabwe have mostly been involved in both humanitarian and grant activities as well as private investment. These include aid in the form of medical supplies including specific medication, for example, anti-retroviral drugs for patients affected with the HIV scourge, provision of food supplies in times of drought and intermittent food shortages, reactionary assistance in times of natural disasters like floods and droughts, private investments and grants earmarked for other projects. In contrast, the same study revealed that the Chinese have been
more involved, almost exclusively in business to business investment agreements as well as bilateral governmental agreements with relatively insignificant assistance being channelled towards humanitarian aid. For example, in 2003 and 2006, China donated 4,500 and 6,000 metric tonnes of maize respectively to Zimbabwe.

“Blessed with a sound natural resource base and an abundance of tobacco, textiles and cotton that China is in dire need of; along with an educated human resource base; Zimbabwe has what it takes to justify the faith China has bestowed…. To this end, we encourage the Government to give incentives to encourage more investment from the East as Zimbabwe has the potential to become the hub of Chinese investment in Sub-Saharan Africa, if not the whole continent.”

The Herald Newspaper, 24 April 2007

“Chinese assistance seems to be too little for the problems we are trying to address although they are now our largest single investor.”

ZIMTRADE Official

“The Speaker of the House of Assembly, Cde John Nkomo reaffirmed the growth of Chinese investments by stating that “China now dominates the FDI flowing into the country”

The Herald Newspaper, 27 April 2007

2. Nature of Chinese Investments and Trade

2.1 Chinese Investments in Zimbabwe

Since independence, China and Zimbabwe have signed agreements on economic and technical cooperation, trade and investment protection. Table 3 shows the overall investments in Zimbabwe approved by Zimbabwe Investment Centre (ZIC) by country of origin.

Table 4: Share (in value) of approved investments by country of origin, 2000-07 (in %)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>UK</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>25.3</td>
<td>7.4</td>
<td>7.1</td>
</tr>
<tr>
<td>2001</td>
<td>8.8</td>
<td>5.3</td>
<td>5.7</td>
</tr>
<tr>
<td>2002</td>
<td>21.6</td>
<td>6.2</td>
<td>11.0</td>
</tr>
<tr>
<td>2003</td>
<td>21.9</td>
<td>4.7</td>
<td>1.0</td>
</tr>
<tr>
<td>2004</td>
<td>35.2</td>
<td>2.8</td>
<td>0.3</td>
</tr>
<tr>
<td>2005</td>
<td>17.4</td>
<td>3.3</td>
<td>75.9</td>
</tr>
<tr>
<td>2006</td>
<td>4.4</td>
<td>9.0</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>1.4</td>
<td>0.1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ZIC, 2008
From a comparison of the three countries in Table 4, it can be shown that China had a higher contribution to investments in value in Zimbabwe as compared to UK and USA between 2000 and 2004. This can be attributed to the government’s “Look East Policy” aimed at attracting investments from the east as Zimbabwe’s relationship with the west continued to sour.

However, the benefit from China has not been long lasting as evidenced by the massive decline in China’s investments share in value from 17.4% in 2005 to 1.4% by 2007. In fact, in 2005, USA’s share in investments approved was higher than China.

China has been mainly interested in sectors such as construction (hydro-electric and coal power stations, bridges, airports, and the reconstruction of Zimbabwe's most important border post at Beitbridge with South Africa (Machemedze, 2006), agriculture mainly concentrating in tobacco (contract) farming, mining and clothing and textiles. It was reported that they were at least 35 companies operating in Zimbabwe by 2007 with investments worth over US$ 600 million (ibid).

However, information regarding sources of Chinese investment (private, state or both), conditions attached to these investments as well as contribution of Chinese investments to GDP and tax revenue could not be obtained due to the fact that the information was considered very sensitive by the government and therefore could not be revealed to the public. In addition, since most of the investments occur on a government to government basis, even organisations such as ZIC which is expected to have such information confessed that they are not aware of what the two governments agreed to sign. ZIC is therefore there to issue out the licences for operation only upon a directive from the government.

2.2 Chinese Investments in Zimbabwe: A Sectoral Analysis

“From shoes to aircraft to investment, Zimbabwe pursues a Made-In-China Future.”

Michael Wines, 2005

The sectoral spread of economic co-operation between Zimbabwe and China goes across most of economic sectors of the Zimbabwean economy. These include tourism, transport, energy, wildlife resources, information technology and textile, leather, clothing and shoe industries. However, investments have been much more concentrated in the extractive sectors including mining and construction. In most cases, Chinese investment was in the form of joint ventures, as these ensured mutual benefits.
Figure 2: Approved Foreign Investment from China by sector as a % of the overall investments

<table>
<thead>
<tr>
<th>Sector</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>95.53</td>
<td>57.77</td>
<td>86.45</td>
<td>80.97</td>
<td>98.76</td>
<td>33.55</td>
<td>24.39</td>
<td>8.62</td>
</tr>
<tr>
<td>Mining</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>12.15</td>
<td>0.00</td>
<td>54.96</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Tourism</td>
<td>3.90</td>
<td>0.00</td>
<td>2.41</td>
<td>6.88</td>
<td>0.91</td>
<td>0.00</td>
<td>10.78</td>
<td>0.00</td>
</tr>
<tr>
<td>Commercial</td>
<td>0.57</td>
<td>34.51</td>
<td>6.57</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Construction</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.77</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Transport</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Services</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1.01</td>
<td>10.08</td>
<td>2.67</td>
<td>0.04</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Calculated from ZIC statistics, 2008*

Figure 2 indicates that Chinese investments are more concentrated in the manufacturing, mining and agriculture sectors. Of all the investments that came into the country, investments from China in the manufacturing sector were the largest between 2000 and 2005. However, in 2006 and 2007, Chinese interest moved from the manufacturing to the mining sector accounting for 62% and 91% respectively. The agriculture sector recorded a high figure only in 2005 of about 56%. Figure 2 also shows growing interest by the Chinese in the tourism and the services sectors. Interestingly, while there have been some reports of Chinese investments in the construction sector, the figures from ZIC do not show this trend. A study conducted by ZIMCODD (2008) indicated that the possible explanation could be that the tax breaks availed to Chinese companies under the government aid contracts particularly in construction might be abused by allowing companies or company employees to smuggle in consumer goods such as clothes and electrical goods for local distribution, although no hard evidence was proffered to support this.

### 2.3.1 Construction Sector

Despite the general economic crisis in the country, the building sector especially private housing, has not suffered. This is due to the fact that many of the over five million Zimbabweans working abroad send remittances home (though most of it comes through unofficial channels), which are mostly invested in new real estate. Chinese operators are particularly dynamic in the construction sector in Zimbabwe and are taking advantage of the situation.

**Box 1: Sino-Zimbabwe Cement Company**

The company located in Gweru, about 300 km south of Harare was completed in September 2000 with a total cost of 51 million U.S. dollars. The company is a joint venture between Zimbabwe’s Industrial Development Corporation (IDC) and the China Building Material Industrial Corporation for Foreign Economic-Technical Corporation (CBMIC). In 2001, the plant had a production capacity of 700 tons of cement per day and was expected to achieve full capacity by January 2002 producing 900 tons per day. The plant created employment for 215 permanent and 109 contract workers.

The company has become one of the largest cement producers in Zimbabwe with its quality products exported to many countries in the Southern African region, earning Zimbabwe millions of U.S. dollars. However, due to the current exchange rate distortions, most of the produced cement at the plant has been for exports and only small quantities have been sold locally.

*Source: People's Daily, October 27, 2001*
In September 2004, the Chinese opened a tile and brick factory. In line with this, loans and projects for joint ventures with Chinese construction companies in the housing sector have also been reported. However, an economic consultant in the private sector expressed doubts regarding the success of the recent Chinese investment in the sector explaining that the machines the Chinese intend to use are not appropriate for the kind of clay that one finds in Zimbabwe.

Zimbabwe has also shown some interest for co-operation agreements for the construction of roads with most of the material needed for the construction work being imported from China. In an article in The Herald Newspaper in August 2004, it was highlighted that these kinds of orders used to be contracted out to British and American companies. Since their respective governments have imposed sanctions on Zimbabwe, these companies no longer get the necessary pre-financing credits from their governments for delivering the orders.

Other construction work by the Chinese includes the construction of National Sports Stadium, hospitals, dams (Kunzvi Dam) and the mansion of the President in Harare.

Furthermore, China gave interest-free loans and grants to Zimbabwe for different infrastructure development projects. This has led to an increase in the number of Chinese activities within the sector.

2.3.2 Mining Sector

More appealing to China are Zimbabwe’s vast mineral and precious metal deposits. China’s economy is particularly in need of these raw materials to support its own growth and development of its own industries and infrastructure. Moreover, China together with India are the two largest jewellery markets for gold and platinum.

Zimbabwe has deposits of more than 40 minerals including ferrochrome, gold, silver, and copper. Zimbabwe has the second largest deposits of platinum in the world, estimated at over US$ 500 billion, but due to resource limitations, the wealth remains untapped. The government has not hesitated to use natural resources to lure Chinese investment. This is highlighted in a statement by the RBZ’s Governor below.

“\[I would like to unveil to the Chinese people the vast investment opportunities that abound in Zimbabwe, including our natural resource endowments.\]”
Dr. Gideon Gono, Governor of the Reserve Bank of Zimbabwe in a meeting with the Deputy Governor of the People’s Bank of China.

The research also found out that Beijing already has deals in place for coal and coke concessions in return for financing and mining equipment. In return for Harare’s guarantees, the China North Industries Corporation (NORINCO) has agreed to finance multi-billion dollar expansion projects by Hwange Colliery Company. It is

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46 China steps up trade and investment in Africa; Article by Barry Maron, 15 Nov 2006
worth noting that the U.S. government sanctioned NORINCO on several occasions for proliferation related activities.

The Chinese trade delegations show growing interest in the mineral resources of Zimbabwe, in particular iron, steel, chrome and platinum. One of the agreements (signed in November 2004), constitutes the basis for the establishment of a joint venture with NORINCO. The other agreement provides exploration rights to a group of Chinese experts who will carry out a study on the mineral resources in Zimbabwe. Between 2003 and 2008, investors from China visited the country in droves, examining a wide array of prospective projects. In 2003, Shanghai Baosteel invested US$ 300 million in the sector which created 2 000 jobs (Sachikonye, 2007). These range from nickel, chrome, uranium and coal mining to power generation. During a visit to China in 2004 by Vice President Joice Mujuru, a prospective US$ 1.3 billion investment deal in coal mining and thermal power generation, was discussed.

One of the biggest steel manufacturing companies, Metallurgical Corporation (MCC) had shown interest in buying stake of 60% in ZISCO but was however deterred by the Government’s new law, which requires 51% state ownership.

In September 2007, the Chinese mining and trading group Sinosteel bought a stake in Zimasco Consolidated Enterprises, the holding company for Zimbabwe's largest ferrochrome producer47. Zimasco produces 210 000 tonnes of high-carbon ferrochrome annually, accounting for about 4% of global ferrochrome production. In addition, Bunday Technical Mining, a Chinese company indicated an interest in setting up a chrome processing plant at Lalapanzi in the Midlands province (Sachikonye, 2007).

In February 2008, a 22-member Chinese business delegation that visited the country noted that the Chinese government and companies from the Asian giant were keen to invest in the country’s gold and platinum mining sector. The Minister of Mines Minister, Amos Midzi, confirmed that the country’s mining sector "was heading for better times” after the Chinese delegation committed itself to investing in the minerals sector and highlighted that the Zimbabwean government was willing to partner with them as they were considered to be “sincere investors.”

2.3.3 Agricultural Sector
China has shown support of the land reform programme in Zimbabwe. In 2001, it was reported that the Chinese Ambassador to Zimbabwe, Hou Qingru, donated to Zimbabwe on behalf of his government agricultural equipment worth US$ 241,00048. Subsequently, the Chinese government also made available several credit lines in further support of the land reform programme. For example, China extended a credit facility of US$ 200 million dedicated to the purchase of Chinese agricultural equipment, inputs which include fertilisers, agrichemicals and seed (Sachikonye, 2007). Some of the credit has been used for importing food. An article published in The Australian reports that a Chinese state company, the China International Water

47 Financial Gazette, 27 September 2007
and Electric Corporation, concluded an agreement with the Zimbabwean government to cultivate 100,000 hectares of land, a project which had been on the drawing board for some time. The joint management of the project claimed that they could produce up to 2.1 million tonnes of maize per year, by producing three crops a year.

The research also revealed that China has become the largest tobacco buyer from Zimbabwe. According to the UNCTAD / WTO 2008 report, tobacco exports accounted for about 69% of the total exports. Tobacco is among Zimbabwe's top exports. China has also moved beyond just importing Zimbabwean tobacco, and has gone into the crop's production and processing through out-grower schemes with local farmers, providing critical financing to boost the crop's output, which has been falling in recent years. According to the figures from the economic and commercial counsellor's office of the Chinese Embassy in Zimbabwe, Zimbabwe has bought more than 100,000 tonnes of fertilizers and pesticides from China with a US$ 200 million buyer's credit loan offered by the Chinese banks, under a US$ 300 million agreement signed a few years ago. As it fast industrialises, China is becoming a net importer of food and Zimbabwean farmers are being encouraged to go into production of soya beans, coffee, sugar, cotton and beef. Research has shown that China’s restaurant industry alone is a US$ 125 billion annual market,\(^49\) and requires a variety of food products from around the world.

Prior to the March 2007 Presidential Elections, the government commissioned 424 tractors imported from China at more than US$25 million dollars to be used by tobacco contract. The consignment also included disc harrows. These tractors were imported with a preferential loan provided by the Chinese government in 2006. Just before the 2008 harmonised elections, through the RBZ’s Agricultural Mechanisation Programme, the government of Zimbabwe imported more tractors, combined harvesters and other farm equipment from China.

Again, in September 2008, 77 tobacco farmers received agricultural implements imported from China by a local tobacco contractor, Gold Driven Investments (GDI). The implements which consisted of 44 motorcycles, 90 utility vehicles, 17 generators, four 65-horsepower tractors and three 35hp tractors were valued at US$ 54 000\(^50\).

Following reports that most farmers were failing to service their machinery sourced from China resulting in most of the equipment being grounded, GDI has set up an equipment service plant in Zimbabwe. In addition, in order to bring into reality the action plan of the China-Africa Cooperation Forum, the Chinese government reportedly plans to build an agricultural technology experimenting centre in Zimbabwe. The impact of Chinese activities in this sector is explicitly shown.

Hence, the deteriorating economic environment which has negatively affected the manufacturing and agro-industrial sectors over the past decade has created an avenue for China to invest more in the agriculture sector.

### 2.3.4 Transport Sector

In 2004, Zimbabwe stated its interest in associating with the Chinese in the development of the country’s transport sector. In this light, Air Zimbabwe, the national airline, reached an agreement with the Chinese company, National Aero-Technology Import and Export Corporation (CATIC) for the acquisition of a long

\(^{49}\) An interview with the Zimbabwean Ambassador to China, Mr Chris Mutsvagwa, The Chronicle 06/07/2006

\(^{50}\) The Herald, Wednesday, September 24, 2008
haul plane, an MA60. Under this agreement, two MA60’s were also bought. In addition to this, the Chinese government donated an extra plane as a gift through the agreement. One of the planes is now flying to China and Singapore. This plane is also being used to contribute to the implementation of the tourism agreement between China and Zimbabwe.

Again, in 2003 and 2004, Zimbabwe's largest bus company ZUPCO bought 55 luxurious buses and various motor parts from China's First Automobile Works (FAW). These buses were unable to make a significant impact on the industry on a national scale as the country continued to face the transport crisis. In 2006, China had agreed to sell the Zimbabwean government 1,000 commuter buses to upgrade its municipal fleet, of which some of the buses are already in Zimbabwe and are being used by the various government departments to transport their staff. However, to date, less than a quarter of the buses are still functional. Most of them have broken down and the government has failed to repair them owing to lack of foreign currency to import spare parts.

On railways, a co-operation agreement was signed beginning of November 2004 between the Zimbabwean parastatal company National Railways of Zimbabwe (NRZ) and the Chinese company China Northern Locomotive and Railing Stock Industry (CNR). However, more information on the agreement could not be obtained by the researchers.

### 2.3.5 Textile, Leather, Clothing and Shoes Industries

The ending of the Multi-Fibre Agreement (MFA) in particular, which had offered some protection to producers in “underdeveloped” countries, hit African textile manufacturing hard. By 2004, the Zimbabwean market was flooded with colossal quantities of textiles, clothing and shoes from China sold at retail prices well below the prices of local substitutes. Local industries complained that they could not cope with this kind of competition and a majority were forced to close down. By then an estimation of about 30,000 jobs were directly threatened\(^{51}\). The following table indicates the Chinese companies in the clothing industry as at the time of the research.

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\(^{51}\) Zimbabwe Independent, Mavis Marongwe, “Zim needs law to curb cheap goods influx”, October 15, 2004
Table 5: Chinese companies in the clothing industry

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Year of establishment</th>
<th>Number of employees</th>
<th>Employment tenure</th>
<th>Employment by gender</th>
<th>Current Status</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Likvee Investments</td>
<td>2007</td>
<td>30</td>
<td>Permanent</td>
<td>17 males 13 females</td>
<td>Operating</td>
<td>Chinese</td>
</tr>
<tr>
<td>CMTI</td>
<td>2000</td>
<td>28 (31 in 2005)</td>
<td>6 months contract</td>
<td>28 males</td>
<td>Operating</td>
<td>Chinese</td>
</tr>
<tr>
<td>Afro-Chinese</td>
<td>1999</td>
<td>15 (from 23)</td>
<td>Permanent</td>
<td>7 males 7 females</td>
<td>Operating</td>
<td>Chinese</td>
</tr>
<tr>
<td>Oral hopes</td>
<td>2007</td>
<td>10</td>
<td>Permanent</td>
<td>7 males 3 females</td>
<td>Operating</td>
<td>Chinese</td>
</tr>
<tr>
<td>Revival Fabrics</td>
<td>-</td>
<td>14</td>
<td>contract</td>
<td>13 males 1 female</td>
<td>Operating</td>
<td>Chinese</td>
</tr>
<tr>
<td>Spiid Rolling</td>
<td>2005</td>
<td>18</td>
<td>contract</td>
<td>11 males 7 females</td>
<td>operational</td>
<td>Chinese</td>
</tr>
<tr>
<td>Ankay Garments</td>
<td>40</td>
<td>15 permanent 25 contract</td>
<td>40 males</td>
<td></td>
<td></td>
<td>Chinese &amp; Indian</td>
</tr>
<tr>
<td>Three-Star</td>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td>Operating</td>
<td>Chinese &amp; Zimbabweans &amp; a Foreigner</td>
</tr>
<tr>
<td>Minota UR</td>
<td>15</td>
<td>8 permanent 7 contract</td>
<td>7 males 8 females</td>
<td>Operating</td>
<td>Chinese &amp; Zimbabweans</td>
<td></td>
</tr>
<tr>
<td>ZIMCHA</td>
<td>2003</td>
<td>7</td>
<td>Contract</td>
<td>4 males 3 females</td>
<td>Closed in 2006</td>
<td>Chinese</td>
</tr>
<tr>
<td>Golden Town</td>
<td>15</td>
<td>contract</td>
<td>15 males</td>
<td></td>
<td>Closed</td>
<td>Chinese</td>
</tr>
</tbody>
</table>

Source: NEC for the Clothing Industry, 2008

Although most of the companies highlighted above indicate 100% ownership by Chinese, a few are joint ventures with Zimbabweans or other nationalities. In the interviews carried out, some indicated that the Chinese were into partnership with the Nigerians. Quite a number of Nigerian shops have recently mushroomed in the city centre of Harare.

2.3.6 IT and Telecommunications Sector

The research found that the Zimbabwean government has acquired high-tech equipment from China to put internet-based communication under government control. The President declared this intention on the opening of the Parliament, in August 2004, when he announced the introduction of a bill that would give government the powers to control the telecommunication systems in order to “reinforce security of the State”. This was based on the notion that the internet services, which are well developed in Zimbabwe, were an instrument of the colonialists.
The researchers also had an interview with Huawei Technologies, a leading global private telecommunications company.

**Profile of the Company**

Huawei Technologies started its operations in 1999 and Zimbabwe was the first port of call in Africa. Huawei is not registered as a company but rather as an investor which means that since its year of establishment, it is not obligated to pay tax to the government. However, it does not generate any income from its activities. Between 1999 and 2000 Huawei was registered as the head in the telecommunications sector with over 3000 employees in Africa. Its name is Chinese, which means “something which originates from kings”. Its goal is “to enrich life through communication.”

**Company’s Operations**

The company specialises in supplying telecommunication equipment such as intelligent network, switch, optical access, and CDMA wireless access products to service providers in Zimbabwe. In fact, Huawei has become a major mainstream supplier for Zimbabwean telecoms companies, and is expected to grow together with the local telecoms industry. As at the time of interview, it had a total of fifteen (15) projects in Zimbabwe. Of these, nine are with TelOne, two with Telecel, two with Netone, one with Powertel and one with Africom. Huawei’s share in each of the company's operations is as follows; TelOne 80% (revenue based), Telecel about 30%, Powertel about 50%, Africom about 20% and NetOne about 35%. Many of Huawei's GSM, NGN, optical transmission, 3G, and ADSL products are currently serving the telecom networks of Zimbabwe. Sales were expected to reach US$ 40 million in 2006. The company netted US$ 322million worth of telecoms business in Zimbabwe, is to invest US$ 28million in state-run TelOne’s expansion.

In Zimbabwe, the company has managed to replace old telecommunication switches in Gweru, Masvingo, Bulawayo and five in Harare. Apart from these, it has also introduced the Called Division Multiple Access (CDMA) networks and codeless telephones. These telephones have advantages over the long used system of telephone cables. It was revealed in the research that telephone cables constitute about 60-70% of the total cost of a normal project. Hence, the CDMA reduces the cable cost and at the same time reducing thefts of such cables.

Before Huawei can supply the telecommunications equipment, each service providers should pay Huawei 15% of the total cost of each project in foreign currency. However, due to the critical shortage in foreign currency in the country, most of the service providers were failing to meet the requirements and hence delaying the provision of equipment. Alternatively, Huawei and the service providers are in the process of negotiating with the government so that they are given land which will be used to grow cash crops such as tobacco which generate the 15% in foreign currency needed for the telephone equipment to be supplied.

**Training Programmes**

After supplying equipment to the service provider, Huawei also assists the company for about 3 months with free servicing of equipment as well as skills trainings for the workers through seminars, training workshops or on-the job training. For example, in 2001, Huawei sent 63 employees from TelOne who were engineers and technicians for training on the use of their equipment in China. About 438 were trained locally of which about 155 of them were females. This training was conducted as classroom training. However, with the high levels of brain drain, it was reported that 72 of the trained employees had left the country. About 12 employees from NetOne were sent to China as well. On the other hand, 8 employees were also trained from Telecel. Two of these were females. From Powertel, about 6 employees were also trained in May 2008.

Huawei also has Huawei Universities in China, Kenya and recently in South Africa. The courses range from 3 months to 2 years. Huawei is planning to jointly build a centre to train technology experts with the University of Zimbabwe, according to the report.
2.3.7 Wildlife Resources

An article in the Financial Gazette of 2000 reported that Zimbabwe and China have been trading in ivory. It was asserted that the Zimbabwean government sold ivory to China in May 2004 for US$1 million as payment for thousands of AK rifles delivered by Beijing to Harare. In addition to this, Zimbabwe intends to export wildlife to China. This will be part of an exchange programme in the sector. Zimbabwe has also asked Chinese authorities for four tigers and assistance to breed them on an experimental basis. Whether this is intended for an export oriented project is not clear.

2.3.8 Military Sector

The military sector is also part of the ‘Look East Policy’ of the Zimbabwe Government. The research also found out that China or its businesses have assisted Zimbabwe with military equipment, which includes radio-jamming devices, 12 FC-1 fighter jets and 100 trucks to Zimbabwe's Army amid a Western arms embargo, worth

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52 The London’s Sunday Times, July 9 2008
53 Zimbabwe Independent, Godfrey Marawanyika, “Zim to Export Wildlife to China”, July 2, 2004
an estimated US$240 million. In April 2005, Zimbabwe's air force also received six K8 jet aircraft for use in training jet fighter pilots and for "low intensity" military operations. The government indicated that such equipment was necessary so as to replace the old equipment owing to lack of spare parts and maintenance problems.

In another development, a cause of concern which sparked controversies was the purchasing of a seven tonne ship of military hardware which was later returned to China after most SADC countries refused the ship to offload at their harbours. Such military dimensions to the co-operation between Zimbabwe and China are the cause for worry both from the economic and political perspectives. Zimbabwe admits to be spending 3.4% of its GNP in military expenses yet in 1998, the General-Secretary to the United Nations, Kofi Annan, indicated that all countries of the region should reduce their military expenses to 1.5% of their GNP.

Although China upholds the principle of non-interference in domestic countries with which they have relations, it deals differently with Zimbabwe. One respondent interviewed indicated that politically, this development yields certain threats for the efforts to strengthen regional stability through intensified co-operation in the defence sectors.

2.4 Socio-economic Impact of Chinese Investments and Trade with Zimbabwe

“China’s politics have always been pro-Africa, pro-third world, anti-imperial and anti-hegemony.”
President Mugabe at the second meeting of the China-Africa Cooperation Forum in December 2003.

2.4.1 Impact on poverty reduction
The research revealed that Chinese investments and trade relations with Zimbabwe had done more harm than good on the lives of Zimbabweans. An interview with one of the trade unionists in the clothing industry indicated that the Chinese consumer goods are destroying both the formal and the informal economy in Zimbabwe. Below is an excerpt from one of the interviews with a trader who used to operate a flea market in Harare.

“...since most of our formal companies in the retail sector have closed down, the informal economy has become our source of livelihood. Those of us who were once employed in that sector moved into informal retail trading, operating in Flea Markets. However, government’s “Operation Restore Order”, destroyed our Flea markets and our source of livelihood. We cannot earn income as we once did and cannot even meet the basic requirements in life. However, we were so surprised when after the government's action that, our once flea markets were renovated and have become Chinese shops. In fact, this shows that the government is prepared to destroy the lives of its own citizens at the expense of Chinese.”
Informal economy worker
The Chinese cheap shops have become popular with people who cannot afford to buy at the up market departmental stores because many items, especially clothing, are often only a quarter of the price. For example in 2005, a modest television set was sold at around Z$ 8m (US$ 450) at established shops yet at a Chinese shop it cost as little as Z$ 1m (US$ 56) (IRIN, 2008).

The above report clearly indicates that Chinese exports are displacing the domestic products and yet in the end the income is externalised to China and not much benefit is transferred to the economy. In fact, Chinese goods are not complementing established traders, but rather destroying them and destroying people’s livelihood and consequently entrenching poverty in Zimbabwe.

Below is another response from the interviews.

“I am very poor and I earn very small salary. I go for cheap Chinese products not because I want them but I have no option but to buy the cheap products. I take extra care of the products, so that I can use them for as long as possible.”

Worker’s response.

2.4.2 Impact on Industrialisation and Employment Creation

“The country has been mortgaged to the Chinese. How can we violently remove Zimbabweans from our flea markets to make way for the Chinese?”

Morgan Tsvangirayi, Hilsum, 2005

In the textiles industry, counterfeit Chinese goods have flooded the sector since market reforms introduced to Zimbabwe under ESAP. These goods continue to force local players out of the market. This massive influx has eroded Zimbabwe’s comparative advantage in the textile industry, linked to its rich raw material endowment and seen as a guarantee of low production costs and an incentive for raising output and economic growth thereby resulting in de-industrialisation. By contrast, Chinese textile and clothing firms are heavily subsidised and produce their goods at low labour costs. Cushioned by these subsidies and incentives, Chinese textile and clothing manufacturers can afford to produce and sell at a loss. Owing to these factors a number of firms have rationalised their operations through a combination of divestments and retrenchments (LEDRIZ, 2004). For Example, Revival Fabrics a Chinese firm in Harare which had an EPZ status had retrenched a total of 600 employees by 2004. The rest were employed on a contract basis. At the time of the research, it was discovered that there were only fourteen employees all on a six-month contract. Of these employees only one was female.

Through lines of credit at Chinese banks, China supports Zimbabwe’s small and medium sized enterprises (SMEs). With this assistance, Zimbabwe’s Ministry of Small and Medium Enterprises has set aside Z$ 12 billion for disbursement to
Industries receiving funds include textile, soap, tile and fiberglass manufacturers.

However, it should be noted that the few jobs being created by the Chinese companies are low paying and are characterised by very long working hours, poor safety and health standards and lack of social security.

In another interview, an employee from the national water authority, the Zimbabwe National Water Authority (ZINWA), indicated that the government is subcontracting the Chinese to repair burst water pipes and paying them in foreign currency and yet the company is failing to pay its employees’ salaries on time.

### 2.4.3 Impact on skills transfer

The research revealed that most of the workers employed in Chinese companies are either unskilled or semi-skilled. This is mainly attributed to the nature of the work which is labour intensive and consequently does not demand too much skill from the employees. For that reason, there has not been much skills transfer. Below is a response by one of the trade unionists.

> “We now call these Chinese investors who have been granted EPZ status, “fly by night investors” because they come into our country and are given a tax free holiday. When the holiday is about to expire or expires they close down their operations forcing a majority of workers into unemployment. We never hear of them again. When they go, they desert the place and take with them all their equipment. Nothing is left for the workers.”

Worker’s response

In some cases, a Chinese company comes with its own labour force. This in turn does not facilitate local employment creation and hence technology transfer which has some spillover effects on economic growth.

### 2.4.4 Impact on crop production

In the agricultural sector, China supplies Zimbabwe with expertise, technical assistance, and agricultural equipment, including tractors and agro-processing. The Chinese state-owned firm, China International Water and Electric, has been contracted to farm 250,000 acres in southern Zimbabwe. Chinese and Zimbabwean developers believe the project will yield 2.1 million tonnes of maize every year, and require the building of a massive irrigation system. It remains unclear how Zimbabwe will pay for the project, although unconfirmed reports claim payment will be made in tobacco, which China purchases in large quantities.

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2.4.5 Impact on Education
China and Zimbabwe have also signed a cultural agreement and a protocol on higher education cooperation. Eleven Zimbabwean students are now studying in China. At present, China has three teachers and nine medical personnel working in Zimbabwe. China began sending medical teams to Zimbabwe in 1984. Recently, the University of Zimbabwe in partnership with Renmi University in China has set up the Confucius Institute to teach Chinese language and culture and Zimbabwe is the seventh country in Africa to establish such an institution. The institute was set up in March 2007 and by August 2007 a total of 57 students had successfully completed the course. As from September 2007, the University of Zimbabwe has been offering Chinese language and cultural studies as a Bachelor of Arts subject.

In a nutshell, China's expansion into Zimbabwe is narrower than the 1800s colonisation by European powers, when "Christianity, civilization, and commerce" were the buzzwords. For China, it's all about economics. Mugabe calls the policy "Look East" and has relentlessly promoted it as another way to thumb Zimbabwe's nose at its old colonial ruler, Britain, and Britain's allies, like the United States. The sheer intensity of the pro-China drive has stirred resentment among average Zimbabweans and raised eyebrows among the elite, some of whom question whether Mugabe is simply replacing British political domination with a more up-to-date Asian economic rule. But it is a hand-in-glove fit for the Chinese, who are steadily extending their political and economic influence.

3. Labour relations and working conditions at Chinese Companies

3.1 Freedom of association

3.1.1 Trade union membership
Responses from the questionnaires indicated that some employees belonged to a trade union while others were non-union members. From the five various Chinese companies in the construction industry visited during the research, 40% indicated that they were union members while the rest (60%) noted that they were non-union members. Disaggregating the data by gender indicates that about 40% of the males were union members and nearly 60% were non-union. On the other hand, of the 7 females interviewed, 86% were non-union members. This reflects the general trend where female trade unionists are fewer than their male counterparts. In the mining industry, 61% of those interviewed were union members. In the clothing industry 100% of the interviewed employees were union members. In the textiles union, 97% of those who filled in questionnaires were union members. In this case, the highest rate of unionisation was in the textiles union.

If a worker is a member of a trade union, the employer is supposed to automatically deduct union dues which are forwarded to the unions. It was surprising from the interviews carried out that some of the workers belonging to the trade union were not aware whether dues were being deducted from their salaries or not, the main reason being that most of the Chinese employers were not providing their workers with payslips. This was the case in the construction industry.
A trace of whether managers exert any type of pressure to discourage workers from joining a trade union indicated that, to a greater extent, employees are barred from joining a union while 88% of the responses in the textiles industry indicated that they did not face any pressure from the management.

A security guard who was among our respondents indicated that he was told not to open the gate for trade union representatives or he would be fired. Those belonging to a trade union are usually labelled “sell-outs” by other employees. Apart from this labelling, victimisation is prevalent against those that belong to the trade union.

3.1.2 Access to workplaces
The research revealed that in as much as the trade union representatives are allowed access to all workplaces, to a large extent, the representatives are not allowed to freely distribute information to workers at the company. A particular case was in the mining companies where about 67% respondents indicated that trade unionists do have access to all workplaces and yet 56% of them also revealed that trade unionists never have freedom to distribute information. Other examples are in the mining sector, where only 17% of the respondents indicated that trade union representatives have access to all workplaces.

“Although the trade unionists have access to our workplace, we as workers are not being able to actively participate in union activities. The access granted to the trade unions is not in compliance with the laws but is done because most of the Chinese management are afraid of the unions or sometimes it is just for show. In addition, because we do not have access to telephones at the workplace and if a telephone message comes through concerning union business we are only told of it late or sometimes never.”

3.2 Workplace Fora
Most of the Chinese companies have workers committee with members ranging from five to seven people per company. More worrying are companies within the construction sector where there are no workers committees at all. Thus, employees have no representatives at the company level and are therefore vulnerable to ill-treatment by the employers. For those sectors with workers committees, the members have meetings to discuss current issues at the workplace and sometimes do have meetings with the management.

3.3 Wages, salaries and benefits
The timeframes in which the wage negotiations are carried out differ from industry to industry. More than 80% of respondents indicated that they had moved to negotiating on a monthly basis as opposed to negotiating quarterly, with others like the clothing industry stating that they were negotiating on a weekly basis. This is being done so as to cushion employees against the hyperinflationary environment and hence the
erosion of purchasing power of the wages. In the case of the construction companies, they have even gone further to negotiations where minimum wages are indexed to the foreign exchange rate.

Although the idea of pegging salaries to the official exchange rate was welcome, this was not sufficient as the official exchange rate was only a quarter of the parallel market exchange rate, which was also being used to price goods and services. However, workers were not paid in foreign currency but given the Zimbabwean dollar equivalent which was placed in their bank accounts. However, worrying to the workers was that since the maximum daily withdrawal was so little, by the time they finished withdrawing all the money from their bank accounts, it had lost value given the hyperinflationary environment prevailing at the time. The average monthly minimum wage as at July 2008 was ZW$ 2,000.00 or Z$ 20 trillion (old currency) (US$ 75)\(^{36}\) which is less than 10% of the estimated Poverty Datum Line (PDL) of the same period.

The major benefit received by the employees is transportation to work and was paid in cash at the end of the day or week. Where cash was not given, a vehicle to transport employees to and from work is provided.

A recent development on benefits is a case where at one of the visited Chinese companies in the construction industry, workers were being given groceries such as mealie-meal, cooking oil, dried fish and beans. This strategy was being employed so as to retain workers at their jobs given the workers’ meagre salaries and the acute shortage of these basic commodities on the formal market.

### 3.4 Child Labour

There were no incidences of child labour reported by the workers in the sectors covered in the research.

### 3.5 Discrimination

Most sectors covered in the research were male dominated, but for sectors such as the clothing sector there were reports of gender discrimination. Female employees were not being promoted or given incentives. There were reported cases of female employees’ employment contracts being terminated because of pregnancy. In the event that the contract was not terminated, they were denied their maternity benefits, even if they had worked for more than a year for the company (a requirement of the Labour Act). In addition to the above, married women in the clothing sector were not being allowed to work overtime. There were also no forms of affirmative action to promote women at the workplaces in all the sectors covered.

### 3.6 Training

In the construction industry, 72% of the respondents noted that the Chinese did not have a training policy. Only 25% of them indicated that there were training policies at

\(^{36}\) The official exchange rate was used.
some of the Chinese companies. In the mining industry, about 89% indicated that the company had no training policy and only 2% indicated that they did not know whether there was a policy or not. In the clothing and textiles industry, the scenario was the same.

For the few companies that had training policies, training was only done during the first weeks of employment and it was usually on the job training by more experienced employees, after which training became only a privilege to those considered loyal to the employer. Thus, those employees who were in most cases not active members of the unions and those who had been asked to become informants for the employer had the first preference. Other opportunities of being trained only came through acquisition of new equipment, where employees were trained on how to use the new equipment. This clearly indicates that Chinese employers do not place importance on training employees.

3.7 Working Hours and Overtime

Whereas hours of work are stipulated in collective bargaining agreements for each sector, the Labour Act of Zimbabwe dictates the leave days and holidays. The Labour Act specifies that workers should be given 12 days special leave for various reasons (business and compassionate); one-day weekly rest; one-month vacation leave and an extension of paid sick leave from one month to six months (three months on full pay and three months on half pay).

From the interviewed employees, a majority indicated that they worked in excess of 45 hours a week because they were being compelled to work overtime so as to meet orders and deadlines. In the construction industry, 72% of the responses indicated that overtime was compulsory. About 73% of the respondents in the mining industry revealed that overtime was also compulsory.

On average employees in the textile, clothing and construction industries were told to work three to four hours extra per day. Some were even been asked to come to work during the weekends and public holidays. Normally, payment for overtime is a wage rate of 150 percent to 200 percent of the normal wage rate. The major challenge with this arrangement is that this overtime wage was paid at the end of the month and by that time it would be less than 10% of its initial value. Most industries were moving away from such arrangements and were paying the overtime wage in cash and at the end of the day in which the overtime would have been undertaken.

3.8 Reorganisation/ restructuring/ relocation/subcontracting

In the mining and construction companies, the research showed that subcontracting was prevalent. Jobs such as electricity fittings, plumbing and steel fussing were being outsourced. The interviews revealed that some of the employees who used to deliver these services were fired. For sectors like the clothing and textile, companies outsourced, but what raised concern was that they tended to outsource labour to carry out the exact duties carried out by the existing employees thereby rendering them redundant. The outsourced companies or individuals belonged to a splinter union, and they were paid a wage below the NEC agreed minimum wage.
Another key finding from the research was that some Chinese companies had either vanished or relocated overnight after confrontations with trade union activists. This occurred in cases where the union and NEC officials (sometimes) approached the management of companies informing them about the Labour Act, CBA of that sector or to conduct labour inspections. When the union officials returned to the company the next day on a follow up mission, they found the Chinese, their equipment and employees gone.

### 3.9 HIV and AIDS

None of the Chinese companies included in the research had introduced an HIV/AIDS policy, a code of good practise to deal with HIV/AIDS, or HIV/AIDS awareness training except for one company in the constructing industry which offered free treatment if a worker was HIV positive. Questionnaires from the construction industry showed that about 83% of the respondents indicated that the Chinese companies did not have a code of good practise to deal with HIV/AIDS. However, there was no record of employees being fired because of their HIV status or reports of any employees being asked to reveal their HIV status before being employed.

### 3.10 Industrial Action

Some laws in Zimbabwe have put barriers to the right to strike in Zimbabwe. The Law and Order Maintenance Act (LOMA) 53/1960, which was later superseded by the Public Order and Security Act (POSA) in 2001 inhibited national strikes. This law criminalised collective job action with imprisonment of up to seven years for using inflammatory language and up to five years for inciting strike action in essential services. These laws fly in the face of ILO standards, which allow for collective job action, as a fundamental right.

As a result, few strike have occurred even within the Chinese companies. The research found three strikes that were prompted by low wages, poor working conditions, late payment of salaries, lack of protective clothing and unpaid overtime.
3.11 Occupational Health and Safety (OHS)

The research revealed that there was general lack of adherence to safety and health standards. More than 80% of the responses from Chinese companies in the construction industry revealed that there were no safety and health committees at the workplace. This posed great danger on the lives of the workers since the industry is prone to workplace accidents. In the same industry, respondents indicated that they were not aware whether the union even has information on accidents at work and health problems. In addition, more than 80% of the respondents from the mining industry indicated that they had never been trained on OHS issues yet about 71% indicated that there had been several reports of accidents and ill health at the workplace. In other cases, 71%, 99% and 58% of the responses from the construction, textiles and clothing industries respectively, indicated that they had never been trained on OHS issues.

Interviews with workers revealed that some of the workplaces are health hazards in that toilets and canteens were within the same proximity and in other companies toilets, showers and changing rooms were not provided contrary to collective bargaining agreements of the industries.

In terms of environmental issues, the researchers observed that Chinese companies trading in Zimbabwe did not have policies on environmental standards. Waste and other hazardous substances were just dumped or burnt in open areas. Most companies did not have dumping sites and they did not follow standard procedures when disposing waste.

“In one Chinese company, if a worker wanted to use the toilet during working hours, the employer would place three discs of two types; a red one and a blue one. A red one meant that a worker needed to spend more time in the toilet and the blue one meant the opposite. If an employee wanted to use the toilet during working hours, he or she would take one suitimg him at that point in time. If another worker found all discs gone, he/she was not allowed to go to the toilet until someone returned the discs. According to the employer this was a way to regulate the flow of people in the working area. However, this was a clear violation of human and health rights. The trade union intervened and the employer stopped the practice.”

Trade Union Organiser.

“My employer is very cruel. Once we are in this factory house, we are not allowed to go outside. We have our toilets in here and we eat our food inside as well. We are not even allowed to see the sunshine during the day. We get inside the factory at 7am and leave at 5pm and sometimes even work overtime. This is very inhuman but I cannot do anything because I need the money so that me and my family survive.”

Female worker in a Chinese Clothing Company
3.12 Sexual Harassment

The research found that more than half of the respondents did not know whether their companies had a policy on sexual harassment. However, no reports on sexual harassment were highlighted.

3.13 Social Responsibility

No evidence was given that the Chinese companies engaged in social responsibility activities.

4. Adherence to National Legislation and Ratification of ILO Conventions

4.1 The Zimbabwean Labour Act and the ILO Core Conventions

The ILO core conventions form an important foundation upon which labour laws should be based. Zimbabwe has now ratified all the eight core conventions. Below is a list of 26 International Labour Conventions that Zimbabwe has ratified:

<table>
<thead>
<tr>
<th>Convention Number</th>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. 14</td>
<td>Weekly Rest (Industry) Convention, 1921 (No. 14)</td>
<td>06.06.1980</td>
</tr>
<tr>
<td>C. 19</td>
<td>Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19)</td>
<td>06.06.1980</td>
</tr>
<tr>
<td>C. 26</td>
<td>Minimum Wage-Fixing Machinery Convention, 1928 (No. 26)</td>
<td>16.09.1993</td>
</tr>
<tr>
<td>C. 29</td>
<td>Forced Labour Convention, 1930 (No. 29)</td>
<td>27.08.1998</td>
</tr>
<tr>
<td>C. 45</td>
<td>Underground Work (Women) Convention, 1935 (No. 45)</td>
<td>06.06.1980</td>
</tr>
<tr>
<td>C. 81</td>
<td>Labour Inspection Convention, 1947 (No. 81)</td>
<td>16.09.1993</td>
</tr>
<tr>
<td>C. 87</td>
<td>Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)</td>
<td>09.04.2003</td>
</tr>
<tr>
<td>C. 98</td>
<td>Right to Organise and Collective Bargaining Convention, 1949 (No. 98)</td>
<td>27.08.1998</td>
</tr>
<tr>
<td>C. 100</td>
<td>Equal Remuneration Convention, 1951 (No. 100)</td>
<td>14.12.1989</td>
</tr>
<tr>
<td>C. 105</td>
<td>Abolition of Forced Labour Convention, 1957 (No. 105)</td>
<td>27.08.1998</td>
</tr>
<tr>
<td>C. 111</td>
<td>Discrimination (Employment and Occupation) Convention, 1958 (No. 111)</td>
<td>23.06.1999</td>
</tr>
<tr>
<td>C. 135</td>
<td>Workers' Representatives Convention, 1971 (No. 135)</td>
<td>27.08.1998</td>
</tr>
<tr>
<td>C. 138</td>
<td>Minimum Age Convention, 1973 (No. 138) (Minimum age specified: 14 years )</td>
<td>06.06.2000</td>
</tr>
<tr>
<td>C. 140</td>
<td>Paid Educational Leave Convention, 1974 (No. 140)</td>
<td>27.08.1998</td>
</tr>
<tr>
<td>C. 150</td>
<td>Labour Administration Convention, 1978 (No. 150)</td>
<td>27.08.1998</td>
</tr>
</tbody>
</table>
C. 159  Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159)  27.08.1998
C. 161  Occupational Health Services Convention, 1985 (No. 161)  09.04.2003
C. 162  Asbestos Convention, 1986 (No. 162)  09.04.2003
C. 170  Chemicals Convention, 1990 (No. 170)  27.08.1998
C. 176  Safety and Health in Mines Convention, 1995 (No. 176)  09.04.2003

NB: The ILO Core Conventions are in bold.

4.1.2  Freedom of Association
The ILO places emphasis on freedom of association, and two major conventions to promote the principle are Conventions 87 and 98. The ILO also places emphasis on freedom to organise, freedom to enter into employment relationships, collective bargaining, and tripartism. It is therefore undisputed that freedom of association is a basic human right, very pivotal to industrial relations and is of utmost importance to trade unions. Employers also have an interest in the principle in as much as it promotes the right to be organised into employers’ organisations and in collective bargaining. The Zimbabwean LRA allows for free collective bargaining through Section 74. The collective bargaining takes place principally at NEC level, and each agreement applies throughout the respective industries, usually with a provision for exemption should any employer claim inability to honour the agreed obligations. From the responses from the workers, there was a clear indication that collective bargaining was conducted at the NEC level. Although most of the workers showed ignorance on where collective bargaining takes place, a majority indicated that even the Chinese employers adhered to the wages that were negotiated at NEC level.

Zimbabwe also ratified the convention on Workers’ Representatives, 1971 (No 135), guaranteeing the protection of workers’ representatives in the undertaking as well as facilities to be afforded to them. This was a step towards the protection and enhancement of the principle of freedom of association. However, as indicated in the questionnaires, harassment, intimidation, and threats of dismissals if a worker was seen talking to a trade union representative was prevalent. Lack of freedom to distribute trade union information at the Chinese companies pointed to violation of the convention.
4.1.3 *Equal Remuneration / Discrimination*

The Core Conventions of the ILO stipulates that all workers must be treated equally, receiving equal remuneration for the same work done (Convention No. 100 of 1951). This was ratified by Zimbabwe in 1980, through the LRA that stipulates that there shall be no discrimination based on sex in employment. Some workers pointed out that female workers were discriminated against and were not allowed to work overtime even if they wanted to. Others in the clothing and textiles indicated that women were never promoted at work although no specific reasons were given.

4.1.4 *Child Labour*

On the 6th of June 2000, Zimbabwe ratified the ILO Minimum Age Convention, 1973 (No. 138). On the 11th of November of the same year it ratified the ILO Worst Forms of Child Labour Convention, 1999 (No. 182). Not only did Zimbabwe ratify these core convention on child protection, but Section II of the Labour Act stipulates that an employer should not employ an apprentice that is under the age of 13, while any employment contract entered into between an employer with an employee between ages of 13 and 15 should have the consent of the apprentice’s legal guardian, or the contract will be considered null and void.

The Labour Act also stipulates “… no employer shall cause any person under the age of 18 years to perform any work which is likely to jeopardise that person’s health, safety and morals which work shall include but not limited to work involving such activities as may be prescribed…”

There was no child labour at the companies visited.

4.1.5 *Maternity Leave*

Though the Labour Act has increased pay for those on maternity leave from 75% to 100%, the benefit is restricted to only those employees who have served one year. However, the Chinese employers through employing workers on contract were avoiding this benefit. As indicated in some instances, some Chinese employers fired any female who fell pregnant while on the job regardless of length of service at the particular company. This is a clear indication of violation of the labour regulations.

4.1.6 *Occupational Health and Safety (OHS)*

On the issue of OHS, Zimbabwe has ratified Convention 161 on Occupational Health Services and Convention 176 on Safety and Health in Mines as indicated in the table above. However, overall responses from the workers indicated that the Chinese employers did not adhere to these conventions. This was shown by the number of strikes owing to lack of protective clothing, safety and health committees. In general, Chinese employers were unconcerned about OHS issues, which is a violation of the conventions.

4.1.7 *Forced Labour*

In the Labour Act, forced labour is prohibited. This is in conformity with the Forced Labour Convention, 1930 (No.29) which Zimbabwe ratified. However, from the analysis of the questionnaires and interviews with workers, it emerged that workers,
especially in the mining and construction industries, were forced to go on compulsory overtime, in violation of the convention.

5. **Possibilities for trade union intervention**

Given the adverse impact of Chinese investments on the general public and workers in Zimbabwe outlined in this paper, it is high time that the trade unions get more involved not only in negotiating good working conditions of workers but also in the negotiations and advocacy that lead to the establishment of Chinese entities within the country. The active role of trade unions is necessary to bring about “win-win” outcomes.

At all levels, trade unions have a significant role in restraining and moderating negative influences by capital through membership recruitment, collective bargaining, organisation building, networking and strengthening solidarity and unity of all workers and other interest groups.

Trade unions need to take the lead in pushing for the participation of workers in the design of any kind of investment which has a potential for employment creation and the standards of service have to be included in the design. This is because most Chinese companies do not confirm to the labour laws set in Zimbabwe as indicated in this paper.

Given that there was little to show at Chinese companies in terms of skills development and technology transfer, the trade unions need to lobby for effective and effective institutional regulatory frameworks that monitor and encourage Chinese investments that employ local labour, invest in local skills development and technology transfer.

Finally, international, regional and continental organisations or global union federations should contribute to a discourse that assists in bringing about accountability, transparency, responsibility and good corporate governance on the part of Government in the manner it relates to Chinese investments in order to achieve “win-win” outcomes for all stakeholders.

6. **Conclusion**

It can be concluded that Chinese Companies:

- Do not respect trade union rights;
- Have (i) poor industrial and human resources practices;
  (ii) poor occupational and health record and standards;
  (iii) poor environmental practices for sustainable development;
  (iv) poor record of decent work shown in the use of contract labour;
- Lack respect of the country’s labour laws and rights of workers; and,
- Replace local manufacturing and jobs through cheap imports.

In addition, there seems to be a trend of barter trading between Zimbabwe and China. For example, it was found that Huawei Technologies was supplying
telecommunication equipment only if the local service providers could raise 15% of the total cost of the equipment in foreign currency. In this case, the government offers the Chinese land for tobacco growing. China would in turn buy the tobacco from Zimbabwe in exchange for telecommunication equipment.

Since it also emerged that Chinese investments were far from encouraging skills development and technology transfer, engaging in exchange programmes where Zimbabweans can learn good practices from Chinese experts on how China managed to have not only the fastest growing economy, but one that is owned by its people can be a good starting point towards economic development.

Considering Zimbabwe’s challenged socio-economic situation, the country seriously needs an economic turn-around. Hence, if the country is to effectively gain from China, it needs to shift its current engagement with China and the world in the natural resource sector towards secondary and tertiary production in a strategic policy shift based on its comparative advantages and competitiveness. This also means that, the country needs to move beyond being a primary exporter of raw material resources to a level of value addition, manufacturing or mineral beneficiation for products of exports to China and the rest of the world.

There is a need for a re-assessment of how Chinese investments can strengthen forward and backward linkages with local companies and small and medium enterprises (SMEs) which have the potential for employment creation, income generation, poverty reduction and economic growth.

There is also a need to craft strategies, actions and campaigns of engagement and social dialogue around a clear understanding of Chinese investments in the daily struggles of workers and their organisations.

In a nutshell, the challenge for all stakeholders including labour should revolve around taking a critical assessment and analysis of Chinese investments with regards to:

i. Driving the country’s development agenda to achieve a “win-win” situation;
ii. Enhancing prospects for augmenting domestic resources for development;
iii. Improving job opportunities and standards of living for the people;
iv. Assessing in what ways in which Chinese FDI is affecting development;
v. Understanding how Chinese investment is affecting labour;
vi. Exploring whether and how Chinese investment is laying the foundation for long term sustainable development through infrastructure development and public works;
vii. Promoting occupational health, safety and good environmental policies and practices;
viii. Enhancing corporate social responsibility, respect for core labour standards and human rights;
ix. Generally forging backward and forward linkages that promote employment creation income generation, local economic development, empowerment of local communities;
x. Giving space and opportunity for trade unions to freely organize and bargain for decent salaries and a decent work agenda; and
xi. Allowing for an atmosphere for social dialogue and consultation to achieve sustainable development for host communities and countries.

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### Appendix 1: Key findings from questionnaire responses

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mining</th>
<th>Construction</th>
<th>Textiles</th>
<th>Clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responses by Gender (%)</td>
<td>100% males, 92% males, 8% females</td>
<td>70% males, 30% females</td>
<td>73% males, 27% females</td>
<td></td>
</tr>
<tr>
<td>Unionisation</td>
<td>61%</td>
<td>38%</td>
<td>97%</td>
<td>100%</td>
</tr>
<tr>
<td>Wage neg.</td>
<td>Monthly</td>
<td>Monthly</td>
<td>Monthly</td>
<td>Weekly</td>
</tr>
<tr>
<td>TU access to workplace</td>
<td>67% - no, 17% - yes</td>
<td>37% - no, 48% - yes</td>
<td>57% don’t know, 26% - yes</td>
<td>33% – no, 66% - yes</td>
</tr>
<tr>
<td>Training policy</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Don’t know</td>
</tr>
<tr>
<td>Sexual harassment</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>HIV/AIDS Policy</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>OHS reports</td>
<td>71% - yes, 30% - yes, 36% - don’t know</td>
<td>30% - yes, 36% - don’t know</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>OHS committee</td>
<td>no</td>
<td>no</td>
<td>No</td>
<td>33% -yes, 55% - don’t know</td>
</tr>
<tr>
<td>OHS training</td>
<td>81% - never, 71% - never</td>
<td>99% - never</td>
<td>58% - never</td>
<td></td>
</tr>
<tr>
<td>Environmental policy</td>
<td>78% - no, 22% - don’t know</td>
<td>50% don’t know</td>
<td>94% - no, 6% - don’t know</td>
<td>58% - no, 42% - don’t know</td>
</tr>
</tbody>
</table>
5.8 Chinese investments in Malawi

Paliani Chinguwo  
Malawi Congress of Trade Unions (MCTU)

Acknowledgements

Special gratitude goes to Africa Labour Research Network (ALRN) for considering Malawi to be part of the Chinese Investments in Africa study and Malawi Congress of Trade Unions (MCTU) secretariat for the support it rendered to the research team throughout the study. Many thanks also go to the following institutions for their cooperation and for the valuable information they contributed towards the study: Malawi Investment Promotion Agency (MIPA), Ministry of Industry and Trade, treasury department of the Ministry of Finance, Employers’ Consultative Association of Malawi, Chinese Embassy in Malawi, Malawian embassy in Beijing, Ministry of Foreign Affairs, Ministry of Labour, immigration office, workers in the Chinese firms, Chinese employers and trade unions. The research team which comprised of Wezi Shaba, Chawanangwa Chirambo, Steven Choyoka and Betoni Kaselo also deserves commendation for the immense input towards the study. I am highly indebted to comrade Wezi Shaba for the assistance he rendered with regards to initial editing.

Problem statement

The diplomatic ties between the Government of Malawi (GoM) and mainland China commenced on 28th December 2007. However, records show that the number of Chinese investors in Malawi has been increasing within the past five years prior to the birth of Malawi-China diplomatic relations. It is the GoM’s view that the recently established diplomatic ties present an opportunity for Malawi to make up for lost opportunities lost over 40 years. Some economic and political analysts contend that the current Malawi-China relations will serve to boost trade and foreign direct investments from mainland China in Malawi from current levels (Nation 15th February 2008). On the other hand, others suggest that by dumping Taiwan in favour of mainland China at diplomatic level, GoM made a miscalculated move which may eventually cost the nation a great deal on the economic front (Daily times 9th January 2008). It is in this context that the study sought to examine the impacts of Chinese investments in Malawi prior to the time Malawi switched diplomatic relations from Taiwan to mainland China.

Study Objectives

The objectives of the study were as follows:

- Establish the nature and levels of Chinese investments in Malawi;
- Assess the economic and social impacts of Chinese investments in Malawi within the past five years; and
- Examine labour relations and working conditions under which the workers in Chinese firms in Malawi are subjected to.
Scope of the Study

The study is divided into five sections. The first section gives an overview of the Malawi-China relations. The second section dwells on the Malawi-China trade and the nature of Chinese investments in Malawi. Section 3 presents an analysis of data collected during the case studies done in the Chinese firms with much focus on the labour relations and working conditions. Section 4 assesses the compliance to labour laws and core ILO conventions by Chinese investors in Malawi. Section 5 examines possible trade union interventions and outlines recommendations and conclusion of the study.

Limitations

Efforts to get hold of books and research papers on Chinese investments in Malawi proved futile. Hence the literature review for the study was not conducted. On the other hand, the guide for country case studies, which was strictly followed as advised did not require for respective country level literature reviews besides the one already conducted for the entire study at continental level.

Methodology

The study was qualitative in nature and heavily relied on the primary data. As of April 2008, 50 Chinese firms had been registered with MIPA since its inception in 1994. At the time of the study, almost half of these were either reported to have shut down or changed physical addresses without the knowledge of MIPA as required. With MIPA guidance, the research team managed to trace 19 Chinese firms. When data collection for this study was being conducted in May 2008, no construction project had taken off the ground. As such the investments that constituted subjects of the study were the Chinese firms in the manufacturing, tourism and services sectors.

Structured questionnaires were administered to workers in all the 19 Chinese firms. Interviews were also conducted with key informants such as: trade unionists, Chinese employers and MIPA official. Secondly, observation was also used as a research tool during the administering of the questionnaires. Finally, relevant government departments/ministries were visited to collect relevant information and data.

1. Introduction and background

Malawi established diplomatic relations with mainland China on the 28th December 2007 after dramatically severing her 41 year old ties with Taiwan. Whereas Malawi’s Embassy in Beijing was opened on 26th March 2008 by the President of the Republic of Malawi Dr. Bingu wa Mutharika, the Chinese Ambassador to Malawi Lin Songtian jetted into Malawi on 19th of May 2008 and submitted letters of accreditation to the State President Dr. Bingu wa Mutharika four days later. The GoM justified the shift from Taiwan to China on the grounds that China has become an economic giant that a developing country like Malawi cannot afford to shun any longer when other developing countries and the big economies have diplomatic relations with her. It is not explicitly stated what constitutes China’s interest in this regard. However, Malawi has been doing trade with Mainland China for decades. Official statistics show that
since 2000 there has been an increase in the volume of goods and services traded between mainland China and Malawi.

On the 13th of May 2008, mainland China and GoM signed a memorandum of understanding (MOU) which, among others, is aimed at enhancing investments and trade ties between the two countries. With the signing of the MOU, not only is the volume of goods and services traded between the two countries expected to grow significantly but also the levels of investments to rise a great deal.

<table>
<thead>
<tr>
<th>TABLE 1: MAJOR IMPORTS FROM CHINA AND VALUES57</th>
</tr>
</thead>
<tbody>
<tr>
<td>COMMODITY</td>
</tr>
<tr>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>Nuclear reactors, Boilers, machinery and electrical appliances and parts.</td>
</tr>
<tr>
<td>Electrical machinery, equipment parts, there of, sound recorders etc</td>
</tr>
<tr>
<td>Footwear, gaiters and the like, parts of such articles.</td>
</tr>
<tr>
<td>Plastics and articles there of.</td>
</tr>
<tr>
<td>Rubber and articles there of.</td>
</tr>
<tr>
<td>Furniture, beddings, mattress, matt support, cushions etc</td>
</tr>
<tr>
<td>Articles of apparel and clothing accessories, not knitted or crocheted</td>
</tr>
<tr>
<td>Articles of iron and steel</td>
</tr>
<tr>
<td>Vehicles other than railway or tramway</td>
</tr>
</tbody>
</table>

57 Rate of conversion used was 1 USD=MK 142 as of July 2008.
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco and manufactured tobacco substitutes</td>
<td>134,367</td>
<td>735,932</td>
<td>27,414</td>
<td>0</td>
<td>0</td>
<td>3,708,447</td>
<td>1,065,864</td>
<td>0</td>
</tr>
<tr>
<td>Coffee, tea, mate and spices</td>
<td>7,370</td>
<td>54,903</td>
<td>73,300</td>
<td>59,842</td>
<td>75,813</td>
<td>0</td>
<td>98,900</td>
<td>75,617</td>
</tr>
<tr>
<td>Wood and articles of wood</td>
<td>25,338</td>
<td>0</td>
<td>0</td>
<td>6,316</td>
<td>0</td>
<td>352</td>
<td>37,112</td>
<td>4,876</td>
</tr>
<tr>
<td>Vegetables plaiting materials; vegetable products not elsewhere specified or included</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6,864</td>
</tr>
<tr>
<td>Articles of iron and steel</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,826</td>
<td>0</td>
<td>16,442</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Ministry of Industry and Trade.

---

58 According to the Nation newspaper of 15th May 2008, it is estimated that with the increase of tobacco and tea exports to mainland China in 2007 Malawi earned a total of US$ 6.3 million by the end of the year.

59 Rate of conversion used was 1 USD=MK 142 as of July 2008.
As shown in tables 1 and 2, imports from mainland China are mostly manufactured goods whereas the commodities that Malawi has been exporting to China are raw agricultural products. Since 2000, trade between Malawi and China has been increasing. For instance, from 2000 to 2006, total imports from and exports to mainland China rose by approximately 347% and 531% respectively. This shows that by the end of 2006 while diplomatic ties between GoM and mainland China’s bitter rival-Taiwan were still intact, Malawi had imported from mainland China more than it did in 2000 and had also exported larger quantities of agricultural products to mainland China than it did in 2000. With the abrupt shift from Taiwan to mainland China, trade between Malawi and mainland China increased significantly.

Malawi, which is a small land-locked developing country, heavily depends on a single commodity – tobacco - for more than 60 percent of its export earnings (Ministry of Industry & Trade; 2002). As such, given the very small size of its domestic market, international trade has to play an important role in GoM’s strategy to stimulate growth and alleviate poverty. Efforts towards enhancing trade with a country like mainland China with a population of about 1.3 billion people are certainly economically viable as far as the expansion of the market for agricultural products like tobacco, tea and sugar is concerned. For instance, apart from increase in export earnings to the government, the expansion of the market will result in increase of production of agricultural products thereby raising the demand for labour in the agricultural sector.

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**TABLE 3: TOTAL IMPORTS FROM CHINA AND TOTAL EXPORTS TO CHINA AND RESPECTIVE VALUES**

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL IMPORTS FROM CHINA</td>
<td>5,730,362</td>
<td>7,467,929</td>
<td>5,826,035</td>
<td>15,126,625</td>
<td>19,254,079</td>
<td>30,373,319</td>
<td>25,590,372</td>
</tr>
<tr>
<td>TOTAL IMPORTS FROM THE WORLD</td>
<td>219,426,698</td>
<td>277,676,797</td>
<td>377,866,079</td>
<td>495,901,235</td>
<td>709,348,639</td>
<td>974,785,131</td>
<td>1,159,172,686</td>
</tr>
<tr>
<td>COMPARISON WITH WORLD (percentage)</td>
<td>2.61</td>
<td>2.69</td>
<td>1.54</td>
<td>3.05</td>
<td>2.71</td>
<td>3.12</td>
<td>2.21</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EXPORTS TO CHINA</td>
<td>192,946</td>
<td>806,720</td>
<td>867,077</td>
<td>66,405</td>
<td>125,252</td>
<td>3,747,802</td>
<td>1,216,859</td>
</tr>
<tr>
<td>TOTAL EXPORTS TO THE WORLD</td>
<td>162,352,726</td>
<td>224,057,949</td>
<td>221,245,565</td>
<td>329,586,127</td>
<td>370,583,063</td>
<td>424,156,235</td>
<td>640,080,902</td>
</tr>
<tr>
<td>COMPARISON WITH WORLD (percentages)</td>
<td>0.12</td>
<td>0.36</td>
<td>0.39</td>
<td>0.02</td>
<td>0.03</td>
<td>0.88</td>
<td>0.19</td>
</tr>
</tbody>
</table>

*Source: Ministry of Industry and Trade.*

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60 Rate of conversion used was 1 USD=MK 142 as of July 2008.
Nevertheless, in the long run, trade with mainland China might inhibit the growth of the emerging local industries thereby negatively affecting the levels of employment, production and exports if Malawi continues to import commodities from mainland China, particularly the consumer goods that can be produced locally using locally available resources such as furniture, beddings, paper, soap, dairy products, honey, wood etc as shown in Table 1.

Ever since Malawi gained independence in 1964, citizens from mainland China have been coming to Malawi as tourists, entrepreneurs/investors, expatriates among others. As of 30\textsuperscript{th} March 2008, the number of people from mainland China who applied for temporary resident permits, temporary employment permits, business resident permits or study permits was estimated to be 956. However from 31\textsuperscript{st} March 2008 to 6\textsuperscript{th} June 2008, approximately 36 Chinese nationals submitted applications to the Immigration office for the above mentioned permits.

<table>
<thead>
<tr>
<th>COUNTRY OF ORIGIN</th>
<th>NUMBER OF APPLICANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lebanon</td>
<td>178</td>
</tr>
<tr>
<td>India</td>
<td>4,176</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1,506</td>
</tr>
<tr>
<td>Nigeria</td>
<td>341</td>
</tr>
<tr>
<td>Mainland China</td>
<td>992</td>
</tr>
</tbody>
</table>

Source: Immigration office, Ministry of Home Affairs.

The establishment of diplomatic ties between Malawi and mainland China has seen relatively more people from mainland China migrating to Malawi than ever before for both government and private business (as traders and investors). On the other hand, according to records available at the Malawi embassy in Beijing, six Malawians (4 males and 2 females) went to work in mainland China from 2005 to 2007.

As of late, no tangible aid has been transferred from mainland China to Malawi except a mere pledge of aid amounting to US$ 270 million for a period of five years which is yet to be disbursed. This pledge is incomparable to the actual amounts that the GoM has been receiving annually as aid from multi-lateral and bilateral official development assistance (ODA). All in all, the signing of the MOU on the 13\textsuperscript{th} of May 2008 following the establishment of the diplomatic ties in December 2007 signifies that future relations between the two countries is potentially going to be mutually beneficial depending on how best the two countries will each tactically play their cards. It is too early to tell whether the ties between the two countries are mutually beneficial or not given that the ties are new.

**Box 1: China’s Pledge**
The US$ 270 million pledge by mainland China as development aid to Malawi will cater for the following among others in the next five years:
- Construction of Karonga-Chitipa road-US$ 70 million
- New parliament building-US$ 40 million

\textsuperscript{61}The immigration office could not specify the actual year when the compilation of this data started.
• Cotton Investment Project-US$ 25 million
• 40,000 seater stadium-US$ 40 million

Source: Chinese Embassy in Malawi

TABLE 5: DEVELOPMENT SUPPORT TO MALAWI BY DEVELOPMENT PARTNERS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL ACTUAL DISBURSEMENTS (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/2005</td>
<td>324,364,123</td>
</tr>
<tr>
<td>2005/2006</td>
<td>506,667,265</td>
</tr>
<tr>
<td>2006/2007</td>
<td>450,210,186</td>
</tr>
<tr>
<td>2007/2008</td>
<td>643,996,473</td>
</tr>
</tbody>
</table>

Source: Debt and Aid Management Division of the Treasury Department-Malawi Ministry of Finance.

This development assistance comes in the form of project loans, project grants and budget support grants. Besides from the development partners, Malawi also receives humanitarian aid. It should be noted that the list of official development partners for Malawi until mid 2008 did not include Mainland China.

TABLE 6: TOTAL HUMANITARIAN AID TO MALAWI FROM DEVELOPMENT PARTNERS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL HUMANITARIAN AID (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/2005</td>
<td>96,875,133</td>
</tr>
<tr>
<td>2005/2006</td>
<td>88,145,643</td>
</tr>
<tr>
<td>2006/2007</td>
<td>42,569,171</td>
</tr>
<tr>
<td>2007/2008</td>
<td>11,212,198</td>
</tr>
</tbody>
</table>

Source: Treasury Department, Ministry of Finance.

It should also be noted that Malawi never received humanitarian aid from mainland China.

2. Nature of Chinese investment and trade

Prior to the establishment of the diplomatic ties, no firm from mainland China had ever invested in a project in Malawi. However, soon after the establishment of the diplomatic ties, mainland China announced that Chinese firms would take over the constructions of two projects namely: the new parliament building in the capital city of Lilongwe and a 101 km road connecting two districts of Chitipa and Karonga in the northern part of the country. These two happened to be some of the projects that were abandoned by Taiwan following the abrupt end of the diplomatic ties with Malawi.

62 These development partners are: DFID, Norway, EU, UN, UNICEF, UNDP, FAO, WHO, USAID, WB, ADB, JICA, CIDA, GTZ, Kuwait Fund, WFP.

63 At the time of data collection, Chinese contractors had not started working on these two projects as pledged.
All the four investment projects which mainland China has pledged to Malawi so far (see Box 1) are solely from state sources.

The following are the incentives that Malawi offers any prospective foreign investor:

- 100 percent investment allowance on qualifying expenditure for new building and machinery;
- Allowance of up to 40 percent for used buildings and machinery;
- 50% percent allowance for qualifying training costs;
- Allowance for manufacturing companies to deduct all operating expenses incurred up to 25 months prior to the start of operations;
- Additional 15 percent allowance for investment in designated areas of the country;
- Duty-free importation of buses with a seating capacity of 45 people (including driver) and above, duty-free direct importation of building materials for factories and warehouses;
- Duty-free direct importation of goods used in the tourism industry, which includes building materials, catering and related equipment, and water sport equipment; and
- Free repatriation of dividends, profits, and royalties.

Besides, there are incentives for establishing operations in an Export Processing Zone (EPZ) which include: Zero corporate tax rate; no withholding tax on dividends; no duty on capital equipment and raw materials; no excise taxes on purchases of raw materials and packaging materials made in Malawi and no Value Added Tax (VAT), among others.

The manufacturing sector attracts most of the investments from mainland China. This is attributed to the development of simple labour saving technologies readily available in China (including the rural areas) which is easily transferable to Malawi. Investors are specifically attracted to the manufacturing sector by the additional incentives which are not offered to the investors in the other sectors. Among others, below are the additional incentives for the manufacturing sector:

- No duties on imports of capital equipment used in the production of exports;
- No surtaxes;
- No excise tax or duty on the purchase of raw materials and packaging materials;
- Timely refund of all duties (duty drawback) on imports of raw materials and packaging materials used in the production of exports;
- Export tax allowance of 12 percent of export revenues for non-traditional exports.
### TABLE 7: CHINESE INVESTMENTS BY SECTORS

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>NUMBER OF COMPANIES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>35</td>
<td>70%</td>
</tr>
<tr>
<td>Tourism</td>
<td>4</td>
<td>8%</td>
</tr>
<tr>
<td>Services</td>
<td>10</td>
<td>20%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>50</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Source: Malawi Investment Promotion Agency (MIPA).*

There are four sectors in which the Chinese firms have been investing in Malawi namely manufacturing, tourism, services and agriculture. As of mid 2008, officially there were 50 registered investors with MIPA from mainland China. None of these investments is from state sources.

**Box 2: Chinese Investors**

Though by law any investment is supposed to be registered with MIPA, some investors passed through the immigration office and not MIPA to register their investments. This category also includes Chinese investments.

*Source: MIPA records*

### TABLE 8: MAINLAND CHINA COMPANIES (INVESTMENT AND EMPLOYMENT LEVELS)

<table>
<thead>
<tr>
<th></th>
<th>2005 USD</th>
<th>2006 USD</th>
<th>2007 USD</th>
<th>2008-1st Quarter USD</th>
<th>TOTAL USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT LEVELS</strong></td>
<td>850,000</td>
<td>2,843,900</td>
<td>1,422,000</td>
<td>1,368,000</td>
<td>6,483,900</td>
</tr>
<tr>
<td><strong>EMPLOYMENT LEVELS</strong></td>
<td>370</td>
<td>327</td>
<td>316</td>
<td>148</td>
<td>1,161</td>
</tr>
</tbody>
</table>

*Source: Malawi Investment Promotion Agency (MIPA)  
NB: These are pledges and may differ from the actual figures.*

From 2005 up to the first quarter of 2008, the value of investments to Malawi from mainland China increased by approximately 61%. Within the same period, employment created by Chinese investors stood at approximately 1,161. The value of investment for the first quarter of 2008 alone is almost the same as that of the entire year of 2007.
TABLE 9: TOTAL ANNUAL INVESTMENT AND EMPLOYMENT LEVELS FROM THE WEST\textsuperscript{64}

<table>
<thead>
<tr>
<th></th>
<th>2005 (USD)</th>
<th>2006 (USD)</th>
<th>2007 (USD)</th>
<th>2008 (Jan. - April)</th>
<th>TOTAL (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT LEVELS</strong></td>
<td>18,697,700</td>
<td>131,831,950</td>
<td>20,915,000</td>
<td>567,000</td>
<td>172,011,650</td>
</tr>
<tr>
<td><strong>EMPLOYMENT LEVELS</strong></td>
<td>425</td>
<td>498</td>
<td>464</td>
<td>71</td>
<td>1,458</td>
</tr>
</tbody>
</table>

Source: Malawi Investment Promotion Agency (MIPA).

From 2005 to 2007, the value of investments to Malawi from the west increased by approximately 12\% whereas the employment created by investors from the west from January 2005 to April 2008 stood at approximately 1, 458. The first four months following the setting up of diplomatic ties between Malawi and mainland China, more pledges on investments came from mainland China than ever before.

TABLE 10: TOTAL ANNUAL INVESTMENTS AND EMPLOYMENT LEVELS

<table>
<thead>
<tr>
<th></th>
<th>2005 (USD)</th>
<th>2006 (USD)</th>
<th>2007 (USD)</th>
<th>2008-1\textsuperscript{st} quarter (USD)</th>
<th>TOTAL (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTMENT</strong></td>
<td>52,383,387</td>
<td>185,299,177.99</td>
<td>92,052,821</td>
<td>21,728,056</td>
<td>351,463,441.99</td>
</tr>
<tr>
<td><strong>EMPLOYMENT</strong></td>
<td>5,583</td>
<td>4,072</td>
<td>15,829</td>
<td>2,352</td>
<td>27,836</td>
</tr>
</tbody>
</table>

Source: Malawi Investment Promotion Agency (MIPA).

NB: these are mere pledges and may differ with actuals.

All in all, from tables 7-10 above, it can be deduced that from 2005 to 2007, the total Chinese investments to Malawi increased a great deal and so did the number of jobs created by Chinese investors. Apart from mainland China and western countries, aggregate investment to Malawi also comprises of cash inflows from the SADC region (South Africa, Zimbabwe etc.), COMESA countries (Egypt, Kenya, Tanzania etc), and other Asian countries like Pakistan, India, Lebanon among others.

According to MIPA, which regulates all investment activities in the country, there is no condition that is attached to any investment on the part of the country of origin of the investment or even the investors themselves.

To a lesser extent, Malawi benefits through the foreign currency brought in and taxes\textsuperscript{65} remitted by the Chinese investors and the levels of employment that has been created for the Malawians. On the other hand, China also benefits from the profits which are repatriated to mainland China by her nationals who have invested in Malawi.

\textsuperscript{64} This includes European countries, the USA and Australia

\textsuperscript{65} Relevant government departments like treasury department of ministry of Finance and Malawi Revenue Authority have no capacity to generate data on contribution of Chinese companies to government tax revenue and GDP.
The jobs that are being created by the Chinese investors are mostly “casual” jobs which can very well be described as cheap labour or rather indecent work. Just like other investors, to a greater extent the Chinese employers flout the labour laws and most often get away with it.

With regards to trade, the increase in imports from mainland China since 2000 has resulted in the influx of low cost consumer goods from mainland China in the economy. Apart from displacing or substituting imports from other trading partners of Malawi, this phenomenon in the long run may undermine the production and marketability of locally produced consumer goods such as confectioneries, beverages, agricultural products, soaps, honeys and other chemical products.

According to available official statistics, in terms of amounts involved relatively more investments to Malawi have come from the West than from mainland China alone during the past seven years or so. Similarly, as far as trade is concerned, Malawi trades more with EU countries than with mainland China (see tables 3 and 11). When it comes to investments, there are no conditions attached regardless of whether the investment is from the West or mainland China. However, conditions are spelt out in the respective trade agreements that Malawi signed with the individual western countries and the MOU, which Malawi recently signed with mainland China. Private and public sources characterise the investments that come from the West, whereas those that came from mainland China as of mid 2008, were entirely from private sources.

Nevertheless, Malawi stands to benefit from the increasing investments from the West and mainland China and from trading with mainland China and the western economies. For instance, investments from the West and mainland China contribute positively towards the economic growth in Malawi through foreign currency generation and employment creation, skills and technology transfer though in varying degrees. Trade between Malawi and mainland China and western countries has broadened. Ultimately all this has a positive impact on government’s efforts towards poverty reduction.

**TABLE 11: TOTAL IMPORTS AND EXPORTS TO THE EU (2000-2006)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPORTS</td>
<td>77,769,944</td>
<td>88,217,682</td>
<td>97,226,154</td>
<td>86,282,697</td>
<td>122,260,345</td>
<td>173,365,562</td>
<td>179,327,377</td>
</tr>
<tr>
<td>EXPORTS</td>
<td>103,512,042</td>
<td>146,607,974</td>
<td>134,103,744</td>
<td>164,956,414</td>
<td>160,861,645</td>
<td>179,415,397</td>
<td>264,087,029</td>
</tr>
</tbody>
</table>

Source: Statistics Dept-Ministry of Trade and Industry

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66 The researcher was told that these are strictly confidential documents under the custody of GoM. Efforts to access the actual contents and copies of the documents themselves proved futile. The government officers who were interviewed disclosed that these documents are not accessible to them.

67 This information was verified through documents that were obtained from the ministry of Industry and Trade and through the exclusive interviews with the following:

- Economic Analyst-Malawi Confederation of Chamber of Commerce and Industry
- Director of International Trade-Ministry of Industry and Trade
- Principal Trade Officer-Ministry of Industry and Trade
- Investment Analyst-Malawi Investment Promotion Agency
Some of the capital equipment that Malawi imports is made in mainland China and the West. Nevertheless, lately as compared to mainland China, Malawi has benefited from the western countries with which it established diplomatic relations or trade agreements sometime before mainland China came on the scene through the transfer of skills and technology. For instance by virtue of being a least developed country under the World Trade Organization (WTO), besides benefiting from Temporary Movement of Natural Persons (TMNP), Malawi continues to have access to trade related technical assistance such as Integrated Framework (IF) and Joint Integrated Technical Assistance Programme (JITAP).

There are two projects being implemented in Malawi under the IF programme. One of them is the Standardisation, Quality Assurance, Accreditation and Metrology (SQAM). The overall objective of this project is to build capacity in the area of SQAM both at institutional and enterprise level by way of facilitating awareness of Malawi enterprises on issues that underlie standardisation. Under SQAM a process has also been initiated to develop capacities within the Malawi Bureau of Standards (MBS) for accreditation and Quality Management System (QMS).

Whereas through JITAP, Malawi continues to benefit from training of officials from the public sector, private sector and the civil society sector in various aspects of multilateral trading systems. In November 2007, under JITAP, 500 cotton farmers and extension workers in Malawi received training in farm management towards enhancing improved cotton production.

Further to this, from the bilateral trade and development agreements with western countries like USA, Australia and Canada, Malawi also benefits from various schemes of trade preferences (Generalised System of Preferences) aimed at industrialisation and improvement of the quality of locally produced goods for exports like honey, groundnuts, chillies, rice, green beans, millet, mushrooms and handicrafts. The Africa Growth and Opportunity Act (AGOA) initiative is a very good example in this respect.

It can therefore be argued that Malawi has not yet benefited from skills and technical transfer from mainland China as it has through the various bilateral and multi-lateral relations with western countries.\(^{68}\)

Malawi also benefits from project grants and project loans from western countries through official development assistance in the areas of infrastructure construction and development among others. With regards to mainland China, it was only in 2008 that mainland China announced that it would provide the funds and identify Chinese contractors to take over the construction of two projects; the new parliament building

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\(^{68}\) Take note that the information contained in this paragraph was verified through documents that were obtained from the Ministry of Industry and Trade and through exclusive face to face interviews with the following:

- Economic Analyst-Malawi Confederation of Chamber of Commerce and Industry
- Director of International Trade-Ministry of Industry and Trade
- Principal Trade Officer-Ministry of Industry and Trade
- Investment Analyst-Malawi Investment Promotion Agency
and a 101-km road\textsuperscript{69}. The local contractors that initially won the tenders for these two projects have all been withdrawn in favour of contractors from mainland China.

**Box 3: Chinese Contractor Takes Over**

<table>
<thead>
<tr>
<th>Box 3: Chinese Contractor Takes Over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meanwhile, the Chinese contractor has finally taken over the site just days after the former contractors (local) handed over the premises to government following receipt of compensation. Terrestone and Deco seized the building last year as they pressed compensation from government following an abrupt cancellation of the contract after Malawi severed ties with former financiers of the US$ 40 million parliament project, Taiwan.</td>
</tr>
</tbody>
</table>

*Source: Daily Times, 19\textsuperscript{th} January 2009*

As of mid 2008, the list of Malawi’s development partners included Canada, USA, Germany, Norway and the United Kingdom. Mainland China was not one of them (see table 5). This implies that until 2008, Malawi had never benefited from any investment from mainland China in the form of project loans or grants through development support as it had with western countries for the past few decades. In other words, as of late, total actual disbursement of development support to Malawi from mainland China was literally nil\textsuperscript{70}.

3. **CASE STUDIES**

Case studies in 19 Chinese firms in Malawi revealed that a number of Chinese investors paid very little attention to their workers’ welfare to an extent that workers were generally not assisted in any way when bereaved and that they were considered absent when sick. It has been established that workers’ lives were at risk in Chinese companies as some handled extremely dangerous machinery without protective gear (i.e. boots, helmets, gloves) while others were locked up in factories while the boss/employer was away.

**TABLE 12: VISITED CHINESE FIRMS AND SECTORS**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>NUMBER OF COMPANIES</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>12</td>
<td>63%</td>
</tr>
<tr>
<td>Tourism</td>
<td>3</td>
<td>16%</td>
</tr>
<tr>
<td>Services</td>
<td>4</td>
<td>21%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>19</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

\textsuperscript{69} Assessment of the projects by Chinese firms was scheduled to be undertaken prior to the resumption of the construction.

\textsuperscript{70} It should be noted that mainland China did pledge to bank roll the finances for the construction of new parliament building and the road.
**General Understanding of Trade Unions**
All the 80 respondents in the 19 Chinese firms had no knowledge with regard to the existence of trade unions, let alone the MCTU. Thus none of the visited Chinese companies had a union. This explains why most of the workers were abused by their employers as revealed by the study. This also explains why during the interviews, most workers seemed to be scared.

The absence of the trade unions in the visited Chinese companies also contributed to the suffering of these employees as they were not aware of their rights as workers as well as the obligations of the employers. As such, they did not know that as workers, they were entitled to certain things such as good salary/wages, paid holiday, safe working environment, job security among others.

It was also discovered that none of the owners of the work places that were visited was a member of the Employers Consultative Association of Malawi (ECAM), which is a federation of the employers in Malawi.

**Labour Relations**
Generally, the study established that labour relations were poor in most Chinese companies. Out of 19 Chinese firms, only three (representing 16%) faired well with regards to labour relations and working conditions. Eighty (80) % of the respondents revealed that there was no cooperation between the employers and the employees. In some cases, a very tense atmosphere could be observed upon arrival.

Generally workers in Chinese firms were not aware of the Labour Relations Act, Employment Act or the Occupational Safety and Health Act which safeguards workers’ rights and promotes their dignity at work places in Malawi. Neither did the workers know that the above mentioned legislations provide for freedom of association i.e. the right to form or join trade unions of their choice, protection from unfair dismissal and forced labour and that further to this they had a right to bargain for better conditions of service with their employers.

Some workers complained of being physically abused to the extent of literally being kicked. At least 10% of the workers testified to being physically abused by the employer at some point, while 32% alleged that they had been verbally abused and constantly threatened with instant dismissal whenever they expressed dissatisfaction over any unfair treatment.

About 89% of the workers had no formal employment contracts. This tendency places employees in an awkward position as they fail to successfully bargain for better working conditions and salaries. Whoever tried to complain about the poor conditions of service was told they could be replaced. Hence the employers tended to hire most of the workers as “casuals” who could be hired and fired at will without reprisals. Over 47% of the interviewed workers expressed fears over their job security.

At least 53% of the workforce in Chinese firms was subjected to forced labour. It was discovered that job descriptions or division of labour was not always adhered to in these companies. A case was reported of a worker who was recruited as a clerk but then ended up as a general labourer against his will. Other workers who refused
instructions were dismissed immediately. One driver complained that he did not only have to drive the lorry but also had to off load the goods.\textsuperscript{71}

At four Chinese companies (representing 21%), work started at 6:00am to 6:00pm without a lunch break or any other break in between. Worse still, no overtime was paid. At these workplaces, workers were advised to buy food before entering the factory premises while the lucky ones were allowed to prepare their meals within the work premises, as long as they brought their own food before work started. They were not allowed to step outside before knock off time.

Only five percent of the interviewed workers knew that they could channel their grievances through the labour office. However, some of them said they were too scared to even approach that office.

At the three companies\textsuperscript{72} where the working environment was found to be relatively conducive, workers were able to exercise their rights and members of the management were supportive. “He always assists whenever we need assistance, for example, when one is bereaved, he provides transport,” one worker explained. “The atmosphere is always favourable here because the boss and his wife speak to us politely” added another.

It was also reported that at these three companies, whenever, one worked beyond the normal working hours, overtime allowance was claimed and paid and their holidays were paid for. As one explained: “These people are good, they allow us to go on holiday upon request.” Workers at these three firms were provided with necessary protective gear such as safety boots, work suits, safety goggles, gloves, helmets etc.

Occupation Health, Safety and Environment at the Work Place

In some Chinese firms, workers were subjected to inhuman working conditions. At one of the companies, urine had to be used in the manufacture of organic manure and employees were required to urinate in a tank. Workers at one time got dismissed when they refused to carry the cans of urine from the tank without protective clothing.

Workers in most of the Chinese firms were operating dangerous machinery without gloves. Some worked in very smelly and dusty surroundings without mouth/nose shields while others were seen handling dangerous processing materials with their bare hands and on bare feet. In cooking oil processing factories, workers were found working in very hot rooms, while handling hot raw materials without protective gear.

It was also reported at one company that workers were provided with protective gear only when their employers had been informed of an impending inspection by the Ministry of Labour or MIPA. As soon as the officials would leave the premises, the workers would be asked to remove the protective gear.

\textsuperscript{71}This was contrary to his job description. Whenever he wanted to raise the issue with management, he was advised to quit if he was not ready to comply.

\textsuperscript{72}Two companies are in the service sector while one is in tourism.
At one company, the research assistant had to conduct interviews from outside while the respondents were locked up within the premises. This is extremely dangerous as peoples’ lives are put at great risk in case fire erupts inside the factory.

It was also observed during the study that most Chinese companies did not have decent toilets. In some companies, urinals were not provided. Where toilets were available, they were in a poor state. Among the 19 Chinese firms, one firm (which employs over 20 workers) did not have a toilet.

All of the Chinese factories visited did not have change rooms for workers to use after work. The absence of change rooms with running water meant that workers would leave work without cleaning themselves, a practice which could have been a health hazard.

It is worth mentioning that 37% of the Chinese investors used company premises for habitation as well. Thus rooms were reserved within the same building or a different block for dwelling purposes. Cases were noted where pets were roaming around company premises. This compromised the hygiene of the workplace and the quality of food manufactured there.

In Chinese companies where the relationship was good between management and employees, the working environment was also safe and hygienic. Workers were seen wearing protective gear such as safety boots, work suits, safety goggles, helmets and gloves. The factory was well ventilated with clean walls and floors.

In spite of the three isolated cases of hygienic and safe work places discussed above, Chinese firms in the manufacturing sector are generally not safe for the workers. The status of Chinese investments especially in the manufacturing sector leaves a lot to be desired.

**Wages and Salaries**

The study revealed that there were no negotiations as far as remuneration packages were concerned in Chinese companies. Salaries/wages were imposed on the workers. Sixteen (16) % of the workers in these companies were paid per week while 26% received wages on a daily basis. If one did not report for work due to illness, or due to an accident at the work place or if they were bereaved, the salary was deducted. Only 5% of the workers said they had received wages for extra hours worked.

Wages were also deducted whenever workers went on leave. At one company, it was reported that workers had the privilege of applying for loans from their employers. However, these loans were deducted once-off, leaving the worker broke in certain circumstances.

Some Chinese companies designed pay structures for their employees. However, the strange thing was that these salaries varied according to performance and not necessarily educational qualifications or experience. There was also a slight difference in salaries between long serving members and new recruits. It was again discovered that on average, workers in the service sectors earned higher than those employed in other companies within the manufacturing sector. Where there were
casuals and permanent workers doing the same job, the latter were paid slightly higher, with a K 1000 (US$ 7.14) difference in certain companies.

Wages/salaries in Chinese companies for locals varied considerably. Except for the few fortunate ones who earn as high as K 15 000 (US$ 105.63) per month, the majority received less than K 4 000 (US$ 28.17) per month. Some were paid a meagre K2, 000 (US$ 14.08) per month, which was below the minimum wage set by the government (i.e. minimum wage at that time was pegged at K 117 (US$ 0.82) per day, making it K 3 510 (US$ 24.72) per month). Thus the average minimum wage in Chinese companies was K 3 621 (US$ 25.5) while the maximum wage on average was K 6 888 (US$ 48.50).73

There were huge variations in salaries between locals and Chinese. Some Chinese expatriates were paid as much as K 120 000 (US$ 845.07) per month, far beyond locals even under circumstance where they carried out similar jobs. At four Chinese companies (representing 21%), Chinese expatriates were reported to have received their pay from mainland China.

Benefits enjoyed by workers in Chinese firms
It was discovered during that 36% of the respondents did not receive benefits from their employers. In these companies, people did not have social security, paid vacation, paid sick leave, subsidised housing allowance, severance pay upon termination of service, paid maternity leave nor a chance of getting a loan/advance from the employer. These workers, who were usually classified as “casuals” no matter how long one had worked, could be fired any time the employer wished, and sometimes without even receiving wages for the days they had worked for.

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73 The average minimum wage was calculated by summing up all the minimum wages paid by the visited Chinese companies and then calculating a mean wage. The same formula was applied when computing maximum average wage.
<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
<th>P</th>
<th>Q</th>
<th>R</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>√</td>
<td>√</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>Medical care</td>
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<tr>
<td>Free/subsidised transport</td>
<td>√</td>
<td>-</td>
<td>-</td>
<td>√</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>Paid vacation/holiday</td>
<td>-</td>
<td>√</td>
<td>-</td>
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<td>√</td>
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<td>-</td>
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<tr>
<td>Child care services</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Incentive bonus</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>-</td>
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<tr>
<td>Severance pay</td>
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<tr>
<td>Paid maternity leave</td>
<td>√</td>
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<td>Free/subsidised meals</td>
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<td>Company-level or in-house</td>
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</table>

**Key**

- √ Service provided
- - Service not provided

Table 13 (above) shows how the 19 Chinese firms, which were visited operate with regards to the provision of fringe benefits. At least 10 out of the 19 visited companies provided free/subsidised meals to their workers. Out of the 19 only two companies provided a wide range of benefits to their workers, which included social security, medical care, paid sick leave among others. None of the 19 companies provided education/training bursaries, childcare services, employer-employee share ownership plan, and pension scheme. Table 13 also shows that there are seven companies that did not provide any other fringe benefit apart from a salary/wages.

The Employment Act stipulates the provision of fringe benefits such as maternity leave, sick leave, holiday and severance pay among others.
4. Assessment of compliance with national labour laws and ILO Conventions

In Malawi, there are laws that have been enacted with the sole purpose of protecting the human rights in general and the rights of workers in particular. Examples of such legislation include the Employment Act of 2000, Labour Relations Act of 1996, and Occupational Health, Safety Health and Welfare (1997).

4.1 Malawi’s National Labour Laws

4.1.1 The Employment Act of 2000;
The Act’s sections 4, 5, 6, 7 and 57 protect workers against forced labour, discrimination, and clearly advocate for equal pay and provide grounds for justified dismissal as well as interventions against unfair dismissal.

Section 4(i,ii) states that “No person shall be required to perform forced labour, and that any person who exacts or imposes forced labour shall be guilty of an offence and liable to a fine of K 10,000.00 (US$ 70.42) and to imprisonment for 2 years.”

Section 5(i) calls for anti-discrimination on the grounds of race, colour, sex, language, religion etc. Any person who contravenes shall be guilty of an offence and liable to a fine of K 10,000.00 (US$ 70.42) and to imprisonment for 2 years. On the other hand section 6(i) requires employers to pay their workers equal pay for work of equal value.

This same Act (section 7) provides interventions for an infringement of the fundamental rights and clearly states: "Where an alleged infringement has been proved, the court shall make an order which may include; reinstatement of an employee, the restoration to him/her of a benefit or advantage and order for the payment of compensation."

Grounds that do not constitute valid reasons for the termination of service have also been included in section 57 of the Act which include race, temporary absence from work because of sickness or injury, one’s exercise of the right to remove himself from a work situation which s/he reasonably believes present an imminent danger to life; as well as an employee’s refusal to do any work normally done by an employee who is engaged in an industrial action.

Section 63 of the Act provides interventions for unfair dismissal which include an order for reinstatement, re-engagement as well as the award of compensation if the court finds that an employee’s complaint of unfair dismissal is well founded.

Contrary to the above provisions, the findings of the research reveal that the majority of the visited companies (at least 15) did not respect the above legislation. This is evidenced by the fact that they were able to fire and hire workers at will.

4.1.2 The Labour Relations Act of 1996
The Labour Relations Act of 1996 has some sections dedicated to freedom of association for workers. Interventions for where there has been an infringement of workers rights are also provided for in this Act. Sections 4, 5, 6, 7 and 8 of the Labour
Relations Act provide for freedom of association which shall include the freedom to establish and join organisations of one’s choice; rights of trade unions and employers organisations to draw up its constitution and elect its officers, organise its administration and activities, affiliate to and participate in the affairs of the International workers and receive financial and other assistance from them.

Section 6(i) offers protection to employees from victimisation because they are trade union members; whereas Section 7 gives protection in respect of organisations whereby any person eligible for membership of an organisation pursuant to its constitution or rules has a right to membership of that organisation and to remain a member as long as s/he complies with the rules of the organisation; as well as provide remedies for any complaint of infringement of the rights respectively.

Section 8(i) provides remedy to any infringement of the rights or protection contained in this Act and advises the contravention to be presented to the Industrial Relations Court where a necessary order will be made by the court to secure compliance with the Act.

Findings of the research suggest that many workers are ignorant of these provisions and thus they do not make use of them.

4.1.3 The Occupational Safety, Health and Welfare Act of 1997;
The Occupation Safety, Health and Welfare Act (1997) makes provision for the regulation of conditions of employment in workplaces with regards to the safety, health and welfare of persons employed. Section 4(22) stipulates that “every workplace shall be kept clean, and free from effluvia arising from any drain, sanitary convenience or nuisance.”

Section 27(i) demands every occupier to provide sufficient and suitable sanitary conveniences for persons employed in the workplace. In cases where persons of both sexes are employed, such conveniences shall include proper separate accommodation with a distinct approach for persons of each sex. In addition, separate washing facilities for male and females and one shower for every 20 employees as well as change rooms need to be provided (section 28i).

Section 35 of the Act requires that every dangerous part of any moving machinery or component thereof be securely fenced. Unfortunately this is not the case with that machinery in some of the Chinese companies that were assessed.

This Act, in Sections 82 and 83 respectively, finds one guilty of an offence, who contravenes the provisions of this Act and makes him/her liable to a fine of K 10,000.00 (US$ 70.42). If the offence in respect of which he was convicted continues after the conviction shall in addition be liable to a fine of K 500.00 (US$ 3.52) for each day the offence.

It is evident that adequate legislations have been put in place by the Government of Malawi to protect and safeguard the interests of workers, but effective enforcement of the same is inadequate.
In addition to the above highlighted national legislations, the Government of Malawi has ratified all the core International Labour Organisations conventions (ILO) which also safeguard the worker’s and human rights. These core conventions are; Freedom of Association and Protection of the Right to Organise; Right to Organise and Collective Bargaining; Forced Labour; Abolition of forced Labour; Minimum Age; Worst Forms of Child Labour; Equal Remuneration and Discrimination.

The Government of Malawi is committed towards protecting the rights and freedoms of workers. Nevertheless, there are some employers who do not adhere to the dictates of country’s Labour Relations Act, Employment Act, Occupational Safety, Health and Welfare Act as well as the fundamental ILO Conventions.

Based on the research findings, it is evident that all the 19 Chinese employers except three did not adhere to the country’s labour laws as well as the ILO Conventions. For example, there was no room for salary negotiations between employees and employers in these Chinese companies. Salaries were just imposed on the workers and if one was not satisfied, they were “free to leave”. This is contrary to ILO Convention 98 on the right to Organise and Collective Bargaining, to which Malawi is also a signatory. It was also discovered that 53% of the workers performed acts of forced labour with long hours of work, which is contrary to both Convention 29 of 1930 on forced labour and section 4 of the Employment Act of Malawi.

The fact that there is no job security in most Chinese companies is proof that Chinese companies in Malawi do not adhere to the country’s labour laws and core ILO conventions. Section 57 of the Employment Act for example protects the employee from being unfairly dismissed while Section 8 of the Labour Relations Act provides remedies in the event of infringement of workers’ rights.

Lack of job security, failure to provide protective gear for use by employees, the absence of washing facilities, meals and first aid, inadequate ventilation and lack of cleanliness characterise most of the Chinese workplaces in the manufacturing sector. The majority of these factories are in contravention of the Occupational Safety, Health and Welfare Act section IV and V.

Nevertheless it should be pointed out that the non-adherence to the national labour laws or the core ILO conventions is not only peculiar to Chinese employers/investors. Research shows that employers in Malawi generally do not comply strictly to the national labour laws and the core ILO conventions. Nevertheless, it was established that as compared to the non-Chinese employers 74, the Chinese employers were worse when it came to compliance with national labour laws and adherence to core ILO conventions. For instance in the textiles, leather and garments sector the following comparison 75 between Chinese and non-Chinese employers can be drawn:

- Though workers are generally not allowed to attend funerals of relatives or fellow workers during working days, at times non-Chinese employers become flexible and allow the workers to do so. This is entirely not the case with almost all Chinese employers.

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74 Non Chinese employers shall mean Indians, Lebanese, Africans, Pakistani nationals, Europeans etc.
75 Source of information: Interviews with the General Secretary of Textile, Garments, Leather, Security and Allied Workers Union Mrs. Grace Nyirenda and her deputy Mr. M. Tchuma; Mr. Namagonya the organiser for the Southern region-Commercial Industrial Allied Workers Union.
• At the end of the year, non-Chinese employers offer rejected products to their workers at relatively low prices and sometimes free of charge. This is not the case at any of Chinese firms.
• Workers at Chinese firms work for relatively long hours (forced over time work) as compared to workers at non-Chinese firms.
• Normally when workers reach the target of the day at a non-Chinese firm before knock off time, they are allowed to leave the premises. This does not happen at any of the Chinese firms.
• Production targets set by non-Chinese employers are sometimes reasonably attainable as compared to those set by Chinese employers.
• Attendance bonuses in Chinese firms are poor compared to those offered by non-Chinese employers.
• At Chinese workplaces the number of unfair dismissals is high in comparison to non-Chinese employers. The union receives more cases of unfair dismissals from Chinese firms as compared to non-Chinese firms.
• Cases of physical assault by the employers are more common at Chinese firms as compared to non-Chinese firms.
• Wages paid by Chinese employers are mostly on the threshold of the statutory minimum wage as compared to those at non-Chinese firms.
• There is no room for negotiations on working conditions at Chinese firms. This is not the case at non-Chinese firms.
• At Chinese firms workers are forced to continue working when they fall sick. Wages are deducted if a worker fails to report for work due to sickness in spite of having given notice in advance and even upon providing medical evidence. This is not the case with non-Chinese employers.
• It is common to find one toilet for both men and women at a Chinese firm and sometimes none. Whereas non-Chinese firms generally have separate toilets for men and women.
• All female workers employed at the Chinese firms are casual workers. Whereas in non-Chinese firms there are women who are permanent workers.
• When summoned for a dispute hearing by the union or the labour officers, non-Chinese employers generally comply and if cautioned they generally take heed. This is mostly not the case with most Chinese employers.
• Workers at non-Chinese firms are entitled to paid sick leave whereas at Chinese firms, this is unheard of.
• Above all, occupation safety and health standards are poor in all Chinese firms as compared to non-Chinese workplaces.

76 The category of non-Chinese employers comprises of Indians, Lebanese, Africans, Pakistanis, Europeans etc.
Box 6: Violations at Non-Chinese firms

1. **Exclusive Fashions** is a textile factory owned by a non Chinese (Indian). The textile union has been receiving reports that the employer who is male personally searches workers (both male and female) when knocking off. He undresses women (literally naked) and touches their private parts during searching.

2. **Giant Clothing** is owned by white South Africans. At this firm, workers are not allowed to go out for lunch or do their own business during lunch time. They are always locked inside to work, even during lunch time without rest.

3. **Sally Wholesalers** is a manufacturing company of pots and slippers. It is owned by a Lebanese. A few months ago a female worker gave birth on a Saturday and was asked to report for work on the following Monday or risk dismissal. The issue was reported to the union (Commercial Industrial Allied Workers Union), which successfully represented the worker.

Source: Textile, Leather, Garments Security and Allied Workers Union and Commercial Industrial and Allied Workers Union

This shows the extent to which some non-Chinese employers violate workers rights just like the Chinese, as revealed in the study. Chinese employers are comparatively worse in this regard.

The tendency by employers not to comply with the national labour laws or adhere to the core ILO conventions wholly or partly is aggravated by lack of capacity on the part of the government to effectively inspect the workplaces so as to enforce compliance. This is a result of inadequate financial resources that the Ministry of Labour receives from the national budget annually. Trade unions also have a weak institutional capacity to extend membership and reach out to all workplaces. Hence the employers have taken advantage of these deficiencies on the part of the government and the trade unions. Given the more regular and effective inspections by the Ministry of Labour and extended membership base of the trade unions, there is a likelihood that Malawi can become an example in Africa with respect to application and adherence of the labour laws and core ILO conventions.

Box 7: Labour Market in Malawi

The labour force is estimated at 5 million economically active persons with only 450,000 persons engaged in formal employment and 3,500,000 persons engaged in the informal economy. Out of this, 137,350 workers are registered union members of MCTU affiliates.

Source: MCTU-Strategic Development Report (November 2008)

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77 Information for this paragraph was extracted from the interview with the Deputy Labour commissioner Mr. Mwasikakata. This information was verified during a meeting with the union leaders.
### TABLE 14: Union membership

<table>
<thead>
<tr>
<th>Name of Union</th>
<th>Total number of members and non members</th>
<th>Actual membership as of June 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipping Clearing Customs Trade Union</td>
<td>7,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Tobacco Tenants and Allied Workers Union</td>
<td>3.7 million</td>
<td>14,749</td>
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<tr>
<td>ESCOM Staff Union</td>
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<td>3,495</td>
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<tr>
<td>Hotels Food and Catering Service Union</td>
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<td>4,502</td>
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<tr>
<td>Sugar Workers Union</td>
<td>12,000</td>
<td>8,598</td>
</tr>
<tr>
<td>Plantations Agriculture Workers Union</td>
<td>60,000</td>
<td>2,586</td>
</tr>
<tr>
<td>Commercial Industrial Allied Workers Union</td>
<td>300,000</td>
<td>3,000</td>
</tr>
<tr>
<td>Water Employees Union</td>
<td>6,000</td>
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<td>Communications Workers Union</td>
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<td>5,178</td>
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<tr>
<td>Malawian Housing Corporation Workers Union</td>
<td>1,000</td>
<td>298</td>
</tr>
<tr>
<td>Private Schools and Allied Workers Union</td>
<td>30,000</td>
<td>4,383</td>
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<tr>
<td>Textiles garments Leather and Security Service Union</td>
<td>11,000</td>
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<td>Transport and General Workers Union</td>
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<td>Railways Workers Union</td>
<td>410</td>
<td>390</td>
</tr>
<tr>
<td>Building Construction and Civil Engineering Workers Union</td>
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<td>Teachers Union of Malawi</td>
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<tr>
<td>Electronic Media Workers Union</td>
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<td>Civil Servants Workers Union</td>
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<tr>
<td>Nurses and Midwives Organisation of Malawi</td>
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<td>Malawi Union For Informal Sector</td>
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<td>Municipal Workers Union</td>
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<td>University Workers Union</td>
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<tr>
<td><strong>GRAND TOTALS</strong></td>
<td><strong>139,655</strong></td>
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</table>

*Source: MCTU-Strategic Development Report (November 2008)*

There has been a decline of the formal employment due to globalisation, i.e. through the massive retrenchments and redundancies following privatisation of state enterprises and liberalisation of the economy at large. This has negatively impacted on union membership, which is largely drawn from the formal sector. Hence the urban informal economy continues to expand.

Out of the 18,350 workers that were employed in the textile, garments and leather sectors in 1995, about 11,597 (63%) workers lost jobs through retrenchments that followed privatisation and liquidation of the firms in the three sectors. Six out 16 firms have so far closed down. It is further estimated that over 70% of the total number of those retrenched were members of the Textiles, Garments, Leather and Security Services Union.
5. Possible trade union interventions, conclusion and recommendations

5.1 Trade Union Interventions

From the consultations done with the trade union leadership, it was established that trade union intervention towards addressing the setbacks highlighted in sections three and four is possible through a number of ways.

i. Strengthening ties with Chinese Embassy
By strengthening ties with the Chinese Embassy in Malawi, the trade unions can bring the violations by the Chinese investors to the attention of the Ambassador for action. For instance, when the draft report of the Chinese study was submitted to the Embassy, the Ambassador immediately summoned the Chinese investors based in the capital city of Lilongwe to caution them of the malpractices as revealed by the study. Later the Ambassador himself assured MCTU that the Embassy will cooperate with the trade unions and the government to ensure that the Chinese investors abide by the constitution of the Republic of Malawi.

ii. Strengthening partnership with All Chinese Federation of Trade Unions (ACFTU)
MCTU may utilise the partnership with ACFTU to learn more about the labour relations in China through exchange visits among others. This partnership may be used as point of reference in the fight for better working conditions for the Malawian workers who are employed in the Chinese firms. MCTU may also channel concerns about poor labour relations in Chinese firms in Malawi to ACFTU to engage the Chinese government on behalf of MCTU from the other end as MCTU does with the Chinese ambassador.

iii. Recruitment
Since there were no unions in the Chinese workplaces, which were visited during the study, MCTU may embark on an organizing and recruiting campaign which will eventually result in the establishment of unions in all the Chinese firms. The trade union leadership that was consulted agrees that the situation in the Chinese firms could be worse than what has been revealed by the study. Unionising Chinese workplaces is an effective trade union intervention. Trade union education campaigns like the on-going radio programme on workers rights can also be utilised to expose the irregularities in Chinese firms to the general public.

iv. Lobbying with ECAM
Another possible trade union intervention would be to lobby for ECAM to extend its membership to the Chinese employers who are not members. It is through the membership to a federation of employers, and through interaction with fellow members that the Chinese investors may be compelled to adhere to the core ILO conventions and national labour laws.

v. Follow-up research
Since the study focused on the Chinese investors who had come to Malawi prior to the establishment of the diplomatic ties between Malawi and mainland China, there is need for MCTU to commission a follow up study to establish how the new
Chinese investors who are coming to Malawi respect labour laws as compared to those that were highlighted in this study.

vi. Tripartite committee on investments
The trade unions through MCTU should ensure that Foreign Direct Investments (FDIs) are incorporated on the agenda of the subsequent tripartite social dialogue. MCTU must initiate talks on the need to set up a tripartite committee on investments which should critically examine the manner in which the investment applications are scrutinised and approved. It is through this committee that MCTU may also lobby for the representation of workers in the Investment Approval Committee (IAC). The same committee could also lobby for the active involvement of the tripartite partners in the negotiation of the bilateral and multilateral trade and investments agreements that GoM enters into with other governments.

vii. Access to copy of MOU
Since the Ministry of Labour as a tripartite partner is not keen to share with the trade unions the contents of the memorandum of understanding which was signed between Malawi and mainland China, MCTU should demand access to a copy of the MoU with immediate effect. It is after going through this document that the workers may be in a good position to ascertain the extent to which the workers in Malawi are going to benefit from the diplomatic relations between mainland China and GoM and then respond accordingly.

Recommendations
The GoM’s vision is to “transform Malawi from a predominantly importing and consuming country to a predominantly producing and exporting country.” (Ministry of Industry and Trade 2008). In order to achieve this, just like other developing countries, Malawi is also on a drive to attract foreign investors from across the world including mainland China to inject the investments within the manufacturing sector. The trade union perspective in this regard remains that foreign direct investments are being realised at the expense of the rights and interests of the workers. Following consultations with trade unions and other stakeholders on the findings of this study, the following recommendations can be presented:

- Language is a barrier as far as communication between employer and worker is concerned in the Chinese-owned workplaces. To a greater extent the violation of workers’ rights in this regard is a manifestation of that language barrier. Hence a foreign investor who cannot fluently communicate in English – which is the official language in Malawi - or any vernacular language should be required by law to learn English or any local language within a reasonable period.
- Just as it is the case in other fora like the Privatisation Commission, trade unions and employers should also be represented in the Investment Approval Committee (IAC).
- Among others, IAC should ensure that the foreign investors are comprehensively oriented on labour laws and other related issues prior to the issuing of the investment certificate.
- The GoM should open up to civil society organisations (CSOs) particularly trade unions, employers’ federation, human rights bodies and even the bureau of standards and consumers associations to participate in the labour inspections. If financial resource may pose a constraint in this regard, GoM should engage these organisations for possibilities of cost sharing.
- Trade unions should vigorously lobby for the revision of the minimum wage, which is arguably the lowest across the SADC region.
- Since trade has a huge bearing on workers’ lives, social partners in the labour movement (ministry of labour, employers and trade unions) should be represented in the bilateral and multilateral trade negotiations that Malawi enters into, including the Economic Partnership Agreements which Malawi is still contemplating to initial or not.
- Social partners should put concerted efforts to ensure that every work place in Malawi has well documented conditions of service, which are provided to the worker when he/she gets employed.
- Researchers on labour should conduct a comparative study of labour relations in mainland China and Chinese firms in Malawi.
- Efforts should be made to recruit Chinese investors into the membership of ECAM.

5.3 Conclusion

One cannot deny the fact that for the past five years or so, Chinese investments have had some positive impact on Malawi’s economy with regards to job creation, proliferation of low-cost China-made consumer goods on the market, forex, among others though at a relatively slow pace as compared to investments from the West. Nevertheless, the manner in which approvals for investments in Malawi are handled, underscores the need for formal consultations with the key social partners like trade unions and employers who are not represented at all in the IAC.

On the other hand, standards and labour legislation in particular should not be compromised in any way as a means of attracting foreign investors.

There is lack of hygiene in some Chinese firms that manufacture food stuffs particularly cooking oil. This raises another concern that such food stuffs may therefore be of sub-standard quality thereby posing acute health risks to the consumers. On the other hand, the jobs that have so far been created by the Chinese investors are those solely suitable for the unskilled labourers. Most employees in Chinese firms in Malawi work as “casuals”. As such they are denied such basic benefits which are generally enjoyed by the permanent workers such as sick leave, free or subsidised meals, paid holidays, funeral allowance, transport etc. When it comes to the skilled jobs, the Chinese investors tend to hire expatriates from their home country. These expatriates happen to do the very jobs that could easily be taken up by Malawians.

Generally, workers in Chinese firms are subjected to miserably poor working conditions and above all, the labour relations in Chinese workplaces leave a lot to be desired. After bringing the labour dimension into perspective, one can conclude that the relation between Malawi and mainland China is lop-sided.
Nevertheless this paper does not suggest that the non-Chinese employers are paragons of virtue with regards to the adherence of national labour laws and compliance to core ILO conventions. Generally both Chinese and non Chinese employers are culprits in this regard. However, a comparative analysis on the conduct of the two categories shows that the non-Chinese employers are better.

All in all, the need to abide by the country’s labour laws and comply with the core ILO conventions should not hinge upon the benevolence of the investors themselves. The onus is on the trade unions at all times to expose such anomalies and vigorously fight for the rights and interests of the workers at every workplace in Malawi.

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3.7 Chinese investments in South Africa

By Thulani Guliwe and Skhumbuzo Mkhonta, with editorial assistance from Brendan Vickers

National Labour & Economic Development Institute (NALEDI)

1. South Africa and China: Historical, Political and Economic Relations

1.1 Introduction

In 2008, South Africa and the People’s Republic of China (PRC) celebrated a decade of formal diplomatic relations, marked by a celebrations programme running throughout the year and a commitment to strengthening a new Partnership for Growth and Development. Over the past ten years, Sino-South African bilateral relations have registered various achievements: two-way trade has grown dramatically; investment by Chinese companies into the South African market and vice-versa has increased; cultural exchanges and scholarships for South African students to study in China have multiplied; and Beijing has provided greater development assistance for South Africa’s human resource and technical skills base.

Today, South Africa and China regard each other as “strategic partners”. This is reflected by:

- the high-level political exchanges on both sides (including two incoming state visits by Presidents Jiang Zemin in 2000 and Hu Jintao in 2007, and three outgoing state visits by Presidents Nelson Mandela and Thabo Mbeki in 1999, 2001 and 2006 respectively);
- the signing of the 2000 Pretoria Declaration that led to the formation in 2001 of a Bi-National Commission (BNC) to promote cooperation in political, economic and other technical fields (e.g. protection of investments, trade, housing, civil air transportation, scientific and technological exchanges, water, double tax avoidance, animal health, and arts and culture, amongst others);
- the adoption in 2006 of a Programme of Cooperation on Deepening the Strategic Partnership and today, the proposed Partnership for Growth and Development;
- preliminary consultations leading to free trade agreement (FTA) negotiations between China and the Southern African Customs Union (SACU) to boost South-South trade (especially in agricultural products such as fruit, vegetable and beef products);
- granting Beijing “market economy” status in 2006; and
- the launching in 2008 of strategic dialogue at ministerial level.

South Africa is the largest and most diversified economy in Africa. There is huge potential for economic and trade cooperation between these two regional powerhouses. South Africa is China’s key trading partner in Africa, accounting for
20.8% of the total volume of China-Africa trade in 2007 (van der Merwe, 2008). The volume of bilateral trade has grown spectacularly from US$ 14 million in 1991 to more than US$ 2 billion by 2002 (le Pere and Shelton, 2007). By the end of 2006, the volume of Sino-South Africa trade had increased nearly five times to US$ 9.8 billion.

The purpose of this chapter is to place South Africa-China relations into a historical, political and economic context. It is important to recognise that Sino-South African relations consist of two waves or are marked by two important stages. The first wave is characterised by the trade relations with the Republic of China (ROC)/Taiwan, which dates back to the 1960s. Despite calls by the international community to isolate the then white minority regime, the ROC was renowned for sponsoring the apartheid government. In the same vein, the People’s Republic of China (PRC) provided extensive assistance to South Africa’s liberation struggle. The second wave is characterised by the relationship between South Africa’s democratic government and the PRC, which supported the African National Congress (ANC) during the liberation struggle. While the first wave of economic engagement with the ROC saw Taiwan involved predominantly in the textile and retail sectors, the second wave has introduced a combination of state-owned companies and private enterprises from the mainland that are involved in a variety of sectors: banking, construction, telecommunications, electronics, etc.

1.2 Relationship with the Republic of China (ROC)/ Taiwan

South Africa’s relationship with the ROC on Taiwan dates back to 1962 and was upgraded to ambassadorial level in 1976. The relationship with the ROC was based on anti-communism and a desire to counter their respective international pariah status. As a consequence, Taiwan ignored international sanctions against South Africa, favouring instead increased trade and political interaction at the highest level.

This relationship saw trade and investment increasing between the two countries. More than 10,000 Taiwanese business people migrated to South Africa to invest in factories, providing a solid economic foundation for diplomatic links. In 1989, the South African government conveyed an official message to Beijing via Liang Zhaoli, the president of the Chinese Association of South Africa, requesting the establishment of formal diplomatic relations. However, Beijing responded by urging South Africa to end apartheid and terminate its diplomatic links with Taiwan, hence making this a precondition for any agreement.

By 1991, South Africa made clear progress towards dismantling apartheid through the termination of key legislation (le Pere and Shelton, 2007: 160). The following year, the PRC established the Centre for South African Studies in Pretoria and South Africa established its Centre for Chinese Studies (CCS) in Beijing.

1.3 Relationship with the People’s Republic of China (PRC)

The PRC had supported South Africa’s liberation struggle from the start, regarding it as an integral part of the drive for national independence and political liberation of the African continent. In November 1997, South Africa decided to de-recognise Taiwan in favour of China. This decision took effect on 1 January 1998, but was preceded by intense debate within South Africa regarding relations with the ROC and the PRC.
President Mandela had suggested that South Africa maintain diplomatic relations with Taiwan, given that there was no moral obligation to change, while at the same time seeking formal contacts with China (le Pere and Shelton 1997: 162).

Mandela’s approach was informed by urgent economic concerns rather than ideology. His dilemma revolved around choosing between ‘old friends’ in Beijing who had supported the liberation struggle and “new friends” in Taipei who had helped him with South Africa’s first democratic elections. However, five key considerations ultimately led to South Africa’s decision to recognise the People’s Republic of China:

- South Africa’s ambition to play a major role in international affairs, which required a full diplomatic relationship with China, given China’s veto in the United Nations (UN) Security Council;
- China’s support for the liberation struggles and the long historic friendship between the ANC/SACP and the China Communist Party (CCP);
- The fact that, with the exception of only a handful of small countries, almost the entire international community had accepted the concept of “one China”;
- The enormous potential for two-way trade, investment and access to a burgeoning consumer market following diplomatic recognition (also the fact that Hong Kong would revert to Chinese sovereignty in 1997); and
- The limits in future trade and investment opportunities with regard to Taiwan.

According to le Pere and Shelton (2007:162), these considerations made China the best long-term option. Beijing provided the compromise by offering full diplomatic relations with no objection to full economic – but not political – relations with Taiwan. South Africa’s endorsement of the “one China” principle thus opened the way for full diplomatic interaction with China, while maintaining economic links with Taiwan.

The ROC’s links with apartheid South Africa were also a factor that weakened support for continued recognition after the 1994 elections. The PRC’s support for African liberation movements stood in contrast to this as an important consideration in resolving the recognition issue. In the communiqué with Beijing establishing diplomatic ties, the South African government stated that: “The government of the PRC is the sole legal government representing the whole of China,” and added that Pretoria “recognises China’s position that Taiwan is an inalienable part of China.” Formal diplomatic relations between China and South Africa were established on 1 January 1998, opening a new chapter in Sino-African relations, and bringing South Africa in line with African diplomacy (le Pere, 1999).

The 2000 Pretoria Declaration on the partnership between the PRC and South Africa commits both countries “to a spirit of partnership and constructive dialogue.” The most important outcome of the agreement was the establishment of a BNC which would meet regularly to guide and coordinate all government-to-government relations between China and South Africa, while providing an effective forum for consultation on matters of mutual interest in bilateral and multilateral affairs.

Presidents Jiang Zemin and Thabo Mbeki concluded that the Bretton Woods system, along with quickening globalisation, required developing countries such as China and South Africa to work together in a joint programme to reform the existing economic
structure, with a view to establishing a new, just and rational economic order (le Pere and Shelton 2007: 166). Building on the BNC dialogue, as well as numerous high-level visits and interactions, South Africa and China have to date signed 32 agreements, covering a wide range of political, social and economic issues. A number of other government departments from both countries subsequently established direct channels of communication and also maintain a regular and constructive dialogue.

1.4 Economic relations between South Africa and China

During the early 1990s, direct trade relations between China and South Africa were initiated. Within a relatively short period of time, two-way trade began to increase significantly. The volume of bilateral trade in 1991 was only US$ 14 million, but within six years it totalled over US$ 1.5 billion (almost 700% trade growth). The establishment of formal diplomatic links in 1998 provided a further boost to commercial interaction, with two-way trade levels reaching over US$ 2 billion in 2002. In 2004, bilateral trade volume nearly surpassed US$ 6 billion, an increase of 52.8% over the previous year.

In 2007, total trade between South Africa and the PRC increased to approximately US$ 13 billion (or R 88 billion). This represents an overall increase of approximately 45% if the total value of trade for the 2006 and 2007 years are compared (van der Merwe, 2008). In terms of investment, the total volume of two-way investment between China and South Africa is now well above US$ 500 million. However, bilateral trade amounts to only a small percentage of both China and South Africa’s international trade profile, suggesting that there is still enormous potential for an increased exchange of goods and services.

1.4.1 South African exports to China

China retains fifth place on the South African export table, behind the EU-15, the US, Japan and “Unallocated” (a category that covers exports of precious metals and stones where the specific destination is not disclosed). The changing profile of South Africa’s trade with the world as a whole is reflected in its trade with China.

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78 Based on the rand/dollar exchange rate for the end of December 2007
Between 1996 and 2005, South Africa’s total export growth to China averaged 25.5% per annum. This is well in excess of the equivalent growth in South Africa’s total exports to the world (7.3%). However, this exchange is still heavily skewed in China’s favour.

South Africa has rapidly built up a huge trade deficit with China, at the same time as the aggregate trade deficit has grown. Indeed, the trade deficits with China in 2004 and 2005 were of the same order as South Africa’s total trade deficits, of three to four billion US dollars. In other words, it could be argued that the increased imports from China in these years are largely responsible for the South African trade deficit (Nicanor et al, 2006).
The structure of bilateral trade between the two countries is clearly dominated by commodity exports from South Africa and value-added imports from China. By all accounts, South Africa’s export profile to China has become more resource-oriented if one takes into account base metals and chemicals. By comparison, the share of more sophisticated manufactured products in imports from China has increased, especially in machinery, which includes electrical consumer goods and computers. Despite China’s much lower GDP per capita, South Africa’s trade flows with China are similar to what would be expected with a more industrialised country.
### Table 1: Levels of exports from South Africa to China

<table>
<thead>
<tr>
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<td>05</td>
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<td>06</td>
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<td>10</td>
<td>12,377</td>
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</tr>
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<td>0.0%</td>
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<td>22</td>
<td>86</td>
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<td>3.5%</td>
<td>0.0%</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>23</td>
<td>-8.2%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>None</td>
</tr>
<tr>
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<td>0</td>
<td>n/a</td>
<td>0.0%</td>
<td>0.0%</td>
<td>None</td>
</tr>
<tr>
<td>19</td>
<td>0</td>
<td>n/a</td>
<td>0.0%</td>
<td>0.0%</td>
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<tr>
<td>04</td>
<td>1,317,170</td>
<td>25.5%</td>
<td>100%</td>
<td>100%</td>
<td>n/a</td>
</tr>
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<td>09</td>
<td>50,222,951</td>
<td>7.3%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: TIPS data and Alves calculations

Rows shaded in grey indicate product chapters that both accounted for more than one percent of South Africa’s exports to China (on average between 2001 and 2005), and rose in relative importance since the 1996-2000 period.
South Africa’s exports to the PRC consist mostly of raw materials and basic commodities such as iron ore, manganese, chrome ore, copper, granite, platinum, gold, nickel, aluminium, zirconium, vanadium oxides, shorn wool and tobacco. Base metals and mineral products accounted for almost 73% of South Africa’s exports to China on average during 2001-2005. Since the bulk of these exports are in unprocessed form or with limited value-addition, South Africa continues to export raw products that create many jobs in China. Other categories of exports that are growing (or demonstrate future potential) include machinery and equipment; chemicals, pulp and paper; textiles and clothing; and live animals.

### 1.4.2 South African imports from China

China is South Africa’s second largest import market; imported Chinese goods are dominated by manufactured products, followed by high-technology goods. These include footwear; clothing and textiles; plastic products; capital equipment; electrical appliances; “white goods”; and tableware and kitchenware.

In one view, South Africa and China’s areas of comparative advantage appear to be complementary rather than competing (Jenkins and Edwards, 2005). It has been argued that in the case of South Africa, the patterns are those that would be expected of a less-developed, resource-dependent country, despite the fact that South Africa is

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80 Some researchers argue that there are almost no reported exports of platinum and diamonds from South Africa to China, but these are major imports into China. Much remains unexplored (Jensen and Sandrey, 2006:4). Conversely, China has invested about US$170-million in Zambia’s copper and other minerals, while South Africa and Zimbabwe are the PRC’s main sources for platinum and iron ore (Lyakurwa, 2008:4).

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at a much higher level of development than China in terms of simple GDP per capita indicators (Nicanacor et al, 2006). It is also important to note that far from strong resource earnings being the driver (suggesting a trade surplus along with currency appreciation), South Africa has run a growing trade deficit both with China and the world.

Figure 6: South African imports from China

Source: TIPS Easy Data

1.5 Tensions and challenges in the South African market

South Africa’s trade with China has expanded significantly over the last number of years. Agricultural exports to China are on the up and have benefited the most from this relationship. Although China produces its own agricultural products, it is a growing consumer of South African agricultural products; seasonal differences also mean that the two producers are not direct competitors (Bowker, 2008). Beyond agriculture, South Africa has not derived optimal benefit from the development of trading relations between the two countries. Four reasons for this observation are listed below.

1.5.1 Negative balance of payments
South Africa’s trade deficit with China has grown considerably as trade has progressed, with imports growing significantly faster than exports. This was particularly evident at the end of 2006, although it decreased somewhat in 2007 and looked healthier in the first half of 2008. The value of the rand and the very

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81 South Africa’s trade deficit with China was R16.6-billion in 2004. Imports of Chinese products increased by 335% from 2002 to 2004 (US dollar value). China’s share of imports increased from 54%
substantial liberalisation of trade over the decade since the establishment of the World Trade Organisation (WTO) in 1995 have made possible a very rapid and sustained surge in imports, particularly from China. This has resulted in an unprecedented crisis in local industry, characterised by large-scale loss of employment (for example, the South African Clothing and Textile Workers’ Union (SACTWU) recorded more than 55,500 job losses since 2003) and of production capacity (Vlok, 2006:228).

South Africa’s trade deficit with China also underscores the uneven development in terms of productive capabilities between the two countries: China has improved its productivity by shifting to skilled and capital-intensive modes of production, while South Africa is still trapped in labour-intensive production methods. China is exporting products that are far more sophisticated than would normally be expected for a country at its income level (Rodrik, 2006). This is combined with fears that South Africa – and the Southern African region – will be condemned to primary product supplier status.

1.5.2 Strong import competition
Imports of cheap Chinese goods are displacing production in domestic and third-country (primarily Northern) markets. A feature of South Africa’s imports in recent years has been the increasing penetration of the market by China and the dominance of this market in sectors where China actively competes. There are still very significant imports of ultra labour-intensive products from China, namely footwear; textiles and clothing; and furniture (Nicanor, 2006). In the textile, footwear and clothing categories in which Chinese imports compete, these products typically have a share of more than 50% of imports (Jensen and Sandrey, 2006). Some would point to the positive welfare benefits of cheaper imports, namely lower prices to consumers of these products and lower inflation. This is certainly a boon for upper income classes. However, the obverse is also true: imported labour-intensive products have a negative impact on employment and economic growth, especially for lower income South Africans, who constitute the bulk of the country’s population. In countries with weaker labour laws, workers are exploited; and in countries with strong labour laws, workers become the victims of unemployment as wholesalers consider cheaper products. This leads to job losses as witnessed in South Africa.

South Africa’s textile and clothing sector has been harshly buffeted by Chinese imports since the elimination of the Multifibre Agreement on 1 January 2005. The industry seems unable to compete against cheaper imports, even behind significant tariff protection. As a result, in 2006 the South African government announced that it would impose quotas on 31 categories of textile and clothing imports from China for a period of two years, which would allow the local industry to restructure and prepare itself for direct competition. While imports from China in the HS lines targeted by the quotas have been reduced, aggregate imports in these categories have only marginally decreased. Other countries have clearly replaced China as importers of choice, such as India, Pakistan, Bangladesh, Vietnam and Zimbabwe. Indeed, it is believed that transhipment – the practice of masking the original country of origin by re-labelling and rerouting goods through a third country – has surged as many importers fraudulently bypass the quotas on Chinese clothing and textile imports. For example,

in 2002 to 74% in 2004. By volume China’s share is even higher, accounting for 85% of all imports of clothing. According to Vlok (2006:23), over the same period imports of textiles from China grew by 144% in US dollar value terms.
recent trade data has shown a 93% surge in clothing imports from Zimbabwe, which commentators insist can only be explained by transshipment (Business Day, 8 December 2008). The same is true for Dubai. The South African government has reportedly asked China to renew the quotas, ostensibly without consultation with the affected stakeholders in South Africa (Business Day, 18 February 2009).

Table 2: Clothing and textile imports from China, 2000-2004 (nominal Rand and US$)

<table>
<thead>
<tr>
<th>Year</th>
<th>Clothing (US$ 000)</th>
<th>Textile (US$ 000)</th>
<th>Clothing (R 000)</th>
<th>Textiles (R 000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>95 434</td>
<td>48 939</td>
<td>662 599</td>
<td>339 782</td>
</tr>
<tr>
<td>2001</td>
<td>85 713</td>
<td>54 115</td>
<td>738 453</td>
<td>466 224</td>
</tr>
<tr>
<td>2002</td>
<td>95 978</td>
<td>77 779</td>
<td>1 010 711</td>
<td>819 063</td>
</tr>
<tr>
<td>2003</td>
<td>202 448</td>
<td>120 618</td>
<td>1 532 602</td>
<td>913 123</td>
</tr>
<tr>
<td>2004</td>
<td>417 115</td>
<td>189 933</td>
<td>2 694 069</td>
<td>1 226 740</td>
</tr>
<tr>
<td>01-02</td>
<td>12%</td>
<td>44%</td>
<td>37%</td>
<td>76%</td>
</tr>
<tr>
<td>02-03</td>
<td>111%</td>
<td>55%</td>
<td>52%</td>
<td>11%</td>
</tr>
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<td>03-04</td>
<td>106%</td>
<td>57%</td>
<td>76%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Sources: TIPS EasyData

The increase in exports of electrical and general machinery from China has also had a negative impact on the shrinking electronics sector and the loss of jobs in South Africa. Television sets, radios and “white goods” are increasingly imported mainly from China.

1.5.3 Limited beneficiation and value-addition

Rapid Chinese growth and South Africa’s resource-based exports to China entrenches South Africa’s pattern of specialisation in primary and resource-based products (Broadman et al, 2006). Some argue that there is very little evidence of South African export diversification to China in response to its growing demand (Nicanor et al, 2006:53). In this regard, little has changed in terms of the move from exporting of raw materials into finally processed products, especially in terms of mineral resources. This old colonial tradition reminiscent of the Africa-Europe relationship in terms of trade appears to be unchanged, unless China keeps its promise of assisting Africa to promote beneficiation. The position of South African upstream resource-based industries relative to downstream industries is in stark contrast to China’s approach. China’s development of upstream industries has been essentially to develop local capabilities in so far as product specialisation is required by downstream industries. For this reason, the proposed Partnership for Growth and Development between South Africa and China is intended to redress the current imbalance in bilateral trade, with key objectives:

- to shift the structure and pattern of bilateral trade onto a more sustainable path by increasing the value of South African exports to China, with a particular focus on beneficiated minerals, manufactured and processed agricultural products;
- to secure support to South Africa’s mineral beneficiation strategy; and
- to establish balanced bilateral investment flows in terms of both quantum and kind (van der Merwe, 2008).
1.5.4 Dumping of heavily subsidised products

Local manufacturers have accused China of dumping subsidised goods in the South African market. However, due to a variety of factors (including undue political pressure from Beijing), South Africa has not had a single successful anti-dumping investigation against China since granting it market economy status (Business Day, 31 July 2008).

The most egregious recent example involves the dumping of stainless steel kitchen sink imports from China and Malaysia. Local manufacturers (led by Franke Kitchen Systems, a small unlisted subsidiary of the Swiss-based Franke group) claim that Chinese imports have surged to 60% of total imports from zero only three years ago. Despite an import duty of 20% on stainless steel sinks, the price of imported products still undercut locally manufactured sinks and sells below the cost of raw material. This is causing major harm and threatening 500 jobs.

Franke initially brought an anti-dumping application and applied for countervailing measures against China (should the first application not be successful). Franke alleged that the overall margin of subsidisation for Chinese kitchen sinks was as high as 47.7% of the value of the product and benefited from a host of incentives: special economic zone incentives; grants for export performance; preferential loans; grants; preferential tax; reduced land use fees; and preferential purchases from state-owned enterprises. However, at the end of 2007 Franke withdrew this countervailing application after the Chinese government pressed the Franke holding company in Switzerland to do so, threatening the future of the group’s substantial business interests in China (Business Day, 17 February 2009).

2. Chinese investments in South Africa

2.1 Introduction

The presence of Chinese firms in the South African market is a relatively new phenomenon. Unlike other African markets, the South African market presented a number of structural challenges to Chinese firms keen on investing in the country. The two most important challenges were:

- the dominance and structural strength of local industries in the domestic market (particularly in sectors such as construction); and
- increasing regulations and investment codes underpinning South Africa’s economic transformation, such as black economic empowerment (Naidu, 2008).

While these factors initially tended to sway Chinese investors into neighbouring economies, Chinese companies are now breaking into the South African market. China has set up more than 80 companies in South Africa since 1998. The majority of these companies in South Africa are subsidiaries of State Owned Enterprises (SOEs). Their presence in South Africa appears to be motivated by two factors: South Africa is a relatively attractive and sophisticated market in its own right; but more importantly, it provides a useful springboard base for operations serving the African market. In other words, South Africa is seen as China’s gateway to Africa.
Chinese foreign direct investment (FDI) in South Africa amounts (cumulatively) to nearly US$ 6 billion. Chinese companies in South Africa have invested predominantly in the following sectors: energy technology; mining and metallurgy; consumer electronics; telecommunications equipment; textiles and apparel; commercial banking; transportation and shipping; light manufacturing; construction; and automobiles. This chapter explores the key trends, achievements and challenges of Chinese FDI in these sectors of the South African economy.

2.2 Sector analysis of Chinese investment in South Africa

2.2.1 Financial sector

Of the four Chinese banks that operate in South Africa, the China Construction Bank (CCB) has the largest local operation, with almost R 1 billion (US$ 110 million) worth of assets. With a branch in Johannesburg, CCB offers merchant, wholesale and investment banking products and services to the South African business community, and seeks to promote bilateral trade and investment between South Africa, the Southern African Development Community (SADC) and China. Both the CCB and the Bank of China retain a significant portion of their deposits denominated in foreign currency. The remaining two Chinese banks – the Export/Import Bank of China (a state-owned trade financing institution) and the China Everbright Bank (a commercial bank with some private ownership) – have representative offices in South Africa, but no formal operations.

In 2007, the Industrial and Commercial Bank of China (ICBC) – the world’s largest bank\(^2\) - bought 20% of Standard Bank of South Africa for US$ 5.5 billion (R 45 billion) in cash. This deal represents the biggest inward investment into South Africa yet and the largest ever Chinese financial acquisition, which according to the Chinese will help to build a foundation for ICBC to become a global bank. In addition, Standard Bank is Africa’s biggest banking group by assets and has a commercial presence in 18 African countries (and 21 other countries across the world). It is reported that Beijing hopes to use this acquisition to boost its financial services (such as trade finance) to Chinese firms operating and investing in Africa. This will further deepen Sino-Africa economic and trade cooperation.\(^3\) According to ICBC chairman Jing Jianqing, the bank has been seeking opportunities to expand its international business, in particular in Africa given strong trade linkages and the close and long lasting friendship between China and South Africa. According to ICBC, Standard Bank was a true partner in terms of the bank’s strategic vision of building global business. It was announced that both banks would establish a US$1-billion fund to invest in natural resources, particularly entities and projects specialising in mining, metals, oil and gas, and associated industries (Engineering News, 25 October 2007).

This deal will also give Standard Bank access to the world’s fastest-growing economy, further enhance its capital base and boost the bank’s ability to facilitate and

\(^2\) ICBC is a bank of high standing in the World Banking System. It is a leading commercial bank with a market capitalisation of approximately US$319-billion at the close of business on 22 October 2007 when the Standard Bank deal was struck. ICBC is listed on the Hong Kong and Shanghai stock exchanges and has over 16,000 branches in China, nearly 100 branches elsewhere in the world and 2.5 million corporate and 180 million personal bank customers.

\(^3\) [http://www.chinadaily.com.cn/bizchina/2008-03-04/content_6509855.htm](http://www.chinadaily.com.cn/bizchina/2008-03-04/content_6509855.htm)
finance trade flows between Africa and Asia. Standard Bank’s Group Chief Executive echoed ICBC and said this deal is attractive because each party brings numerous complementary benefits to the relationship. Moreover, given South Africa’s highly developed and sophisticated financial sector, some commentators believe that this deal may even involve reverse technology transfer and best banking practices from South Africa to the mainland.

Labour needs to be vigilant of this relationship and determine whether ICBC’s investment in Standard Bank will be of benefit to workers – or simply benefit capital, as usual. Although it is the biggest FDI transaction into South Africa, it is important that this deal creates jobs and improves the living standards of the workers. The question must be posed: is ICBC simply spreading its wings to foreign markets, with Standard Bank as a pedestal to expansion?

2.2.2 Construction
There is a growing presence of Chinese construction companies in the South African market. These include the following (Bowker, 2008; Naidu, 2008):

- China Overseas Engineering Company (COVEC), which is one of the largest construction firms operating in the country. COVEC won a US$61-million contract for the civil engineering component of the US$357-million Vaal River Eastern Sub-System Augmentation Project (VRESAP)
- CITIC-ACRE Construction, which in 2005 was awarded a R 455 million contract to demolish and rebuild a portion of the Mittal Steel Newcastle coke plant, as well as upgrade a gas-cleaning plant. The project was completed inside of the deadline and under budget (Buchanan, 2006).
- Three Chinese companies have entered into a consortium with a BEE firm, which won the R 2 billion (US$ 220 million) tender from Portnet for a dry-dock facility in Richards Bay.

Local construction companies (such as Group Five, Murray & Roberts and Aveng) have expressed concerns about heightened Chinese competition in the domestic and regional construction markets and tender processes. This essentially relates to labour practices, the import of labour directly from China and local skills development. Industry experts are worried that importing Chinese workers could set a precedent in the domestic market for a preference for Chinese companies (since they provide cheap labour).\(^\text{84}\) It has also set a precedent for domestic industries like SASOL to argue that it would have to import about 2,000 qualified artisans, mainly from Asia, due to shortages in the domestic economy (Naidu, 2008:184). Some South African construction firms have also lost market share in the region – e.g. Angola – due to competition from Chinese companies (Centre for Chinese Studies, 2006).

Chinese construction companies also bring competitive cost pressures. It is reported that the Chinese are coming in, on average, 20% lower on tender in order to secure work in strategic areas on the continent. In once instance, a Chinese entity came in

\(^\text{84}\) A controversial contract awarded to CITIC-ACRE by Mittal Steel to work on the construction of a coke-oven battery and gas-plant at the steelmaker’s Newcastle plant allowed the Chinese company to import labour from the mainland, ostensibly because local expertise did not exist (Naidu, 2008:184). In the end, the project employed only 40 local workers and 400 Chinese workers.
25% under the Murray & Roberts tender for the 2010 football stadium in Nelspruit (Buchanan, 2006).

2.2.3 Consumer electronics
The Chinese consumer electronics firms Hi-Sense\textsuperscript{85}, SVA and XOCECO (operating through its local subsidiary, Sinoprima Investment and Manufacturing South Africa) have established manufacturing facilities in South Africa, where certain products are assembled from semi-knockdown kits. Other products in their range are imported fully assembled from China.

One of the options for Chinese companies wanting to build a global presence is to buy established brands from other multinationals. Lenovo, China’s biggest computer company, purchased IBM’s personal computer business for US$ 1.8 billion in December 2004, and has subsequently opened an office in South Africa. Hi-Sense entered South Africa in 1997 with the procurement of the Daewoo electronics factory. The company, which has maintained 20-30% growth in the last decade, now exports its products (such as TVs, DVDs, Hi-Fi’s and VCRs) to more than ten countries in the region, including Namibia, Lesotho, Mozambique and Botswana (Naidu, 2008:178). On the other hand, Huawei Technologies is an entirely home-grown and diversified Chinese electronics company that supplies telecommunications equipment to the South African market through strategic partnerships with Telkom, MTN, Vodacom and Cell-C.

2.2.4 Manufacturing sector
China is involved in both heavy and light manufacturing in South Africa. Chinese multinational firms are rapidly participating in South Africa’s automotive assembly and parts and components industry. First Automotive Works (FAW) has an assembly plant in Gauteng, where it assembles trucks and buses for the SADC market. Its sales programme extends as far as Uganda. FAW South Africa’s company slogan is “China’s Gateway into Sub-Saharan Africa.”

Chinese involvement in the South African light manufacturing sector is through the SOE Shanghai Industrial and its local subsidiary, Shanghai Industrial Investment Corporation (SIIC). This company invested in 14 other enterprises, the majority of which were in KwaZulu-Natal. Alves (2006) argues that these ventures have generally been unsuccessful, which is arguably attributable to a lack of market knowledge and the use of unsustainable business models. The largest joint venture operation involving a Chinese company is ASA Metals in Polokwane.

2.2.5 Transportation and shipping
COSCO, a Beijing-based global shipping company, is one example of a Chinese company using South Africa as a base for its regional activities. COSCO Africa has a 55% share in a joint venture with Rennies, called Cosren Shipping Agency. COSCO Africa also manages the COSCO Group’s operations in Southern and Western Africa.

2.2.6 Mining and metals

\textsuperscript{85} Hi-Sense is investing in a US$19-million expansion in order to introduce ‘white goods’ such as washing machines and refrigerators to its product range (Bowker, 2008; Naidu, 2008).
Like in the rest of Africa, Chinese companies have also established a strong presence in South Africa’s mining and metals sector, in order to supply the mainland with industrial inputs from the world’s extractive industries. Some of the biggest transactions include the following:

- **Zijin Mining** recently acquired a 20% share in South African platinum producer, Ridge Mining. It is hoped that this investment of approximately R 120 million (US$ 14 million) will assist in building the necessary infrastructure (such as a smelter or refinery) to boost the company’s output.

- **Sinosteel** is a raw materials supplier and sales agent for major Chinese steel mills. Sinosteel bought a 50% stake in Samancor Chrome’s Tatse smelter and the Tweefontein chrome mine. It has also entered into a joint venture with the Limpopo Economic Development Enterprise (LIMDEV) to establish ASA Metals. The company plans to sink two new chrome-ore mine shafts and build a processing facility in South Africa. Recently, the South African ferrochrome producer Xtrata Alloys bemoaned the growing amount of un-beneficiated chromite ore being exported to China, which, the company claims is causing a decline in ferrochrome exports. According to Alves (2006:38), Xtrata’s claims are supported by data, which show South Africa’s share of the global ferrochrome market as reportedly dropping from 50% in 2004 to 42% in 2005. Reducing the barriers to the export of ferrochrome to China through a FTA would help reverse the downward trend in market share.

- **The Chinese steelmaker Jisco bought 29.1% of International Ferro Metals and agreed to purchase half of the mine’s productions after the new expansion project is complete.**

- **China Minmetals Development Company** (the Shanghai-listed arm of China Minmetals Group, a Chinese SOE) is to enter into agreements with Mission Point and Versatex of South Africa to buy the exploration rights to a South African ferrochrome deposit for R 45.7 million (US$ 5 million).

### 2.2.7 Retail and distribution

South Africa boasts a large Chinese Diaspora, estimated at between 100,000 and 200,000 mainland Chinese immigrants, both legal and illegal (although some estimates put this figure at 300,000). The arrival of the ‘New Chinese’ over the last ten to fifteen years suggests that economic relations at the micro-level have become more complex and sometimes tense. In one view: “Not only have the ‘New Chinese’ become significant traders in the local market, with the sale of cheap goods, but they are also setting up trading posts in rural areas. On one level, this has expedited the entry of cheap Chinese goods into the market, while on the other level, it has also meant that local traders, especially in the informal market, cannot compete with the Chinese traders.” (Naidu, 2008:185).

Various informal ‘China Cities’ and several other Chinese shopping complexes have sprung up in Johannesburg, including Asia City, Hong Kong City, Crowne Square, Gold Reef Emporia, Dragon City and the African Trade Centre. These Chinese small-scale entrepreneurs sell mainly to African and Indian hawkers in the local informal sector, small-town traders and shopkeepers who come in from all over the country, as well as from countries such as Botswana, Zimbabwe, Angola and even Nigeria and Ghana. Customers at these complexes are reported to spend as little as a few hundred rand (packing bags they carry) or between R 20,000 and R 50,000 a time, shipping
goods up North. According to Wilhelm (2006), this is the other side of the story that Chinese imports are destroying local jobs. In this scenario, Chinese investment is complementary and supportive of local traders. South Africa has become a major conduit to the continent for Chinese manufactures, in the process creating a new inflow of foreign exchange and playing a key role in “economic tourism” from Africa. This economic tourism also has a multiplier effect on support industries, from accommodation to storage.

Tensions have recently also emerged with identity-based debates regarding the classification of South African Born Chinese (SABC). Under apartheid’s racial classification policy, the Chinese community was classified either as ‘coloured’ or ‘alien’, and subsequently also subjected to discrimination (Naidu, 2008). In 2008, the High Court ruled that South African Chinese citizens (who had obtained citizenship before 1994) be included in the definition of ‘black people’, which allows them to qualify for empowerment deals and from employment equity legislation. This has led to fears among the black business community that the Chinese will now take all BEE deals. Black business and professional organisations have vowed to oppose this ruling, which they reportedly claim is a negation of apartheid suffering and struggle (Business Times, 3 July 2008).

2.3 South African investment in China

South Africa is the only African country whose private sector has a formidable corporate profile and presence in the Chinese market. South African investment in China is valued at approximately US$ 700-million (van der Merwe, 2008). There are about 20 South African-based businesses with offices in China, mainly a basket of resource, mining and financial conglomerates that anchor the South African economy (Naidu, 2008). Several of these companies have significant proportions of their investment listed in third countries and Hong Kong, or control their Chinese operations from headquarters or affiliates that are based overseas. For example, the mining giant BHP Billiton deals with China through its Australian operations, while the beverages company SABMiller, the insurance company Old Mutual, and the diversified mining conglomerate Anglo-American all have their headquarters in London (Alves, 2006:39). The South African Standard Bank manages its Chinese operations through Standard Bank Plc (also in London). Naspers has invested in an instant messaging service and a large Beijing-based newspaper, and is also developing an online sports data business.

In 1994 Kumba, a South African company invested US$ 10-million in an iron ore terminal at the Qingdao Port in China, and in 2003 it shipped US$ 130-million worth of ore (8.3 million tonnes) to China. Kumba is also involved in zinc mining and a refinery project in Inner Mongolia. Anglo-American’s sales to China increased from US$ 700-million to US$1-billion from 2002 to 2003. Various prospecting and exploration projects are under way, but the bulk of the opportunities are presented by an industrialising China’s demand for metals and minerals (Alves, 2006:40). SABMiller is now China’s second-largest brewer, having entered into a joint venture that currently has a stake in 33 breweries.

On the other hand, Landpac is the most successful of the smaller South African companies that have a presence in China. According to Alves (2006:40), the civil
engineering applications of their patented soil compaction technology have meant that they have carried out various construction projects in 14 provinces. SASOL represents the biggest potential expansion of a South African firm into China. SASOL’s coal-to-liquids (CTL) technology, which is cost-effective when crude oil prices are high, is therefore of great interest to strategic thinkers in Beijing. The deals between SASOL and the Chinese government were confirmed in June 2006. However, the biggest risk to SASOL’s success in China is Beijing’s respect for intellectual property rights (Alves, 2006:41).

3. **Labour relations and compliance with ILO standards**

3.1 **Methodology**

Research for this part of the report involved sourcing material from existing documents like the Labour Relations Act, Convention 87 concerning the Freedom of Association and Protection of the Right to Organise, the Basic Conditions of Employment Act (BCEA) and the Skills Development Act and International Labour Organisation (ILO) conventions and regulations, to name a few. Sector Bargaining Agreements were also used in order to compare the minimum wages paid by the Chinese companies with the stipulated or agreed upon minimums in the construction, clothing and textile and chemical sectors. Information was also sourced from the internet and analysed so that it could be compatible for the study.

Group interviews were conducted with the workers in various Chinese companies based in the Newcastle-Madadeni area of KwaZulu-Natal. The companies that were studied are the following: Formosa; FIDA; KaRita, HLK Garments; Ascendo (IINCOOL)-Simunye; and CITIC-ACRE. Ascendo (IINCOOL)-Simunye is the only factory that allowed us access onto the premises and we had the opportunity to interview both the workers and the management. CITIC-ACRE was constructing the coke battery for Arcelor Mittal and we were not allowed entry onto the premises. The security referred us through the phone to management and management instructed us to get a letter from the federation. We continued and interviewed the former workers at the NUMSA local office. We could also not get access at Formosa, FIDA, KaRita and HLK Garments, mainly because the workers were afraid of being victimised if we went to the premises. We solved this problem by organising the workers and interviewing them when they were about to report for their night-shift and when knocking off from their morning shift.

A group interview with the workers at Formosa was conducted under a bridge on the morning of 27 May 2008 from 07h15 to 08h45, when the workers were returning home from their night-shift work. There were 20 workers during this group interview and all of the workers were female. Workers at FIDA were interviewed on 28 May 2008 outside the company premises. Five workers were interviewed, of which all were female. The interviews at HLK Garments and KaRita were held on 29 May 2008 in the morning and afternoon respectively. The interviews were attended by two workers.

The second round of interviews was conducted from 3-4 July 2008, also in Newcastle. Another round of interviews was done with the workers from HLK Garments on the
morning of 3 July 2008 at 07h15 outside the company premises. The group interview was attended by 10 workers who were all female. On the same day we had an interview at Ascendo (IINCOOL)-Simunye. These set of interviews were done from 10h00-12h00, firstly with management and then with the workers. The owner of the firm, and two female supervisors participated in the management interview. At Ascendo we interviewed 15 workers. Lastly, during the afternoon of 4 July, we had a group interview with five former CITIC-ACRE workers. These workers were interviewed at the local NUMSA office and they were all male. When CITIC-ACRE was still operating at Accelor Mittal, these former workers were NUMSA shop stewards.

The interviews were conducted mainly using Chapter 3 of the African Labour Research Network Questionnaire on Employment, Labour Relations and Working Conditions in the Chinese Companies: Case Studies. Although interviews were formal (i.e. following a structured questionnaire), there was a space for the workers to express themselves in Zulu, with many of the questions asked in Zulu. The workers were given the space to express themselves and tell their story in the most adequate of ways. We conducted at least one hour interviews with each group of workers.

An important observation was that most of the workers were very critical of the Chinese and wary of unions. This outlook was prevalent among the clothing and textile workers (i.e. HLK Garments, FIDA and KaRita) and from the chemical company Formosa. The workers consistently held that the unions were making matters worse, as they were now working on contracts.86 According to the workers, trade unionists are always clubbing up with the management and partly explain difficulties getting the workers for the interviews. We had to take our time poaching the workers for the interviews.

The companies that were selected for the study are all based in the Newcastle-Madadeni area and were chosen for the following reasons:

i) The high concentration of Chinese companies in Newcastle.

ii) Because this was originally a base for the Southern African Clothing and Textile Workers’ Union (SACTWU), we thought there would be a lot of SACTWU unionised workers. This was, however, not the case.

iii) The fact that a lot of clothing and textile companies operate in Newcastle and the fact that workers in these factories are vulnerable. Further, it is mostly women who are employed in the clothing and textile sector. It is also important to note that the Newcastle-Madadeni area consists mainly of cut-make-trim (CMT) firms that produce mostly for the local market. We had thought that SACTWU would have gone a long way in addressing the needs of women working in the clothing and textile sector in Newcastle.

3.2 An outline of the labour laws and the ILO Conventions

In South Africa, an employee has the right to participate in forming a trade union or federation of trade unions; and to join a trade union, subject to its constitution. Section

86 Interview with workers at Formosa. This assertion also came from the workers at FIDA, HLK Garments and Ascendo (IINCOOL)-Simunye.
27 of the South African constitution seeks to entrench the rights to fair labour practices and workers shall have the right to form and join trade unions. Furthermore, workers and employers shall have the right to organise and bargain collectively. Workers shall have the right to strike for the purposes of collective bargaining whilst the employers can have recourse to the lock out for the purposes of collective bargaining (LRA chapter 1 sub-section 2).

Chapter 2 of the Labour Relations Act clearly synthesises and articulates these rights. South Africa as a member of the International Labour Organisation (ILO) made efforts to put together the Labour Relations Act in order to give effect to obligations incurred by the Republic as a member state of the ILO. The LRA thus seeks to protect both the rights of the employer and the employee. The LRA was further tightened with the enactment of the Basic Conditions of Employment Act of 1997, which seeks to establish and make provisions for the regulation of basic conditions of employment. This act seeks to regulate on areas like ordinary hours of work, overtime, meal intervals, daily and weekly rest periods, and pay for work on Sunday, night work and public holidays, etc.

It is therefore important to make an assessment of the Chinese companies operating in South Africa with regard to their adherence to the standards of the LRA in terms of organisational rights, and the Basic Conditions of Employment and Skills Development Act with regards to wages and skills development. All of these laws seek to ratify what is in the South African Constitution and Convention 87 of the ILO, which protects the freedom of association for workers and the right to organise. The ILO Convention 87 clearly stipulates in Article 1 that each member of the ILO for which this convention is in force undertakes to give effect to the following provisions in Article 2 and 5 therein: that workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation.

It is important to note that the workers’ and employers’ organisations shall have the right to establish and join federations and confederations and any such organisation, federation or confederation shall have the right to affiliate with international organisations of workers and employers.

However, the Chinese companies disregarded almost all of the provisions enacted in the LRA, Convention 87 of the ILO Conventions and the Basic Conditions of Employment Act of 1997. It is important to pose the question: have these enacted laws helped much in terms of protecting workers outside clear forms of organisation, such as trade unions? Furthermore, have the trade unions adequately used the laws as a tool of organising? Lastly, how are these laws being easily evaded by the Chinese companies? As the workers claim, when the unions were trying to organise, the Chinese companies simply laid-off all the workers and any worker who was organising was not re-employed.

87 Labour Relations Act of 1995 chapter 1 section b.
88 http://www.ilo.org/ilolex/cgi-lex/convde.pl?C087
89 Interview with workers at Formosa and Ascendo (INCOOL)-Simunye.
3.3 Profile of Chinese company case studies

This study covers six Chinese companies operating in the Newcastle-Madadeni area where there is a high concentration of Chinese companies. These companies operate in three important sectors of the economy, namely chemicals; clothing and textiles; and construction. The firm-level case studies that have been the sources of information are Formosa, which is a chemicals company that manufactures plastic utensils and equipment; FIDA, KaRita, HLK Garments and Acsendo (INCOOL-Simunye are all clothing and textile companies; and CITIC-ACRE is the company that constructed the coke battery for Arcelor Mittal). All the companies studied are Chinese privately-owned companies, except CITIC-ACRE.

3.3.1 Case study 1: Formosa

Formosa Chemical Company is a privately-owned Chinese company located in Newcastle and operating in the chemical sector. According to the workers, this company was established in 1986 at Madadeni and then it moved in 2001 to Newcastle.91

During the time of conducting this study, Formosa employed 1 000 workers in total in the factory.92 At the time when we gathered the information the workers at Formosa were not unionised and there were no processes in place which showed that they were about to be organised. When the workers started working on one year contracts their union was rendered irrelevant because it was now difficult for the union to collect its subscriptions and management did not recognise the union. Furthermore, a major challenge for unionisation was that the workers who were organising at the factory were all expelled (i.e. the organisers were not re-hired). This change started in 2006.

According to the workers, there is no form of bargaining that takes place at the factory; the wages and any increases thereof are unilaterally decided by management.93 Yet according to Article 1 of Convention 98 on the right to organise and for collective bargaining: “Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of employment and further measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers or employers’ organisations and workers’ organisations, with the view to the regulation of terms and conditions of employment by means of collective agreements.”94

There are no unions within Formosa and there is no bargaining forum and/or structure within the company – yet South Africa is a signatory to the ILO. This raises the question whether there is proper monitoring and follow-up by the Department of Labour regarding compliance with ILO standards and the LRA. If there are monitoring mechanisms in place, how are the employers escaping? It would also be critical to check whether the unions organising in the chemical sector have compiled

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90 This profile is based on the interviews done and an analysis of each has been made.
91 Quote from a Formosa worker, Zanele Nkosi.
92 Interview with the workers at Formosa.
93 Interview with the workers at Formosa.
an appropriate database that includes these most vulnerable workplaces. From the interviews that we conducted, we can make the following observations regarding Formosa:

(i) **Analysis of wages:** The minimum wages at Formosa range from R 5.50 to R7.90. In other words, workers are earning between R 308 to R442 (US$ 33 – 50) per week and this totals to minimum wages of between R 1232 to R1769 (US$ 130 – 190) per month. Thus on average the minimum wage at Formosa is R 1200 (US$ 130) per month.\(^{95}\) Although there is no legally mandated minimum wage in South Africa, the law gives the Minister of Labour the authority to set wages by sector, “but if this minimum wages are compared with an agreement which was signed between Bosoga Stationery and the Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU) as at 31\(^{96}\) July the company Bosoga agreed to give the workers a minimum wage of R 2200 (US$ 230) per month and a 9.5% increase across the board.”\(^{96}\) The agreement between New African Packaging (PTY) LTD t/a GENPAK and CEPPWAWU stipulated the minimum wage at R 2700 (US$ 300) and this agreement is binding as from 1 July 2008 until 30 June 2009.\(^{97}\) Although no specific amount has been stipulated in the chemicals sector with regards to a minimum wage, the wage at Formosa needs to be looked at.

(ii) **Working conditions in the factory:** The employees at Formosa work an 8 hour shift: the night-shift starts from 23h00 to 07h00; the morning shift starts from 07h00 to 15h00; and the afternoon shift starts from 15h00 to 23h00. According to the workers, a very unfavourable aspect of the workplace is that there is no structured relationship between management and the workers. An instance that can be quoted on the bad relations between the workers and the management was when a Chinese lady kicked one of the employees, but this case was simply disregarded. Overall the workers reported that they are always threatened with being dismissed on a daily basis if they are found relaxing or talking to a friend whilst working on the lines.\(^{98}\)

(iii) **Skills transfer and capacity building:** At Formosa, there are no policies, programmes or plans for skills development and capacity-building for the workers.\(^{99}\) The Skills Development Act of 1998 proposes to create an environment that will develop the skills of the South African workforce by establishing an institutional and financial framework comprising of the National Skills Authority, the National Skills Fund, a skills development levy-grant scheme as contemplated in the Skills Development Act, the Sector Education and Training Authorities (SETAS), Labour Centres and the Skills Development Planning Unit. It is important to be in a position to check how this area can be honed into the programmes of the unions organising in the chemical sector so that they can use this act as a mobilisation, recruitment and a campaigning strategy. Such a strategy can make the unions organising in this sector to have inroads into these vulnerable areas.

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\(^{95}\) Group interview with the workers at Formosa.

\(^{96}\) South African Chamber of Commerce Agreement between Bosoga Stationery and CEPPWAWU.

\(^{97}\) Memorandum of a Wage and Substantive Conditions of Employment Agreement entered into between New African Packaging (PTY) LTD t/a GENPAK AND CEPPWAWU.

\(^{98}\) Group interview with the workers at Formosa.

\(^{99}\) Response from the group interview with Formosa workers.
(iv) Benefits: The following table is an analysis of the benefits enjoyed, or not by workers at Formosa (based on interviews with the workers).

### Table 3: Benefits for Formosa workers

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Do the local workers enjoy the benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>No</td>
</tr>
<tr>
<td>Medical care</td>
<td>No</td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>No</td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>No</td>
</tr>
<tr>
<td>Paid sick-leave</td>
<td>No</td>
</tr>
<tr>
<td>Subsidised housing/housing allowance</td>
<td>No</td>
</tr>
<tr>
<td>Child care services</td>
<td>No</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>Yes, there is an incentive bonus paid at the end of the year. This bonus is equal to twice a month’s wages.</td>
</tr>
<tr>
<td>Severance pay</td>
<td>No</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>No</td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>No, only water is provided.</td>
</tr>
<tr>
<td>Interest free loans</td>
<td>The workers do sometimes get amounts ranging from R50.00-to-R100.</td>
</tr>
<tr>
<td>Provident fund</td>
<td>No</td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>No</td>
</tr>
<tr>
<td>Employee share ownership plan</td>
<td>No</td>
</tr>
<tr>
<td>Other benefits</td>
<td>None</td>
</tr>
</tbody>
</table>

(v) Work environment and Health and Safety: The working environment at Formosa appears to be the worst among the Chinese factories investigated by this study. The waste material is recycled within the factory building. Since the workers find it hard to work outside, especially during the winter season, they burn and recycle whatever waste material exists within the factory. This leads to the problem of pollution. According to the workers, there are ailments and/or diseases that have occurred because of this recycling. There is no safety ware and protection like helmets, masks or even gloves. Basic medication like a panado cannot be provided within the factory. The toilets in the company are in a very bad state; furthermore, they are being used as eating and changing rooms. The workers use the toilets as eating rooms because they are not allowed to eat during work, thus they pretend to be going to the toilet.  

3.3.2 Case study 2: FIDA

FIDA is a textile company located in the Madadeni industrial area in Newcastle. It was established in 1998 and is a privately-owned company. It employs around 500 workers and 15 of them are from China (i.e. they are expatriates). The Chinese workers are all supervisors. There is no union in the workplace; at one point there was a woman who tried to organise, but she was dismissed. There are no shop stewards because there is no union at this workplace. Furthermore, the workers said there are no procedures for handling disputes. This means that the workers are not part of the National Bargaining Council for the Clothing and Manufacturing Industry, specifically the KwaZulu-Natal Chamber in Durban. This agreement only covers the

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100 Interview with the Formosa workers.  
101 Interview with FIDA workers.
companies operating in the Metro areas and Newcastle is therefore not covered by this agreement.

When analysing the CMT firms in Newcastle, it is important to have a brief understanding of their development. Since 2001, conditions appear to have worsened sharply for industry in general in Newcastle. This is compared to the 1980s-era, when the clothing industry experienced high growth as a result of the growth of the Asian clothing firms in the area. Importantly, in response to the decline of ISCOR (now called Arcelor Mittal), the Newcastle municipality marketed itself in Asia, particularly in Taiwan. Many firms in Asia moved to South Africa because they wanted to shift to cheaper locations as wages and interest rates rose sharply. Furthermore, the location to South Africa also provided clothing firms with export opportunities by avoiding quotas on US markets, in terms of the Multifibre Agreement that was operative at that time. Other factors that brought the Asians to Newcastle included cheap land and suburban housing; the lower crime rates than in the cities; and lower wages and levels of union organisation in Newcastle. So, the scenario for Newcastle since 2001 shows a significant departure from this state of prosperity, to a worsened state where firms have shut down or have reduced their numbers of workers drastically. Other firms have increased the use of short-time and there has been a notable shift to importing and selling as opposed to manufacturing. These shifts were most sharply evident amongst exporters, who drastically scaled back their operations or shifted towards the local market. All of the firms reviewed by this study – i.e. FIDA, HLK Garments, Ascendo (IINCOOL)-Simunye and KaRita – are competing to sell their goods to the local market.

(i) Analysis of wages: Wages at FIDA are paid on a weekly basis. The minimum pay per hour ranges from R 4.00 – 6.00, although the Chinese workers earn better than the locals. The minimum wages are thus R 40.00 to R 60-00 per day and the workers are paid from R 280.00 to R 420.00 per week. This suggests a monthly payment of R 1204 to R1806 (US$ 130 – 200). The C100 Equal Remuneration Convention of 1951 clearly stipulates that each member country shall through national laws or regulations, legally established bodies or recognised machinery of wage determination and through collective agreements between employers and workers or through a combination of these various means pay equal remuneration for men and women workers for work of equal value. According to the workers at FIDA they are just given the money in envelopes. There are no pay slips that stipulate and have information about the employer’s name and address, the employee’s name and occupation, the period for which the payment is made, the employee’s remuneration in money, the amount and purpose of any deductions made from the remuneration and the actual amount paid to the employee. This situation is problematic because there is no proof whatsoever that a worker has been paid his/her remuneration for any particular period. The BCEA provides that there should be written proof of the payment of remuneration on each day the employee is paid (i.e. weekly or monthly). The BCEA further protects workers against discrimination of any kind. A worker can take up that issue of discrimination with a trade union representative or official. The workers at FIDA and any other factory have recourse to

102 Interview with FIDA workers. They work a 10 hour shift per day and work seven days a week. I have arrived at their monthly wages by multiplying the weekly wages by 4.3 as stipulated in the BCEA.
104 Interview with the FIDA workers.
the law with regard to the issue of wage discrimination. However, this depends on whether the workers have proof and can substantiate their claims.

(ii) Working conditions in the factory: The relations with management at FIDA are aloof (i.e. the managers and supervisors just interact with the workers when they hire them or pay remuneration). The managers are not strict; they only make sure that the workers adhere to the given targets of work. In effect, the workers operate as “permanent casuals” and can open an account with the bank if they receive written confirmation from the manager as proof that they are employed at FIDA.105

(iii) Skills transfer and capacity building: There is no policy, programme or plan for a capacity building programme.

(iv) Benefits: The following table is an analysis of the benefits offered to workers at FIDA (based on interviews with the workers). It is clear that no benefits whatsoever exist in this company and the BCEA seems to be silent in this area.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Do the local workers enjoy the benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>No</td>
</tr>
<tr>
<td>Medical care</td>
<td>No</td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>No</td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>No</td>
</tr>
<tr>
<td>Paid sick-leave</td>
<td>No</td>
</tr>
<tr>
<td>Subsidised housing/housing allowance</td>
<td>No</td>
</tr>
<tr>
<td>Child care services</td>
<td>No</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>No</td>
</tr>
<tr>
<td>Severance pay</td>
<td>No</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>No</td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>No</td>
</tr>
<tr>
<td>Interest free loans</td>
<td>No</td>
</tr>
<tr>
<td>Provident fund</td>
<td>No</td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>No</td>
</tr>
<tr>
<td>Employee share ownership plan</td>
<td>No</td>
</tr>
<tr>
<td>Other benefits</td>
<td>No</td>
</tr>
</tbody>
</table>

(v) Work environment and Health and Safety: According to the workers, the work environment is good and there are no health and safety problems.106

3.3.3 Case study 3: IINCOOL

The company was originally known as Ascendo and also operates in the textiles and clothing sector as a cut-make-trim firm. The company was established in 2000. The owner of the company said that the firm is no longer Ascendo (IINCOOL), but is now Simunye. The owner and the workers are now one entity following a Black Economic Empowerment deal that took place in 2006.107 Councillor Chuan Yi Liu said that “some of the workers are now having shares within the company and more

105 Interview with the FIDA workers.
106 Information based on the interview with FIDA workers.
107 Interview with the owner of IINCOOL, Councillor Chuan-Yi Liu (also known as Alex). Two female supervisors were present for the entire interview, although the councillor dominated the whole session.
workers can still buy shares.” He told us that this was evident from the two ladies that were present during the interviewing session. At the time of doing the interview, the firm employed five expatriate workers (including the owner) and 180 local workers. It is important to note that during the interviews with the workers they strongly disputed that they could buy shares in the company. The workers said: “How can we buy shares within Ascendo when our conditions of work and the wages Alex is paying us are still very low?” Another worker said: “He is trying to bribe you to his side.”

**Insights from the interview with the owner of Ascendo, Councillor Chuan-Yi Liu:**

Mr Chuan-Yi Liu has a certain degree of fear about the trade union; he is also not happy with the bargaining council. He currently has a case with the Department of Labour because of employment equity. He is confused why this case is continuing, because he has addressed this area by giving the workers shares, although he also says the workers are afraid of buying the shares from the company because they fear taking risks. He felt the labour consultants are not well informed about the Employment Equity Act and that is why they are still dragging him into a hearing whilst the majority of employees he has hired are locals. In 2007, he retrenched all the workers because the union had created a problem of mistrust within the factory as the union was continuously listening to the shop stewards. According to the owner, this created conflicts as to who was calling the shots and thus he had to retrench everyone to show them who was the boss. All workers are now hired for a minimum working period of six months (i.e. a six months working contract) and according to him it was difficult to determine whether the workers are casual or permanent because they are always there. The workers are working an eight hour day. In terms of benefits, he bought cell phones for every worker before the 2007 December vacation. In terms of the minimum wages he said he did not have the latest figures but in 2000 he paid the workers a minimum wage of R250.00 per week. This rose to R270.00 in 2006 (all of these are weekly figures). In terms of past wage negotiations, he held a meeting with the factory staff. From 2007, he now holds meetings with the management to determine the wages of the workers. These meetings are held once a month. He has never bargained with the union and wage increases are based on whether they have met the target. In the new company, Simunye, the owner now has got 50% of the shares and the workers own the remainder. The company only operates a day shift, which is an eight-hour day.

(i) **Analysis of wages:** The workers claim that there is discrimination in the way they are paid their wages and increments are ambiguous. The workers say that the employees who get better deals are those who are close to Mr Chuan-Yi Liu. On average the workers said the wages have not reached R 250 per week; on average, they earn R 215 (US$ 23) per week. This is contrary to what Mr Chuan-Yi Liu said, namely that the 2006 minimum wages were set at R270 per week. The workers said they are producing expensive goods yet they are being rewarded through meagre

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108 Direct quote by the owner of IINCOOL, Councillor Chuan-Yi Liu.
109 Further assertion by the Ascendo owner.
110 Interview with workers from Ascendo in a separate session than the one we interviewed Councillor Chuan-Yi Liu.
111 Extracts from the interview with the owner of IINCOOL, Councillor Chuan-Yi Liu.
payments. If the workers happen to work overtime, they said they receive no overtime pay. What is cause for concern is that workers do not take up any of these issues.

(ii) **Working conditions in the factory:** The working relations at IINCOOL leave much to be desired. There are no overtime rates and work on Saturdays and Sundays are taken to be normal work. The workers are paid according to a set score and there is no stipulated hourly rate. The workers said they are simply working just to survive.

(iii) **Skills transfer and capacity building:** According to the workers, there is no programme for capacity building and the only capacity they get is working on the lines. Even Mr Chuan-Yi Liu attested to this and said training was done in-house: workers come to IINCOOL not knowing how to operate a machine and he then trains these workers.

(iv) **Benefits:** The following table is an analysis of the benefits enjoyed (or not) by workers at IINCOOL (based on interviews with the workers).

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112 Interview with the workers at IINCOOL.
113 A score is a certain amount of items that the firm should produce in a week. This score is then divided amongst the workforce. The problem is that even Mr Chuan-Yi Liu did not know the score. The workers said they are told at the end of the week that they have not met the score and the owner is doing them a favour paying them. Mr Chuan-Yi Liu said even his best worker, a Chinese young lady, was not making the score.
114 Interview with workers at IINCOOL.
115 Interview with Mr Chuan-Yi Liu, the owner of IINCOOL.
116 Interview with Mr Chuan-Yi Liu, the owner of IINCOOL.
### Table 5: Benefits for workers at IINCOOL

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Do the local workers enjoy these benefits? (workers’ responses)</th>
<th>Do the local workers enjoy these benefits? (owner’s response)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>Yes</td>
<td>Has a funeral cover for the workers. In the case of death, the owner contributes R5000 to the worker’s family. The employer and the employee make a contribution of R15 and R5 respectively towards the funeral scheme.</td>
</tr>
<tr>
<td>Medical care</td>
<td>Yes</td>
<td>The company has a doctor in Newcastle. The company contributes 50% towards the medical scheme.</td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>Yes</td>
<td>Yes, the company has paid vacation leave.</td>
</tr>
<tr>
<td>Paid sick-leave</td>
<td>Yes</td>
<td>The company pays for sick leave as a lump sum at the end of the year before the company closes in December. The company pays up to 17.5 days of the days worked.</td>
</tr>
<tr>
<td>Subsidised housing/housing allowance</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Child care services</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>Workers were not sure when that happened.</td>
<td>On one occasion, the owner says he bought cell-phones and hi-fi sets for the workers.</td>
</tr>
<tr>
<td>Severance pay</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Interest free loans</td>
<td>No</td>
<td>This is available, according to the owner. He says the Simunye joint venture has resulted in the workers owning 50% of the firm.</td>
</tr>
<tr>
<td>Provident fund</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Employee share ownership plan</td>
<td>Not sure. In fact they disputed the in-house training as training.</td>
<td>Training is done in-house.</td>
</tr>
<tr>
<td>Other benefits</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

(v) Work environment and Health and Safety: There are no protective measures against dust. Masks are only given to those workers that operate the over-locks (sewing machines). The workers are not given any overalls to wear at work and this was evident when we did a tour of the factory. When workers are injured, they are just given elastoplasts. Compared to other companies, IINCOOL does not even have a first aid kit to treat the workers who suffer minor injuries and ailments. If a worker is ill, he or she is sent to a doctor in town. The company contributes half of the medical expenses.\(^{118}\)

\(^{117}\) Information by workers is in column 2 and information by Mr Chuan-Yi Liu is in column 3.

\(^{118}\) Interview with workers at IINCOOL.
3.3.4 Case study 4: HLK Garments
HLK Garments is also a clothing and textile company based in the Newcastle area. The firm was established in 1998. The workers said there is a union, but they did not know the name of the union. The management has continuously said they should pay union dues of approximately R 2 (US$ 0,22) per week. There are 31 employees at HLK, including three male workers. No Chinese are working in this firm. They were not sure whether they had any shop stewards, as there are no proper fora organised between the workers and management to discuss their grievances. They workers are not aware of any bargaining council.119

(i) Analysis of wages: The minimum wage is R 156 to R 166 (US$ 16 –17) per week. According to the workers, this is fair (some even claim they are paid well when compared to other textile firms in Newcastle). However, when one draws comparison, this assertion is proven wrong.

(ii) Working conditions in the factory: The workers said the relationship between management and workers is good.

(iii) Work environment and Health and Safety: The health and safety problems are minimal, involving minor things like dust and being pierced by a needle. According to the workers, the company does not cause environmental damages as it is just a textile company.

3.3.5 Case study 5: KaRita
KaRita is also a clothing and textile company in Madadeni. The firm was established in 1990 and is privately owned. It employs around 300 workers. Of the 300 employees, 7 are Chinese and 6 of them are male. There is no union at KaRita. The workers were not aware that there is a bargaining council. Salary increments are done at the mercy of the owner. The workers are employed on a six month contract and this contract sometimes can be terminated before the six months expires.120

(i) Analysis of wages: The local workers receive R 200 (US$ 22) per week. The workers were not sure how much the Chinese workers earn, but the assumption is that the Chinese are earning better wages than the locals.

(ii) Working conditions in the factory: According to the workers, the working conditions are fine.

(iii) Skills transfer and capacity building: There are no programmes in place.

(iv) Worker benefits: There are no benefits in this firm.

(v) Work environment and Health and Safety: The company is not a threat to the environment.

119 Interview with workers at HLK Garments. All the information in the sub-points was also obtained from the interview with the workers.

120 From the interview with workers at KaRita. All the information in the sub-points was also from the interview.
3.3.6 Case study 6: CITIC-ACRE

CITIC-ACRE is a Chinese construction company that won the tender to rebuild a portion of the Mittal Steel Newcastle coke plant. Work started in September 2005, employing 40 local workers and 400 Chinese workers. The majority of the Chinese workers were in the engineering department. The only female workers employed were 30 Chinese women.\(^{121}\) There was a big communications problem in this company, since the Chinese did not speak English.

(i) Analysis of Wages: The minimum wage according to the workers was R 2500 (US$ 270) per month; they did not know the wages of the Chinese. The scaffolders and the boilermakers earned better wages. According to the workers, the wages were good when compared to other companies in Newcastle. Overtime was paid; work on Saturdays was paid at a time and a half; and Sunday was double pay.

(ii) Working conditions in the factory: According to the workers, relations between the workers and the employers were good. The only problem they had was in communicating with the Chinese, since they did not speak English. For a long time they were using sign language. The pay structure was there, but the workers felt that it was imposed. All the workers in the factory were temporary.

(iii) Skills transfer and capacity building: There was no programme and plan for such an exercise.

(iv) Benefits: The following table is an analysis of the benefits enjoyed, or not by workers at CITIC-ACRE (based on interviews with the workers).

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Do the local workers enjoy the benefits:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>No</td>
</tr>
<tr>
<td>Medical care</td>
<td>Yes</td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>No</td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>No</td>
</tr>
<tr>
<td>Paid sick-leave</td>
<td>No</td>
</tr>
<tr>
<td>Subsidised housing/housing allowance</td>
<td>No</td>
</tr>
<tr>
<td>Child care services</td>
<td>No</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>No</td>
</tr>
<tr>
<td>Severance pay</td>
<td>No</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>No</td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>No</td>
</tr>
<tr>
<td>Interest free loans</td>
<td>No</td>
</tr>
<tr>
<td>Provident fund</td>
<td>No</td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>No</td>
</tr>
<tr>
<td>Other benefits</td>
<td>Receive only the statutory Unemployment Insurance Fund (UIF)</td>
</tr>
</tbody>
</table>

(v) Work environment and Health and Safety: The workers were provided with safety materials ranging from overalls to safety boots and helmets. According to the workers, this was no different to other companies. Health and safety was generally good. There was a health and safety policy and health and safety representatives.

\(^{121}\) From the interview with the former CITIC-ACRE workers.
However, the health and safety committee only consisted of the management. The construction work was not a threat to the environment. Arcelor Mittal owned the medical facilities and medical checks were done on employment. The health and safety facilities are adequate.

4. Conclusion: challenges for labour

In 2008, South Africa and China celebrated ten years of formal diplomatic relations, during which time trade and investment linkages have mushroomed. However, the findings discussed in this study demonstrate that Chinese capital makes pervasive and very exploitative use of labour. This finding is based on the following observations:

- Initially, unions were able to organise workers fairly easily, however the majority of these companies were adopting a wide range of strategies to frustrate unions. For example Chinese companies routinely employ workers on one-year contracts and in some cases, workers are not even aware of the contents of their contracts. Workers who join trade unions risk not having their contracts renewed.
- In most of the companies surveyed, there is no form of wage bargaining that takes place (and most labour relations take place outside of statutory requirements anyway). Wages and any increases thereof are unilaterally decided by management.
- There is also strong anecdotal evidence of wage discrimination between Chinese and local workers, with the former benefitting more. In some instances, no written record of payment to workers is made.
- Most companies have no policies, programmes or plans for skills development and capacity-building for workers.
- In some companies (particularly in the chemicals sector) there are serious health, safety and occupational hazards, such as recycling waste material inside the factory.

By all accounts, workers are afraid of joining unions, which they see as ineffective when it comes to protecting their rights and interests. Furthermore, when workers are dismissed often without benefits, they have no protection from unions since they are un-organised.

In an environment where workers enjoy very few rights, where the majority of workers have no contracts, and where there is widespread non-compliance with the country’s labour laws, it is hard to suggest that Chinese companies are creating meaningful employment opportunities. The absence of collective bargaining forums and non-recognition of unions are true manifestations of the “sweatshop” nature of the jobs found in these companies.

To tackle this challenge, broad alliances with community-based organisations, relevant government departments such as the departments of labour and trade and industry, and trade unions are required. Community members have an important role to play: they can be lobbied to boycott products manufactured by the Chinese companies. Furthermore, there is a need to form global alliances among workers and unions in countries where Chinese companies operate.
The ILO standards and conventions state that each member country should comply in terms of the standards. Not only did South Africa conform to these standards, but further enacted the Labour Relations Act of 1995, which by most standards is a very progressive piece of legislation. It is now up to trade unions to better understand these laws and then use them as organising and mobilising tools. On the other hand, the bilateral China-Africa cooperation agreements tend to permit a lot of negative labour practices by Chinese companies. In this climate, local unions have no option but to consider practical forms of international solidarity if they are to seriously protect workers from what has become an institutionalised form of labour exploitation.

5. References


van der Merwe S. (2008) ‘Reflections on 10 years of bilateral relations between South Africa and the People’s Republic of China (PRC): A view from South Africa’. Address by the Deputy Minister of Foreign Affairs to the National Assembly, Cape Town.


**Websites**

3.8 Chinese investments in Nigeria

Evelyn Atomre, Joel Odigie, James Eustace and Wilson Onemolease
Nigeria Labour Congress (NLC)

Background to the Study
Nigeria and China are the biggest countries in their respective continents in terms of human population and while China is arguably the biggest economy in Asia and a fast rising global player that has witnessed huge poverty reduction, Nigeria is recognised as an economy with latent potential for economic greatness in her region. Indeed, the country’s mineral wealth and population makes it an attractive destination for foreign investors.

In recent times, the country has witnessed an unprecedented influx of Chinese companies, many of them largely in the manufacturing and construction sectors. Others can be found in the services sector. Investment of this immense nature is one that could no doubt have profound impact on the country, with regards to the economy, livelihoods of the citizenry, the state’s revenue etc.

Purpose of the Study
The purpose of this study is thus to examine the nature of Chinese investments in Nigeria and to understand how this influences the overall social, political and economic development of the country. The study also seeks to examine Chinese investments through the eyes of the labour movement, in terms of its adherence to the labour regulations of Nigeria and its treatment of workers. It also seeks to provide recommendations and possible trade union interventions.

Methodology of the Study
For the purpose of this study, primary and secondary data was used. Data was sourced from documented materials on China-Nigeria relations, statistical bulletins and records, newspaper clippings, articles, various reports on a number of relevant issues etc. Interviews were also conducted with stakeholders such as government officials, employers, workers and worker representatives.

Limitations to the Study
Given the enormity of the study and the resources available, it was not possible to cover every section and economic sector of the country. Only a few identified sectors were used as a sample population.

The initial plan to administer questionnaires was dropped because of the unwillingness of the respondents to complete them. Only a very small number of questionnaires given out were actually returned.

There was also the problem of meeting the workers during office hours for interviews, particularly for those in the Chinese companies and in the construction sectors. At Chinese companies, the researchers were not allowed into the premises of the companies, while with regards to the workers in the construction sector, given the
nature of their jobs, they were often at the various sites of work, thus making it
difficult to reach them. A few interviews with workers were conducted alongside
interviews with government officials, workers’ representatives within the identified
unions, as well as the union leadership.

1. Introduction

Nigeria is a democracy with more than 150 million people that runs a Presidential
system of Government under a Federal arrangement of three tiers of Government:
Federal, State (36 in number, and the Federal Capital Territory) and Local
Government Areas (776). On 1st October, 1960, Nigeria gained her independence
from Britain but despite the various anti-poverty plans, programmes and projects
carried out in the country, her development aspirations have largely not been realised
as over 54% of the population, according to UNDP 2006 figures, live below the
poverty line of US$ 1 a day. Though development commentators are quick to point to
the over 35 years of military rule that was characterised by official pilfering and self-
enrichment, the discovery of oil in the late 1950s brought about the near total neglect
of other striving sectors of the economy, like agriculture and manufacturing.

Presently, the oil and gas sector dominate revenue and foreign exchange accruable to
the state, accounting for over 98% of export earnings and 83% of the federal
government revenue, with very negligible contributions coming from the non-oil and
gas sectors. It is important to point out that Nigerians have since come to the painful
conclusion that oil has come to represent a curse rather than a blessing (Esogbue,
2008). This view takes into account that the agricultural sector sector, which once
boasted of being the country’s major source of external revenue and which still
employs over 50% of the population has been officially neglected, buoying the
nation’s unemployment profile and food insecurity. With the emergence of oil came
the massive migration to the cities, which led to high levels of poverty, particularly in
the rural areas and a collapse of the country’s infrastructural base. According to
came with corruption, corruption with mismanagement, mismanagement with
marginalisation and marginalisation with agitations.” This view rings true as it sums
up the state of the country. Of the total revenue from oil, 80% goes to the government,
16% to cover operational costs and four percent to investors; however the 80% which
goes to the government benefits only one percent of the population, as a result of
corruption (Library of Congress of Country Studies, 2008). Corruption has resulted in
the large-scale mismanagement of public funds which has led to the collapse of the
infrastructural and social service base, and high incidence of poverty. Protest actions
are now a common thing, particularly within communities in the oil-bearing Niger
Delta, who have since taken to arms struggle and hostage-taking to draw international
attention to their plight and neglect, as they have found themselves at a disadvantage,
with the destruction of their environment and total lack of development. This activity
by militias in the Niger Delta region has greatly affected the supply and pricing of oil
at the global market with a record breaking price of over US$ 100 per barrel in late
2008. Nigeria is a “paradox of plenty”, a country of the poor living in a land of
abundance.
1.1 Structure of the Nigerian Economy

The share of the non-oil sector decreased from about 94% of the GDP in 1970 to about 52% in 2004. This decrease is witnessed in sectors like agriculture, industry and services, though in different magnitudes. Agriculture GDP declined from about 41% to 17% over the same period, while the services sector witnessed a down-turn from 45% to 26.5% (World Bank Statistics, 2007). This fall in GDP in the services sector comes despite the growth of the services sector in global economy, prompted by more investment friendly global rules. This scenario where Nigeria has not been able to diversify her largely oil dominated mono-economy does not bode well for her development aspirations, which cannot be built nor sustained by oil alone.

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil sector GDP</td>
<td>6.0</td>
<td>29.1</td>
<td>39.3</td>
<td>48.2</td>
<td>44.6</td>
<td>48.2</td>
</tr>
<tr>
<td>Non-oil sector GDP</td>
<td>94.0</td>
<td>70.9</td>
<td>60.7</td>
<td>51.8</td>
<td>55.4</td>
<td>51.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>41.3</td>
<td>20.6</td>
<td>29.7</td>
<td>26.3</td>
<td>26.4</td>
<td>16.6</td>
</tr>
<tr>
<td>Industry</td>
<td>7.8</td>
<td>16.4</td>
<td>7.4</td>
<td>4.5</td>
<td>4.8</td>
<td>8.7</td>
</tr>
<tr>
<td>Services</td>
<td>45.0</td>
<td>33.8</td>
<td>23.6</td>
<td>21.0</td>
<td>24.2</td>
<td>26.5</td>
</tr>
</tbody>
</table>


An analysis of the constraints resulting in the under-performance of the non-oil sectors noted low productivity and capacity utilisation as forerunners to low private returns, which in turn lead to low investment. Furthermore, weak and unreliable infrastructure, high incidence of corruption, macroeconomic instability and the weakness of institutions and regulations to guide investment behaviour have been recognised as obstacles to high performance of the economy and factors that make doing business in Nigeria risky and unfriendly. And it is in the context of seeking external opportunities to achieve development that the Nigeria-China trade and investment relations would be viewed in relation to the socio-economic impact of such relationship.

1.2 China-Nigeria Relations

Although Chinese traders and industrialists had some foothold in Nigeria by the 1960s, formal bilateral relations between the two countries did not commence until 10 February 1971 with the signing of the Joint Communiqué on the Establishment of Diplomatic Relations and the establishment of the Chinese Embassy in Lagos. China-Nigeria relations have been smooth and steady, as both countries have supported and co-operated with each other on a number of issues at the international level (China-Nigeria Relations, 2004).

The increasing co-operation between the two countries has resulted in the signing of a number of agreements on trade, investment promotion and protection, mutual support and friendship. For instance, with regards to investment deals, in July 2005, China and Nigeria signed a crude oil sale deal worth US$ 800 million between China’s Petrochina International and Nigeria’s Nigerian National Petroleum Corporation while China’s offshore oil producer CNOOC agreed to part with US$ 2.3 billion for a
stake in Nigeria’s oil and gas field (China Daily, 2007). There have also been increased exchange visits among the political leadership and business persons of both countries, as witnessed in the last seven years (China-Nigeria Relations, 2004).

Another result of the co-operation has been the increasing flow of migration by nationals of both countries. In 2004, the official number of Chinese living in Nigeria was 20,000 including 300 from Taiwan. This number, according to officials from the Nigeria Immigration Service, is estimated to have grown substantially to about 70,000 in 2007, representing a 250% increase. This increase shows a steady trend in Chinese migration into the country and it is expected to grow for at least another 10 years. The increasing flow of Chinese migration can be attributed to China’s quest for materials and markets for its goods and services. Goods and services from China have been mainly light industrial goods, textiles, electrical and electronic gadgets, as well as a growing retail service sector. Another reason is the large investment opportunities in the country, mainly in sectors such as oil and gas, construction, manufacturing, agriculture etc and services. (Nigeriafirst, 2006)

### 1.3 Foreign Direct Investment Flow to Nigeria

Nigeria has been one of the few African countries that have benefited from Foreign Direct Investments (FDIs) to Africa on a rather steady rate, as shown in Table 1.2.

Nigeria’s percentage of Africa’s total FDIs in 1990 was over 24% but this fell to 21.07% in 1995. It fell even lower to 5.88% in 2001 but picked up the following year to 11.65%. According to 2003 data from the United Nations Conference on Trade and Development (UNCTAD), Nigeria was Africa’s second FDI recipient, after Angola, in 2001 and 2002.

Table 1.3 gives data on Nigeria’s FDI inflows between 2004 and 2007. In 2005, Nigeria received US$ 4,978 million, which climbed to an impressive US$ 13,956 million in 2006. (UNCTAD WIR 2008)

#### Table 1.2 Nigeria’s Net Foreign Direct Investment inflow (US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigeria</th>
<th>% of Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>-188.52</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>588</td>
<td>24.19</td>
</tr>
<tr>
<td>1995</td>
<td>1079</td>
<td>21.07</td>
</tr>
<tr>
<td>1997</td>
<td>1539</td>
<td>14.43</td>
</tr>
<tr>
<td>1998</td>
<td>1051</td>
<td>11.77</td>
</tr>
<tr>
<td>1999</td>
<td>1005</td>
<td>8.22</td>
</tr>
<tr>
<td>2000</td>
<td>930</td>
<td>10.96</td>
</tr>
<tr>
<td>2001</td>
<td>1104</td>
<td>5.88</td>
</tr>
<tr>
<td>2002</td>
<td>1281</td>
<td>11.65</td>
</tr>
<tr>
<td>2003</td>
<td>1200</td>
<td>7.98</td>
</tr>
</tbody>
</table>

*Source: UNCTAD Foreign Direct Investment Database, 2003*
Table 1.3 Nigeria’s FDI inflows, 2004-2007 (US$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>2,127</td>
</tr>
<tr>
<td>2005</td>
<td>4,978</td>
</tr>
<tr>
<td>2006</td>
<td>13,956</td>
</tr>
<tr>
<td>2007</td>
<td>12,454</td>
</tr>
</tbody>
</table>

Source: UNCTAD World Investment Report 2008

Table 1.4 shows the sectoral composition of FDIs in Nigeria, from 1990-2001. The extractive sector, between 1990 and 1994, accounted for about 22% of FDIs into Nigeria, with agriculture and the transport and communication sectors trailing behind with as low as 2.3% and 1.7% respectively. Between 2000 and 2001, the extractive sector had risen to 30.7%, while agriculture slumped to a low 0.6%.

Table 1.4 Sectoral composition of FDI, 1990-2001 (% )

<table>
<thead>
<tr>
<th>Year</th>
<th>Mining &amp; Quarrying</th>
<th>Manufacturing</th>
<th>Agriculture</th>
<th>Transport &amp; Communication</th>
<th>Building &amp; Construction</th>
<th>Trading &amp; Business</th>
<th>Misc.Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1994</td>
<td>22.9</td>
<td>43.7</td>
<td>2.3</td>
<td>1.7</td>
<td>5.7</td>
<td>8.3</td>
<td>15.4</td>
</tr>
<tr>
<td>1995-1999</td>
<td>43.5</td>
<td>23.6</td>
<td>0.9</td>
<td>0.4</td>
<td>1.8</td>
<td>4.5</td>
<td>25.3</td>
</tr>
<tr>
<td>2000-2001</td>
<td>30.7</td>
<td>18.9</td>
<td>0.6</td>
<td>0.4</td>
<td>2.0</td>
<td>25.8</td>
<td>21.5</td>
</tr>
</tbody>
</table>

Source: Central Bank Nigeria Statistical Bulletin (1990-2001)

1.4 Trade Relations between Nigeria and the West

During the colonial era, Britain was Nigeria’s leading trading partner. In 1955, 70% of Nigeria’s exports were to Britain and 47% of its imports were from there. This went on until the 1970s, with the United States replacing Britain as the chief trading partner of Nigeria in 1988. The US was responsible for the purchase of more than 36% of Nigeria’s exports, primarily petroleum products (Library of Congress of Country Studies). In 1990, Nigeria was given associate status with the European Economic Community (ECC) and as a result, the country was able to increase its trading partners to include Germany, Spain, France, Italy and the Netherlands. The country also developed trading relations with members of the Organisation for Economic Co-operation and Development (OECD), particularly the United States, Canada and Japan.

Primary resource sourcing has largely underlined Nigeria’s relationship with traditional development partners mainly from America (U.S and Canada) and Europe (OECD countries) in terms of Foreign Direct Investment (FDI) destination. Nigeria’s main exports to its partner-countries were oil and agricultural products while imports to the country were mainly machinery, wheat, motor vehicles, frozen foods, dairy products and textiles. With regards to Nigeria’s relations with the countries from the West, local economists have argued that it has been rather exploitative, with little or no intention to assist the country achieve its development aspirations. The structure the country’s economy buttresses this fact.
1.5 Trade with China

Though China can be referred to as a “late-comer” into Nigeria’s oil sector, her trade relations with Nigeria within the last three decades as part of her quest for global influence and market has been immense.

Pat Utomi, an analyst, in his research on the China-Nigeria relations, has pointed out that Nigeria could gain more in trading with a fast emerging world economic power like China since it could tap from South-South partnership and solidarity and reduce interventionist and condition-laden models of development mostly prescribed by the developed countries (Pat Utomi, 2008). The relations between Nigeria and the traditional development partners have always been hinged on the principle of interference in state matters, for they hold onto the principle that it is the duty of all nations to intervene in state matters as it is deemed necessary (Li Anshan, 2007). The term “partnership” has always been used to depict the relationship between Nigeria and the industrialised countries, but in reality, there has also been a huge and growing divide. Aid given to Nigeria by these countries impinges on the state’s freedom to develop at its own pace, given the conditions that are attached to them. This is one of the reasons why China is considered a welcome alternative by a number of government officials (Pat Utomi, 2008).

China’s policy is a “no-strings attached” kind of policy, a contrast to that of the West. At the 12th Communist Party of China (CPC) National Assembly, some principles for a type of interstate relationship with African leaders were established and these principles were based on “Independence, Complete Equality, Mutual Respect, Non-interference in Others Internal Affairs.” (People’s Daily, 1983) For China, state sovereignty is paramount and should be the common denominator among all nations. It holds onto the principle that all states are equal and no country should have the right to dictate or interfere in the sovereignty of others (Li Anshan, 2007).

This fundamental principle of non-interference is one of the attractions of China to a number of African states, including Nigeria. Backed by strong Chinese financial aid, the government now possesses the resources to develop at its own pace, without the fear of restrictive conditions attached to it. Being a non-colonial state, China is seen as a friend that is committed to helping Africa develop and as such is welcome by African states.

According to Li Anshan, China’s non-interference policy does not mean that it ignores certain critical issues, such as human rights protection, as China advises on governance and intra-state affairs. The difference between China’s methodology and that of the West is that the suggestions are given in a friendly rather than forceful manner.

It would be foolhardy to dismiss the fact that China is here for business. Its interest in Nigeria’s oil is obvious, but it has demonstrated its commitment to mutual development through its development assistance, which in recent years, has sought to strengthen the infrastructure, revive the agricultural sector as well as improve the health and education sectors (Pat Utomi, 2008).
1.6 Chinese Imports and Exports


In 2007, Beijing signed a Memorandum of Understanding (MoU) with Abuja on the establishment of a strategic partnership. This, besides earlier agreements captured in table 1.5 below, shows China’s intent of driving trade and investment opportunities with Nigeria. The agreements ranged from trade and investment friendly pacts to aid and diplomatic corporation ties. The signing of these agreements signifies the two countries’ desire to forge a stronger and more strategic partnership. China needs Nigeria’s oil and large domestic market, while Nigeria seeks the Asian country’s technical expertise, finance, technology and industrial goods as well a market for its non-oil export. The agreements cover areas of “sincere friendship, mutual trust, mutual support, mutual economic benefit, and enhanced consultation” (Nigeriafirst, 2006). They are based on China’s Five Principles on Economic and Technological Cooperation with Africa – equality, mutual benefit, efficiency, diversity and mutual development.

Table 1.5: Selected Agreement between China and Nigeria 2001- 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of Agreements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>Agreement on Trade, Investment Promotion and Protection</td>
</tr>
<tr>
<td>2002</td>
<td>Agreement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Tax and Income</td>
</tr>
<tr>
<td>2002</td>
<td>Agreement on Consular Affairs</td>
</tr>
<tr>
<td>2002</td>
<td>Agreement on Cooperation on Strengthening Management of Narcotic Drugs, Psychotropic Substance and diversion of Precursor Chemical</td>
</tr>
<tr>
<td>2002</td>
<td>Agreement on Tourist Cooperation</td>
</tr>
<tr>
<td>2005</td>
<td>Strategic Partnership Agreement</td>
</tr>
<tr>
<td>2006</td>
<td>A Memorandum of Understanding on Investment Cooperation between the Federal Ministry of Commerce of Nigeria and Ministry of China</td>
</tr>
<tr>
<td>2006</td>
<td>Economic Cooperation Agreement between Nigeria and Guangdong Xingual Group of China</td>
</tr>
</tbody>
</table>

Source: Ogunkola E. O et al. 2008; compilation from Federal Ministry of Commerce

China’s main exports to Nigeria include motorcycles, machinery and equipment, automobiles and auto parts, rubber tires, chemical products, textiles and garments, footwear, cement, electronics and electrical appliances, etc. (National Bureau of Statistics, 2008). Recently, there had been a huge influx of cheap Chinese hand sets (mobile phones) in the Nigerian market and they are fast displacing old established and more durable brands from the OECD countries.

However to stem the flow of all manners of imports from China as a way of protecting local infant industries and promoting Nigeria’s industrialisation drive, government since 1982 banned some selected items. In 2005, the Ministry of Finance...
issued a revised list of prohibited import items to include live or dead birds including poultry, pork and pork products, beef and beef products, birds’ eggs, flowers, cassava/tapioca products, fresh fruits and dry fruits, corn, sorghum, millet, wheat flour, vegetable fat and oil, and confectionery. The list also includes cocoa products, noodles, biscuits, beverages, beer, bentonite and barite, bagged cement, pharmaceutical, toothpaste, soap, detergents, mosquito repellent coils, disinfectants, plastic sanitary appliances, household items, toothpicks, renovated and second hand tires, crepe papers and cardboards, textile fabrics, textile products and yarn, all species of footwear and bags, cutlasses, axes, pick axes, spades, shovels and similar tools, second-hand compressors, second-hand air-conditioners and second-hand refrigerators/freezers, second-hand automatic vehicles, assembled bicycles and spare parts, wheel barrows, furniture, generator silencers, game players, and ballpoint pens (Ministry of Finance).

From the prohibited items listed above, almost 20 Chinese products were affected, which include textiles, footwear, cases and bags, cement, and ballpoint pens, which before now, were imported into the country. There is no doubt that the ban on these items has had some effect on Chinese trade volume exports to Nigeria and of course, China and other WTO members did question the rationale for such prohibitions and their consistency with relevant WTO rules. However, specific licensing requirements remain in place for a number of products, including petroleum products, generators and others. Policy provisions make it mandatory for applications for import licenses or permits for import of prohibited goods or restricted products to be made three months in advance of importation. The quantity is determined on the merit of each application. Chinese importers have had to make several of these applications, but most of them complained about the clarity and criteria for qualification to import allocated quantities. Again, it can be said that this has greatly affected the quantity of Chinese imports to Nigeria.

### Table 1.6: Comparison of the World and China’s Share of Nigeria’s Import (US$ Million)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Food &amp; live animals</td>
<td>885.9</td>
<td>3.5</td>
<td>1098.0</td>
<td>12.7</td>
<td>2140.6</td>
<td>29.8</td>
<td>0.4</td>
<td>1.2</td>
<td>1.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Beverages &amp; tobacco</td>
<td>10.8</td>
<td>0.0</td>
<td>34.2</td>
<td>0.3</td>
<td>69.4</td>
<td>0.7</td>
<td>0.0</td>
<td>0.9</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Crude mater ex food/fuel</td>
<td>121.9</td>
<td>1.8</td>
<td>94.0</td>
<td>1.8</td>
<td>120.4</td>
<td>8.9</td>
<td>1.5</td>
<td>1.9</td>
<td>7.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Mineral fuel/lubricants</td>
<td>70.9</td>
<td>0.0</td>
<td>100.8</td>
<td>0.3</td>
<td>2396.7</td>
<td>1.0</td>
<td>0.0</td>
<td>0.3</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Animal/veg.oil/fat/wax</td>
<td>37.2</td>
<td>0.0</td>
<td>23.3</td>
<td>0.05</td>
<td>64.4</td>
<td>0.04</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Chemicals/produ cts n.e.s</td>
<td>981.3</td>
<td>59.6</td>
<td>1176.5</td>
<td>46.3</td>
<td>2085.5</td>
<td>174.6</td>
<td>6.1</td>
<td>3.9</td>
<td>8.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Manufactured goods</td>
<td>1031.5</td>
<td>30.7</td>
<td>1095.5</td>
<td>53.8</td>
<td>3297.8</td>
<td>566.0</td>
<td>3.0</td>
<td>4.9</td>
<td>17.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Machinery/ Equipment</td>
<td>1876.7</td>
<td>66.2</td>
<td>1955.1</td>
<td>98.1</td>
<td>6600.0</td>
<td>1229.7</td>
<td>3.5</td>
<td>5.0</td>
<td>18.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous Manuf Arts</td>
<td>296.1</td>
<td>23.2</td>
<td>238.4</td>
<td>39.4</td>
<td>948.7</td>
<td>290.1</td>
<td>7.8</td>
<td>16.5</td>
<td>30.6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Commodities</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Imports</td>
<td>5312.1</td>
<td>185.1</td>
<td>3815.8</td>
<td>252.7</td>
<td>17723.5</td>
<td>2300.8</td>
<td>3.5</td>
<td>4.3</td>
<td>13.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

However, Nigeria’s exports to China consist mainly of crude oil, timber and cotton. Local officials have opined and warned that the possibility of the Asian country becoming self-efficient in most of the export products is not far fetched (The Guardian, 2008). In comparison to the range of goods imported from China, one would have expected the trade balance to weigh in Nigeria’s favour, going by the price of crude oil on the international market. However, this is not the case, largely due to the very high volume of Chinese goods that enter the Nigerian market. Chinese imports to Nigeria compared to the total of the world’s import shows that China’s trade volume is still very small. It is the same scenario when Nigeria’s exports to China are compared to other countries’ share. However, with the pace of Chinese penetration of the global market and its drive to seek global influence through trade and with its increased diplomatic activities with Nigeria, it is forecasted that her trade volume with Nigeria will triple in the next 10 years.

Table 1.7: Comparison of the World and China’s Share of Nigeria’s Exports (US$ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Food &amp; live animals</td>
<td>293.9</td>
<td>0.0</td>
<td>205.4</td>
<td>0.2</td>
<td>592.6</td>
<td>1.8</td>
</tr>
<tr>
<td>1</td>
<td>Beverages &amp; tobacco</td>
<td>1.7</td>
<td>0.0</td>
<td>1.3</td>
<td>0.0</td>
<td>3.9</td>
<td>0.0</td>
</tr>
<tr>
<td>2</td>
<td>Crude mater ex food/fuel</td>
<td>262.4</td>
<td>0.0</td>
<td>54.5</td>
<td>33.3</td>
<td>304.0</td>
<td>12.6</td>
</tr>
<tr>
<td>3</td>
<td>Mineral fuel/lubricants</td>
<td>11189.8</td>
<td>0.0</td>
<td>19950.5</td>
<td>273.7</td>
<td>43054.7</td>
<td>503.9</td>
</tr>
<tr>
<td>4</td>
<td>Animal/veg. oil/fat/wax</td>
<td>0.1</td>
<td>0.0</td>
<td>2.6</td>
<td>0.0</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>5</td>
<td>Chemicals/products n.e.s</td>
<td>36.8</td>
<td>0.0</td>
<td>8.6</td>
<td>0.0</td>
<td>15.6</td>
<td>0.2</td>
</tr>
<tr>
<td>6</td>
<td>Manufactured goods</td>
<td>347.3</td>
<td>0.0</td>
<td>10.0</td>
<td>0.1</td>
<td>255.4</td>
<td>8.2</td>
</tr>
<tr>
<td>7</td>
<td>Machinery/traps equipmt</td>
<td>185.9</td>
<td>0.0</td>
<td>70.3</td>
<td>0.0</td>
<td>114.7</td>
<td>0.0</td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous Manuf Arts</td>
<td>15.7</td>
<td>0.0</td>
<td>9.1</td>
<td>0.0</td>
<td>26.9</td>
<td>0.2</td>
</tr>
<tr>
<td>9</td>
<td>Commodities nes</td>
<td>4.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>12339.7</td>
<td>0.0</td>
<td>20312.3</td>
<td>307.3</td>
<td>44369.6</td>
<td>526.9</td>
<td>0.0</td>
</tr>
</tbody>
</table>


1.7 Migration Flows

Presently, over 70,000 Chinese live, work and trade in Nigeria. This figure excludes those who are temporal and engaged in construction work, especially those in the Niger Delta who had to leave because of the unrest there. The bulk of the Chinese population in Nigeria is present in Lagos, Nigeria’s commercial and industrial hub and Kano, another industrial city in the northern part of the country while others are scattered in other states. Outside the oil sector, the Chinese in Nigeria are very active in the retail, manufacturing, servicing, telecommunication and construction sectors of the Nigerian economy. For example, in the China Town shops located in Ojota, Lagos, it is very common to see at least two Chinese, mostly male and female in every single shop selling all manner of retail articles from footwear to garments and textiles, machinery to toys, earrings, household utensils, electrical appliances, etc. Furthermore, the influx of Chinese into Nigeria has been very high within the last few years and this has come with its challenges, especially in employment relations and industrial relations practices, which will be discussed in section 3.

However, scores of undocumented Chinese migrants abound in Nigeria with the tacit assistance of the Nigerian Immigration officials. Language barrier was one identified cultural shocks the Chinese living in Nigeria have to contend with, but that is taken care of in two ways. The first is that the new Chinese immigrant finds ready solace in
the fast growing and spreading Chinese social networks already established in different cities in Nigeria. They live in cluster Chinese settlements and employ locals as guides and language “tutors”. Figures of Nigerians living and working in China are put at about 1000 according to officials of the Embassy of Nigeria in Beijing. Most of them are engaged in the services sector, especially as English teachers. Also, a sizeable figure is engaged in the retail/import business of Chinese goods into the Nigerian market.

1.8 Chinese Aid to Nigeria

The Chinese government and businessmen have responded to the call for investment opportunities in Nigeria and they have made positive contributions to the country. Diplomatic relations with China for Nigeria appears to be beneficial as it has seen improvement in technical and financial assistance. It is well known that Nigeria’s military has benefited from China’s technical assistance in the areas of training and hardware supply. There had also been significant contributions by the Chinese mainly in the health, education, communication and infrastructure sectors. They had made assistance in the “Roll-Back Malaria” programme by providing drugs and mosquitoes treated nets and trained medical personnel estimated at US$ 3.4 million in 2002. In 2006, an additional support commitment to the programme vide the signing of memorandum of understanding was made to the tune of US$ 70 000 for purchase of drugs and another US$ 5.7 million for training of medical personnel in comprehensive malaria prevention and control (Nigerfirst, 2006).

In order to support infrastructural development in Nigeria, a Memorandum of Understanding was signed in 2006 between Nigeria’s Ministry for Science and Technology and Huwaei Technologies to provide national information communication technology infrastructure backbone. The Chinese government has sponsored the training of Nigerian university staff in the learning of Mandarin, the Chinese language as means to further more effective cooperation and transaction relations with Nigeria. These Nigerian academic staff are been sent for training in China to study Chinese culture so as to return and commence Chinese studies in Nigerian institutions of higher learning. Currently, Nnamdi Azikiwe University Awka is benefitting from this programme, while the Federal Polytechnic Offa in concert with the Chinese Embassy in Abuja has organised an exhibition to showcase Chinese culture to Nigerians (Nigeriafirst, 2006).

Though official data on the actual volume of Chinese ODA to Nigeria is unavailable. Given the total amount for a number of identified projects, China’s volume of financial aid is small, when compared to that of the OECD. Table 1.8 below shows ODA from OECD countries for the period 2002-2006.

This, however, can be explained partly by the fact that China’s trade and diplomatic relations, though developed over three decades ago, has only been very relatively active in the past nine years.
2. Nature of Chinese investments and trade

The Nigerian government, especially after the restoration of democratic rule in 1999, has engaged in a radical drive for Foreign Direct Investment, drawing the attention of would-be investors to improved political stability, more consistency in regulation and availability of friendly policies that would allow for more capital and profit repatriation. To show good faith, the right wing government, on the advice of international development and financial institutions like the World Bank, carried out radical exercises of privatisation of public companies and assets. This it followed up with deregulation and liberalisation of the financial, telecommunication, oil and gas and the services sectors while also making investment in infrastructural development. These developments have resonated well with investors who have since been coming to Nigeria to do business as witnessed in the improvement in net FDI inflow, which on estimation, stands at over US$ 5 billion (NIPC data).

However, data from Nigeria’s investment promotion agency, the Nigeria Investment Promotion Commission (NIPC), shows that China FDI flow to Nigeria has increased just as that of the rest of the world has done. China’s investment post-2001 stands at over US$ 5 billion. The Chinese government investment in Nigeria has increased in recent times, owing largely to the high profile political activities that have been witnessed over the past six years. President Hu Jintao had visited Nigeria twice with the same reciprocity by Nigeria’s former President Olusegun Obasanjo and these visits like similar ones in the past have had diplomatic cooperation on trade and investment high on their agenda leading to the cooperation agreements signed so far (see table 1.2). These investments are prominent in the oil and gas, telecommunication, construction and manufacturing sectors.

As mentioned in the first section, Chinese investment, trade and aid are based on the ideology of equality, and with a “win-win” relation driven by its ideology of non-interference in local politics. Focus is placed on building relationship with African leaders, which the increased visits to Nigeria have shown. Chinese businesses are facilitated largely by the state through state-state relations using diplomats and state officials and once the agreements have been made, Chinese business managers are brought in to play supporting roles for implementing.
Another interesting dimension of Chinese investment in Nigeria is the fact that much of the funds for investment are public funds. In other words, while there are more private Chinese investors/investments in Nigeria, the bulk of the funds come from the Chinese government, who through its various financial institutions like the Ministry of Commerce (MOFCOMM), Bank of China, Import and Export Bank of China, China Exim Bank and China Development Bank advance/facilitate credit for these investments. An example of such funding is the partial funding of five thermal power stations by the China Exim Bank through a credit facility payable in 12 years (Nigerianfirst, 2006).

Table 2.1 shows some of the major investments by the Chinese in the country in the past seven years.

**Table 2.1: List of some major Chinese investment projects in Nigeria (in US$)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Harbour Engineering Co. in partnership with *African Finance Corporation (AFC) to build a 125km six-lane road in Port Harcourt, the hub of Africa’s biggest Oil industry</td>
<td>$1 billion</td>
</tr>
<tr>
<td>Construction of the Nigeria Communications Commission Headquarters in Abuja</td>
<td></td>
</tr>
<tr>
<td>Construction of the Abuja All-Africa Games Village by the China Civil Engineering Construction Corporation</td>
<td></td>
</tr>
<tr>
<td>The building of a 100 mega-watt (M/V) hydro power plant for the Power Holding Corporation of Nigeria (PHCN) and Zamfara State government by China Geo-Engineering Corporation</td>
<td>$65 billion</td>
</tr>
<tr>
<td>China National Overseas Oil Company Limited (CNOOC) 45% stake in OPL 246 (oil blocks) in offshore deepwater oil field**</td>
<td>$2.3 billion</td>
</tr>
<tr>
<td>Petrochina crude oil sale deal with Nigerian National Petroleum Corporation</td>
<td>$800 million</td>
</tr>
<tr>
<td>Modernisation of Nigeria’s one-track rail to standard gauge rail from Lagos to Kano via Abuja to be constructed in 5 segments over a 5 yr period. ***</td>
<td>$8.3 billion</td>
</tr>
<tr>
<td>Controlling share in Kaduna Petrochemical Refinery Company (KPRC)****</td>
<td></td>
</tr>
<tr>
<td>Licence to operate and generate power using coal given to two Chinese firms, Delta Services and Western Metal in Kogi and Benue states respectively</td>
<td>$80 billion</td>
</tr>
<tr>
<td>Huawei equipment agreement with GV Telecoms/Prestel</td>
<td>$250 million</td>
</tr>
<tr>
<td>Financial support given to Reliance Telecommunications Limited by China Development Bank facilitated by Huawei Technologies</td>
<td>$20 million</td>
</tr>
</tbody>
</table>

* Source: *Nigeria Export Promotion Council and Ministry of Commerce* data

* AFC is a private sector-led investment and development firm based in Nigeria. The Rivers state government who sort the loan through the AFC (loan facilitator) is conscious of using infrastructure development to attract investment.

** The transaction is currently in dispute as the oil block is said to belong to the Nigerian Petroleum Development Company (NPDC), but was fraudulently awarded.

*** It provides for an advance payment of US$ 1.135 billion. It should be noted that China had also loaned Nigeria US$ 2.5 billion for the same project.

**** The Chinese company holding the controlling share in KPRC has recently began a process of divesting its shares in the company, stating no reasons for doing so.

With respect to the number of registered Chinese companies in Nigeria, official statistics from the Corporate Affairs Commission (CAC) put them at over 1000, scattered in various sectors of the economy, with a good number of them in the manufacturing sector.
2.1 Incentives for attracting, and conditions attached to Foreign Direct Investment (FDI)

The post-1999 Nigerian government has been radical in its quest to have an effective private sector-driven economy and one way of achieving this was to encourage the inflow of FDIs, with the desire to enjoy the gains from foreign investments such as promotion of innovation and competition, employment generation, increase in domestic capital, transfer and adoption of technology, skills and knowledge and improved export profile.

In order to encourage both foreign and domestic private investors, certain investment incentives have been put in place. While some of the incentives cover all sectors of the economy, others target specific sectors. From the list of investment incentives from the Nigeria Investment Promotion Council (NIPC), the following were identified:

1. **Companies Income Tax**: Potential and existing investors in all sectors, except petroleum, pay a 30% rate.

2. **Pioneer Status**: A tax holiday granted to eligible industries anywhere in the federation, and a seven-year tax holiday to industries, especially located in disadvantaged local government areas.

3. **Tax Relief for Research and Development**: Up to 120% of expenses on Research and Development (R&D) are tax deductible, as long as such research is carried out in Nigeria. For R&D on local raw materials, it is a 140% tax deduction on expenses.

4. **Capital Allowance**: Capital Allowance for any year of assessment is 75% of assessable profits for the manufacturing companies and 66% for others, except agro-allied firms that are not affected by any restrictions.

5. **In-Plant Training**: For industries that have established in-plant training facilities, a 2% tax concession is granted for five years.

6. **Labour Intensive Mode of Production**: This is for industries with high labour/capital ratio. Any industry that employs 100 persons enjoys 6% tax concession, any that employs 200 gets 7% while a firm that employs 1,000 persons or more is granted a 15% tax concession.

7. **Investment in Infrastructure**: These incentives are for industries that provide social facilities that normally should have been provided by government (access roads, electricity etc). 20% of the cost for providing such facilities, where they did not exist, is granted.

Besides the incentives mentioned, there are other sector-specific incentives such as tax exemption on dividends from manufacturing companies in petrol chemical and liquefied natural gas sub-sector; one percent duty on all agricultural and agro-
industrial machines; investment allowance of five percent for solid minerals, as well as exemption from payment of customs and import duties; and investment tax allowances for industries in the petroleum sector. Other incentives include the granting of generous expatriates quota to the investing firm on the need to have skilled and knowledgeable hands to put the business through the gestation stage. The establishment of Export Processing Zones (EPZ) is also another form of incentive and encouragement for FDI. Investors who are investing in privatised companies as core investors are given the Rights of First Offer in the event that government wants to further divest from such companies. Chinese investors have enjoyed a number of these incentives.

However, to maximise FDI benefits, conditions like promotion of local content, tax remittance, environmental protection, adherence to labour, health and trade rights and technology and skills transfers are emphasised. Regulatory bodies such as the Standards Organisation of Nigeria (SON), National Agency for Food, Drugs Administration and Control (NAFDAC) have been set up by government to ensure that investors and entrepreneurs comply with these conditions.

Local content can be promoted through active participation of local entrepreneurs in the operations of the firms so as to improve knowledge and skills. Also, local expertise and other segments of the work force are also ways by which technology can be transferred. However, Chinese companies, like those of Indians, Lebanese, and Syrians have been heavily criticised for being “closed” as their nationals occupy over 95% of management positions and sometimes even lower positions. This criticism also gave weight to the allegation of expatriates’ quota abuse.

Under the Protection of Intellectual and Industrial Property Guidelines by the National Office of Technology Acquisition and Promotion (NOTAP), all technology agreements should provide clauses to ensure the employment, exposure and training of the appropriate and right calibre of Nigerian staff. The aim of such clauses is to ensure that qualified Nigerians understudy the foreign experts with a view of taking over the responsibilities within the shortest time possible. In fact, each firm is to submit a comprehensive training programme for Management Succession Programme for Nigerians to NOTAP.

From the accusations by both workers and their industrial unions, this has not been the case. Many companies, Chinese inclusive, do not comply with the condition of technology transfer. Chinese firms are notorious for relying on cheap Chinese labour for many of the major industrial projects and thus do not see the need for skills transfer to the locals (Utomi 2008). Some of the reasons for such action are that it is more efficient and convenient to recruit skilled Chinese than local workers, since they are more familiar with the technology and are also familiar with the very demanding Chinese work practices of longer hours (Southern Weekly, 2007).

2.2 Socio-Economic Impact of Chinese Investments

Sustainable development can be achieved when there is substantial public/private investment in infrastructure and human capital development. It is in this light that aid-for-trade will be development-friendly and more appropriate, and thus, is the ground for Nigeria government’s drive for FDIs. The argument of FDI creating job
opportunities and contributing to the development aspirations of developing economies like Nigeria is very much considered in the quest for foreign investment.

The socio-economic impact of Chinese investments is somewhat mixed, having both positive and negative effects. Some of the effects include the following:

- Job creation
- Availability and affordability of products
- Industrial development
- Dumping of Chinese imported sub-standard products
- Unfair competition/loss of revenue for local industries
- Closures of local enterprises/loss of jobs
- Capital flight
- Low human capital development and technology transfer

2.2.1. Job Creation
As explained earlier, one of China’s interests in Nigeria is the market for its domestic production. Nigeria has witnessed a heavy influx of Chinese products, mainly textiles, and electronic items. The country has witnessed a boom in the retail business with Chinese goods. This can be explained by the fact that many who had found themselves unemployed, resorted to the sale of these Chinese goods. The capital needed for the business is small and profits are relatively good. There is now a growing informal sector in the country, which literally means that more people now have “jobs”, they now have some source of income. Thus in terms of people working and earning a living, the retail business with Chinese goods has had some positive impact. A good example of the growing Chinese retail business in Nigeria is the establishment of China Town in Lagos, a huge shopping complex which deals mainly in Chinese products. Many Nigerians sell Chinese goods there. However, the import of Chinese retail goods has hampered local manufacturing to some extent as outlined below.

Another aspect is the jobs created as a result of Chinese investors setting up business in Nigeria. There have been investments in the construction, manufacturing, agricultural and infrastructural sectors of the country, which have led to a number of Nigerians gaining employment. However, there is no available official data that shows the exact number of Nigerians employed in these companies.

2.2.2 Availability and affordability of products
Chinese products are cheaper than those from other countries, even locally produced ones. They are found virtually everywhere and in most cases are within the means of many families. For low-income families, the purchase of Chinese products provides them the opportunity of acquiring commodities that were once considered unaffordable. To illustrate this point, a market survey was conducted in FCT Abuja, the federal capital territory of Nigeria, on power generating sets and televisions.

The price of a Japanese or Korean 2.5Kva Generating Set starts from N 50,000 (US$ 431), while a Chinese set goes for about N 27 000 (US$ 233). Smaller and cheaper Chinese generating sets are readily available, for those who can not afford to purchase the bigger ones. These smaller sets cost about N 15 000 (US$ 129).
A 32-inch LCD television from Korea goes for about N 100 000 (US$ 862) while one of the same size from China costs about N 85 000 (US$ 733). The Chinese also provide smaller televisions for low-income earners and so they have the opportunity to own TV sets, which is sold for as low as N 10 000 (US$ 86).

2.2.3 Industrial development
Some Chinese companies are involved in the manufacturing and infrastructure development sectors of the economy and their activities have positively impacted on the country’s industrial base. A number of these firms are into the production of plastics and rubber products, light industrial products, enamelware, semi-processed and processed wood products etc. In their own small way, Chinese firms are helping to build Nigeria’s industrial base.

2.2.4 Dumping of Chinese imported sub-standard products
Another aspect of China’s trade pattern in the country is the shifting trends from manufacturing to trading and a higher volume of trading in new manufactured goods, mainly from China. As smuggling and infrastructural decay combine to cripple local manufacturing, second-hand goods from Europe and new products from China have assumed pole positions on the local market in terms of stock and purchase.

Nigerians now say that they have a choice. With the comparatively cheaper prices of Chinese goods, low income households can now afford to own hitherto luxury products like electronic gadgets, power generating sets and make many purchases of clothing, footwear, etc. However, the quality of these products in the middle and long term does not ascribe benefit and satisfaction to the poor as they are easily damaged and get spoiled quickly resulting in the same spending more money to replace them. This was confirmed by a salesperson at a Chinese retail store who pointed out: “Customers will get new cloth for even N 200 (US$ 1.60), but the cloth might not last 2 months.”

One area that must be looked into is health that has been found to be compromised by some Chinese sub-standard products. Importers have been found to request for the manufacture of products that meet the pockets of the poor so as to maximize profits and the Chinese manufacturers oblige. This was confirmed by Mr. Qui Jun, a Chinese representative in Lagos of Xinhua News Agency, who said that fake products do not benefit the Chinese people as they spoil their name in overseas markets. However, the local importers encourage and induce Chinese manufacturers to make these sub-standard products (The Guardian, 2008). In 2007, Nigeria asked retailers to hand over for destruction all imported toothpaste on their shelves after its food and drugs regulation agency, the National Agency for Food and Drugs Administration (NAFDAC), discovered diethyl glycol - an anti-freezing agent that is harmful to the kidney and liver - in some toothpaste manufactured in China and all brands of Colgate toothpaste.

2.2.5 Unfair competition/loss of revenue for local industries
Local firms find themselves in a situation where they have to produce and sell goods on an uneven playing field with the Chinese. Unlike the Chinese manufacturers who have easier access to loan facilities, lower costs of production and reduced import tariffs, the local firms operate under rather unfavourable conditions, with inadequate
infrastructure and social facilities, high interests on loan facilities and high costs of production being the order of the day. For these reasons, domestic production can not compete effectively with the imported goods, resulting in a loss of domestic market, which further results in loss of revenue.

2.2.6 Closures of local enterprises/loss of jobs
For some firms, the situation becomes even worse as they find themselves unable to break even and are therefore forced to close shop. The local textile industry is a ready example of such a situation, where thousands of workers were laid off and households were made to lose their major source of income. Massive unemployment and an increasing fall in people’s standard of living were among the consequences.

2.2.7 Capital repatriation
With an increase in the dependence on imported Chinese goods, albeit low in quality, one of the net effects is capital repatriation and loss of foreign exchange by the local economy.

2.2.8 Low human capital development and technology transfer
In order to achieve sustained growth and development, there must be demonstrable progress in certain key areas, one of which is human capital development (Pat Utomi, 2008). The concept of human capital acknowledges the importance of humans in the creation of wealth and development of a successful economy. Human capital improves adaptability and efficient allocation of resources in society, and enhances the ability of agents to adapt to change and respond to new opportunities (Schultz, 1975). With the understanding of the importance of human capital in the generation of a successful economy, the various investment agreements signed between Nigeria and China cover the aspect of human capital development.

However, evidence has shown that many of the Chinese investors do not adhere to the conditionality in the agreements and thus put little or nothing into the development of human capital. Concerns have also been raised that Chinese investments do not improve human capacity development and technology transfer. Some Chinese companies have been accused of bringing into the country finished goods and complete equipment, along with Chinese expatriates, thus starving the country of the much needed technology.

According to Pat Utomi (2008), given the fact that cheap China labour is used, a number of the large industrial projects hardly transfer any skills to Nigerians. Another reason given for non-transference is the cultural and language barriers, which make technology transfer difficult. Whatever the reasons, the fact still remains that human capital development is rated as a low priority by Chinese investors.

Essentially, within the domain of south-south cooperation, Nigeria–China trade and investment relations are hinged on reciprocity, mutual benefit and common development. Therefore, China’s quest for raw materials and markets has found support in Nigeria, which wants investment, skills and technology transfer to spur her development which could make the relationship somewhat mutually beneficial (Nigeriafirst, 2006).
Chinese investments in Nigeria will be better comprehended when analysed within the context of the realities of the issues that make doing business in Nigeria difficult and uninspiring. An analysis of the socio-economic impact of investment in Nigeria will need to factor in these issues of the Nigerian business environment that make local products less competitive as these issues drive up costs of production. Some of these issues include inadequate energy, infrastructural deficiencies, weak regulating institutions and the Niger Delta conflict. They account largely for the closure of many enterprises which faced high costs of production in the country, resulting in the massive loss of jobs and increased unemployment. It is against this background that the investments of the Chinese and indeed other foreign investors are appreciated. The Chinese investments seem promising, given the relatively short period of Chinese incursion into the Nigerian economy.

2.3 China Retail Trading in Nigeria: Glimpse into Activities in China Shops

“It is not difficult these days to see a Nigerian girl who is basically ‘made in China’, wearing a Chinese blouse on jeans with belt, shoes, bag and other accessories all made in China in spite of government’s campaign for patronage of ‘Made in Nigeria’ goods.” This was said by Mr. Daniel Ikhuoria, Communications Director of National Association of Nigerian Traders, an Abuja based NGO with thematic areas in trade and development. He linked his assertion to the increased retail activities from China Shops. There is virtually no market in Nigeria where Chinese goods are not stocked and sold. Boutiques where “select” items are sold are even fast embracing and stocking made in China goods and with the presence of china shop, stocking has become even easier and quicker.

On a visit to the China Town in Lagos where China shops are concentrated, one readily notes the diverse merchandise sold at cheap prices and these are heavily patronised. Mrs. Mabel Odinaka, a retailer who came all the way from Oji River in Enugu to buy her wears from China Town, cited cheap price and availability as factors that make Chinese goods attractive. Although studies carried out have not shown that China shops are displacing local retailers, the increase in the numbers of China shops and Chinese operating China shops is something that traders noted as a concern (Utomi, 2008).

Another interesting finding is that many Nigerians, especially those who cannot find regular employment and those laid off as a result of factory closures are daily turning into the operation of China shops retail activities. This was confirmed by Issa Aremu, General Secretary of the Nigeria Union of Textile, Tailoring and Garment Workers, who said workers from factories who have been forced to close shop as a result of the stiff competition from imported and smuggled goods (second-hand textiles from Europe and new garments from China), now find a refuge in operating China shops.

With regards to tax remittance to government coffers, Chinese companies, according to officials of the Federal Inland Revenue Services (FIRS), behave responsibly as their tax declarations and remittances are done and made dutifully. Regarding the contribution of Chinese trading activities and investments to Nigeria’s tax basket, it is estimated at about 0.01% of GDP. However, data relating to the number of Chinese
There are supply side issues like the actual transfer of skills and technology and the labour relations concerns that workers and trade unions have raised regarding Chinese investments. These need to be addressed if Nigerians are to derive sustainable benefits from Chinese operations in the country.

There is also the fear and concern that if unchecked, China might exploit developing countries like the West did. Officials who are wary of China’s growing dominance have expressed this fear. South Africa’s former President, Thabo Mbeki, once said: “Africa must be careful not to sink into a colonial relationship with China now that Peking is intensifying its search for materials in Africa. The danger exists that an unequal relationship will be created, such as the relationship that existed between the colonies and the colonial powers.” Mbeki, however, was of the firm belief that given the awareness of both African and Chinese leaders of such dangers:

“The Chinese will do their bit to ensure that the African continent does not remain underdeveloped and to boost its economic competitiveness as underlined by the decision of the Chinese to work in a way that African industry is developed.”

Chinese investments in Nigeria have been dominated by the state in terms of contact, contract and funding. The approach is hinged on state-to-state relationship and the cultivation of official (leadership) relations facilitated by high profile visits framed within China’s engagement ideology of non-interference. This approach seems to resonate well with African leaders who see China as a model of a developing state that has “made it”. In the words of Madagascar’s former President Marc Ravalomanana, China is “an example of transformation; we in Africa must learn from you.” In order to strengthen its trade and investment ties with Nigeria, and by extension Africa, China has been active in providing non-conditional aid and funding for projects, especially infrastructure and technology.

3. Labour relations and working conditions

According to the UN Conference on Finance for Development (FfD), “Private international capital flows, particularly investment, along with international financial stability, are vital complements to national and international development”. One of the expected gains of FDI is that it brings external capital that could be used to improve domestic factors of productions such as human capital, with a view to enhancing productivity and accelerating growth. This is achieved through the transfer of technology in the new forms of capital inputs that are introduced, and through employee training when operating the new businesses (IFEZ, 2008). It is also argued that there are positive indirect links between FDIs and poverty reduction (DFID 2000).

Regardless of Nigeria’s domestic peculiarities, Chinese investments have achieved much with respect to employing a sizeable number of Nigerians. Specifically, Nigeria’s manufacturing and construction sectors are human capital dominated and here, the Chinese companies are considered major players. Though one applauds the
steps taken by the Chinese in employing large numbers of locals, it is argued that employment and industrial relations regimes are far from being decent in many cases.

This section seeks to analyse current labour relations and working conditions in Chinese companies in two identified sectors – the manufacturing (textiles and rubber/plastic production), and the construction sector. The aim is, simply put, to show the good and bad sides of Chinese investment. Lagos, Abuja, Kaduna and Rivers States earlier identified as the major commercial hubs in Nigeria are where the majority of these companies and their industrial unions are based. Reports and findings from the field visits to some selected companies, interviews with workers, officers of the industrial unions and government officials as well as local media reports will form the sources of data for this chapter.

3.1 Manufacturing Sector

3.1.1 United Nigeria Textile Plc (UNTplc)- Textiles Company

The company is located in Ikorodu, Lagos State with a branch in Kaduna, Kaduna state. It specialises in the production of Nigerian wax textiles. UNTplc is said to be a pioneer in the production of Nigerian wax and sources all its materials locally. UNTplc has been in existence for over 30 years and it is 100% Chinese-owned. However, the company recently started selling shares to members of the public and to employees, who are encouraged to become co-owners of the company. It was listed on the Nigerian Stock Exchange.

The company employed 3 700, 200 of whom were senior staff. Every worker was a member of the in-house union branch. Interviews with workers and union representatives revealed that the company observed and respected workers’ rights to organise and bargain. It accorded union representation full recognition and even offered facilities to union officers. Health and safety standards and practices were found to be high and strictly observed. Workers got the necessary protective clothes for all operation and in the event of accidents treatment, care and compensations were fully paid by the company. The company had a clinic within its premises and hospital services for referrals were provided on retainership basis where employees were attended to.

The company always complied with the industry-wide negotiated agreements between the union and the Employers Association. Presently, the minimum wage in the company was N 25 000 (US$ 216), which is higher than the N 15 000 (US$ 129) industry-wide minimum wages and that of the National Minimum wage of N 7 500 (US$ 65). An Organising Secretary with the National Union of Textile, Garment and Tailoring Workers of Nigeria (NUTGTWN) said that UNTplc was regarded as a model in the industry. The company was also rated very highly for its environmental consciousness.

When asked to compare the UNTplc with non-Chinese companies in the industry, the union painted a picture of casualisation and bad working conditions. Some textile companies owned by Indians, Lebanese and Syrians were accused of outsourcing of work and paying below the minimum wage.
3.1.2 Standard Footwear Nigeria Limited (a subsidiary of Lee Group of Companies- Rubber/Plastics company

The company is privately-owned by a Chinese, Mr. Man Loong Lee, who is also the Chairman of the Group. Other companies on the group are Bally Plastics and Footwear Industry Limited, Standard Plastic Industry Nigeria Limited, Asia Plastics Industry Limited and Super Engineering Company limited. All these companies are located in various communities in Kano State, North-West Nigeria. Standard Footwear (Nigeria) Limited is located at Jogana, community at the outskirt of Kano city where it produces rubber footwear for local and export markets. Standard Footwear started operation in 1996. It employed over 4,000 workers who worked round the clock in two shifts. The Lee Group of Companies employed over 12,000 workers across its various factories located across Kano industrial areas and this high job creation profile put the group in good terms with the Government, both at the State and Federal levels. The companies enjoyed tariff exemption on the import of chemical raw materials.

The company operated with impunity and disregarded labour statutes that regulate employment and industrial relations in Nigeria. It flaunted its high employment profile and on several occasions threatened to close shops, when the National Union of Chemical Footwear Rubber Leather and Non-Metallic Products Employees called on it to comply with labour standards. The union representatives stated that over 300 letters dealing with the recognition of the union had been written to the company management but to no avail.

The company continued to undermine the union’s efforts to organise the workers. For instance, if the workers successfully organised and a union branch was formed, the company quickly closed down operations and paid workers very little as severance. Another tactic was to hire workers through their village heads known as “Hakimi” who were told to sternly warn their subjects against joining the union. The Hakimis, who acted as informal recruitment agents, were entitled to certain monthly percentage deductions from the pay checks of workers whom they would have recruited for the company. In most cases, a Hakimi recruited about 800 people for the company.

Beside the above industrial relation practice by Standard Footwear (Nigeria) Limited, the union has accused the company of the following:

- Employment of under-aged people;
- Denial of workers’ right to organise;
- Abuse of statutory provision on expatriate quota;
- Absence of occupational health and safety standards;
- Refusal to comply and implement negotiated industry-wide minimum wage;
- Refusal to settle/pay compensation in the cases of workplaces accidents;
- Absence of leave and leave allowances;
- Indiscriminate termination of employment without recourse to due process;
- Absence of “local content” principle in management positions;
- Applying religious and tribal dichotomy of workers to create disunity amongst workers;
- Use of compulsory over-time without compensation;
• 12 hour work per day, which is in excess of the statutory 8 hours;
• Arbitrary use of force (police) to harass workers;
• Unduly long probation period with intent to casualise workers’ employment;
• Indiscriminate lock-outs; and
• Retention of union dues.

Correspondence in the possession of the union shows that relevant government agencies, such as the Ministry of Labour, have also been written to regarding the company’s stance, but little has been achieved. An organising secretary of the union described the company’s operation as akin to slavery.

A field visit to the company revealed that allegations that could be verified on-the-spot were found to be true. For instance, the company has a large number of Chinese people (45 were counted in a single shift, excluding those in the other shift and those not sighted), workers were not given protective respiratory masks necessary for their work in dusty chemical operations. Most of the workers spoken to expressed their willingness to join the union, which they believed could help fight for their interests.

The workers complained about the company’s anti-union stance. They alleged that whenever a branch union is formed, the company attempts to coerce, intimidate and threaten workers. The company also retrenched elected officers of the union and even closed down production when workers insisted on joining and having a union. Both the workers and the union only got to know about the closure of the company through the newspaper as there was never any consultation between them and the management before the decision was taken.

Mr. Boniface Isok, President of the National Union of Chemical Footwear Leather and Non Metallic Products Employee (NUCFLANMPE) described the Lee Group of Companies (parent company of Standard Footwear Nigeria Limited) as one that operates a “slave camp production regime”. Regarding Chinese investment in Nigeria in general, he acknowledged the Chinese resilience to invest in Nigeria’s risky business environment where high interest rates, poor infrastructural base, energy crisis and weak regulations and institutions have caused many entrepreneurs and industrialists to close shop. He, however, was of the firm belief that the Chinese argument of advocating for unreserved support and encouragement from the Nigerian government for doing business and creating jobs could not be defended. He countered that Super Footwear, a non-Chinese firm also in the business of footwear, was making good profit as it had a local (Nigeria) and West Africa market to sell its goods and this, without assistance from government. He was of the opinion that the rights of citizens and workers should be upheld and that foreign investment that undermined these principles would be counter-productive as it would only hurt workers.

In the Lee Group (Standard Footwear Nigeria Limited), the management refused to recognise and honour the industry agreement signed in June 2000. The union also alleges that since the Lee group is very big and influential in terms of production and operational size, as well as its connections with government, some smaller companies within the industry would be quick to refuse union organising. They claim that allowing the union would undermine their competitiveness since a dominant industry
player like the Lee Group is not unionised and will easily take over the market through cheaper prices.

Recently, the Nigeria Labour Congress (NLC) requested the company’s management to open channels of dialogue with the union and evolve ways to eliminate the exploitative and dehumanising activities on workers of the companies under its group.

### 3.2 Construction Sector

The construction industry has also witnessed a significant involvement by the Chinese of late. As part of the efforts to build, improve and increase infrastructural facilities in the country, in order to boost socio-economic activities and operations, successive governments at local, states and federal levels have devoted attention and resources to the area of infrastructural development. Emphasis has been placed on road, rail and power plants constructions in which the Chinese have been active players. For instance, the Rivers State government is part of a joint venture project to build a 125 km six-lane road in Port Harcourt. Another project is the modernisation of Nigeria’s one-track rail to standard gauge rail from Lagos to Kano via Abuja. This rail line is to be constructed in five segments over a five year period and will cost over US$ 9 billion. Other engineering and construction projects awarded to Chinese firms have been recently completed while others that are still on-going can be seen in the energy sector. Another example of Chinese construction is the Nigeria Communications Commission (NCC) headquarters building in Abuja.

In carrying out this study on the construction industry, the researchers relied heavily on the information from the union representatives. This was mainly because the Chinese firms were not willing to participate in the study.

Chinese firms have been quite successful in securing many contracts but the manner in which they were secured has been a concern to the industrial unions. In a communiqué by the National Union of Civil Engineering Construction, Furniture and Wood Workers (NUCECFWW), an affiliate of the Nigeria Labour Congress (NLC) and the International Building Workers Federation (IBWF), workers’ right to representation was not respected. In some cases, Chinese firms were unwilling to pay industry-wide negotiated wages. Chinese construction firms have been accused of the delivering poor quality work in comparison with other multinational companies, like Berger Construction Company and Gitto Construction.

Mr. Liadi Babatunde, General Secretary of NUCECFWW, reported that Chinese firms’ practice of “close-shop” made unionising and organising of members difficult. He expressed worries about the very high numbers of Chinese personnel on site projects of Chinese firms and noted that a good number of them who came as “experts” were in no way professionals. He stated that this visibly defeats the skills and technology transfer to Nigerians.

Beyond that, he cited cases of the excessive use of casual and contract workers for jobs that normally should be formal and regular. While admitting that the Chinese had put in a lot of funds into the sector, the local content prescription for FDIs was not well implemented and enforced, hence the reckless abuse of expatriate quota by some Chinese firms in the sector.
With respect to health and safety issues, Mr. Babatunde was quick to point to the union’s growing concerns about the high and increasing rate of industrial accidents arising from outright disregard for health and safety rules and regulations. In this department, he rated the Chinese low. Non-Chinese companies, particularly the big ones from the West, were rated much higher in terms of strict adherence to health and safety regulations.

Regarding Chinese firms compliance with labour laws and employment regulations, the Chinese also scored low when compared to non-Chinese firms in the sector. As stated earlier, they lacked the earnest willingness to allow union organisation of their workers.

These concerns were also echoed by Mr. Budah Huiseini, the union’s organising secretary in charge of the Abuja/Niger state branch. He also reported that workers in these construction firms had complained about language barriers which made communication difficult which was partly responsible for the poor working conditions, lack of efficiency and safety. However, when comparing with non-Chinese players in the sector, he levelled worse complaints against the Lebanese firms, whom he said had a complete disregard for workers rights. Companies from the West were rated better on the unions’ scale of compliance with labour legislations and respect for labour standards.

### 3.2.1 CCECC (Nig) Ltd, Abuja

CCECC (Nig) Ltd, Abuja is a Chinese company established in 2000. There were about 101 Nigerian workers and eight foreign staff. Of the number of Nigerians working in the country, only 71 were permanent staff and the rest were casual workers, while only one Nigerian was in management. All foreign staff was permanent and they formed the management of the company.

The average minimum wage of a worker in CCECC was N 6 500 (US$ 56) while the average maximum wage was N 7 500 (US$ 66), which is the approved state and federal minimum wages. The following benefits, among others, were enjoyed by the workers:

- Medical care, (according to union representatives is far below standard).
- Free transportation
- Subsidised housing allowance
- Paid maternity leave
- Subsidised meals
- Interest free loans
- Pension Schemes
- Education/training benefits

When asked about the problems they experienced with the company management, the union representatives stated that there was a lack of respect for existing labour laws, and that the workers’ rights were usually infringed upon. The conditions of service were considered to be among the worst. Workers had no job security, as they could be hired and fired at will. The workers were not paid any leave allowance and remuneration, by the standards of the industry, was very poor. With respect to
union/management relationship, the close-shop nature of the management had made relations difficult.

3.2.2 Nairda Construction Ltd

In order to compare Chinese companies with other companies in the industry, we included Nairda Construction in our sample. Nairda Construction Ltd is an Israeli-owned construction firm based in Abuja, with branches in Lagos and Calabar. It employs over 800 workers, the majority of them Nigerians.

This firm was clearly in defiance of labour laws and regulations. At the time of this research, the Nigerian workers were owed about three months salary - a salary, which is far lower than the industry minimum wage. The expatriates, on the other hand had been paid their salaries when they were due, including all their allowances. These expatriates made up the management of the company, with very few locals holding managerial positions.

Benefits such as salary advance and loans were not available for local workers and there was no union presence in the firm because of the strong resistance by the firm’s management. Any worker who was found speaking in favour of the union was dismissed. This case can be considered as the worst-case scenario in the sector. When asked to comment on the issue, an organising officer in the Nigeria Labour Congress stated that the struggle was still on to change the situation of workers in that firm but no headway had been made. The company management was not willing to hold discussions with the union.

The attitude of Chinese firms differs across sectors and from company to company, therefore it would be wrong to generally conclude that Chinese firms are generally good or bad employers. A number of Chinese firms do not adhere to what is required by law but likewise some non-Chinese firms operate in the same manner, as is clearly seen in the case of Nairda. However, the trend in Chinese firms is the low compliance with labour rules and regulations, as well as little regard for workers rights. There is a general reluctance to accept the unionisation of workers and little effort was made to improve working conditions, including health and safety matters.

4. Assessment of compliance with national labour laws and ILO Conventions

The Labour Act commenced on 1st August 1971, as a consolidation of laws relating to labour. It was enacted to repeal and replace the Labour Code Act. It was amended in 1974 to give way to the Labour Act of 1974. Nigerian labour laws which include the Labour Act of 1974, the Workmen Compensation Act, the Factory Inspection Act, and Trade Union (amendment) Act of 2005 were formulated by government with the intention of effectively regulating the labour market with emphasis on the termination of employment, industrial relations dispute settlement and rights of employers and employees. The Labour Act also covers issues like sick leave, maternity leave, annual leave, etc. However, the laws are ridden with inadequacies and in most cases do not support modern employment relations and practices.
Under the Nigeria Labour Act of 1974, the terms and conditions of employment are covered in eight sections:

1. Hours of work and overtime;
2. Provision of transport;
3. Periodic of payment of wages;
4. Sick leave;
5. Duty of employer to provide work;
6. Annual holidays with pay;
7. Calculation of leave pay and sickness benefits; and
8. Redundancy.

1. **Hours of work and overtime:** The number of hours of work is either mutually agreed upon by the employer and employee, by collective bargaining with the organisation of industry or by an industrial wages board, in the absence of a collective bargaining mechanism. Work done in excess of the normal work hours is considered overtime.

   In the case that a worker’s normal working hours exceed six hours; the worker is entitled to one or more rest-interval of not less than one hour. A worker is also entitled to at least one day of rest in a period of seven days. This should not be less than 24 consecutive hours. In case that this is interrupted, the corresponding rest will be given as soon as possible (not later than 14 days from the period), or overtime be paid in lieu.

2. **Provision of transport:** A worker who is required to travel sixteen kilometres or more to work everyday is entitled to free transport or an allowance in lieu. In cases where the employer provides transportation, the employer must guarantee that the vessel is suitable, big enough to prevent overcrowding and its sanitary conditions are suitable.

3. **Payment of wages:** Wages are to be paid as soon as the contract expires. Simply put, wages could be on daily, weekly, monthly or any other manner, as long as payments are made at not more than a month interval.

4. **Sick Leave:** According to the Workmen’s Compensation Act, a worker is entitled to paid wages of up to twelve working days in a year absent if absent from work as a result of temporary illness, which must be certified by a registered medical practitioner.

5. **Duty of employer to provide work:** Unless there is a breach of contract or due to a collective agreement, the employer is to provide work suitable for the worker’s capacity, where the worker presents him/herself for work. If the employer fails to provide work for the worker, he is expected to pay the worker the normal wages. The exceptions to the rule are:

   i. if the worker is suspended during that period.
   
   ii. if there are circumstances beyond the employer’s control that prevent him/her from providing work.
If there are disputes between both parties regarding the worker’s fitness, the case may be referred to a labour officer who will take medical or other evidence and make a decision which is final.

6. **Annual holidays with pay**: Workers are entitled to annual holidays with full pay after serving for a period of twelve months. The minimum period for annual leave is six days.

7. **Calculation of leave pay and sickness benefits**: Only the basic cash wage, excluding overtime and other allowances, will be taken into account when calculating leave pay and sickness benefits.

8. **Redundancy**: The employer is expected to inform the trade union or workers’ representative of the reasons for the redundancy. The employer has to negotiate redundancy payments to discharged workers who are not covered by the Ministry of Labour’s provisions on the compulsory payment of redundancy allowances.

In industrial relations management, emphasis is placed on the tripartite social dialogue mechanism with provision for legal/judicial adjudication if parties believe that talking is not helping. The Ministry of Labour and Productivity is charged with the supervision of labour, employment and industrial relations issues in the country. These laws are complimented by international legislation, notably the International Labour Organisation’s Core Labour Standards.

Nigeria has ratified eight ILO Core Labour Standards, namely:

i. Convention No. 87 (Freedom of Association and Protection to Organise)

ii. Convention No. 98 (Right to Organise and Collective Bargaining) in 1960

iii. Convention No. 100 (Equal Remuneration) in 1974,


v. Convention No. 138 (Minimum Age)

vi. Convention No. 182 (Worst form of Child Labour) also in 2002.

vii. Convention No. 29 (Forced Labour)


However, the ratification of these laws has not translated into workers having better protection or enjoying these rights in full freedom. Nigeria’s past military and indeed some civilian administrations abhorred dissent of any form and had through numerous decrees, tried to stifle the labour movement in the country. Trade unions were banned and some stopped affiliating with local and international trade union federations. These actions resulted in local and foreign businesses being encouraged to disregard unions.
Also, various governments seeking to attract FDIs have tried to use reduced labour standards as incentives, including the creation of Export Processing Zones (EPZ) where trade unions and trade unions activities are not allowed.

With respect to labour legislation, the Technical Tripartite Committee was set up in liaison with the ILO to review labour legislation in Nigeria so as to bring them in line with international standards. Unfortunately, the committee has been made inert by the government as labour legislation reform does not constitute high priority except that which will stifle the Nigeria Labour Congress (NLC) as attempted through the 2005 Trade Union (Amendment) Act.

This study found that Chinese firms in sectors covered by trade unions with a strong organising culture, notably in the manufacturing (textile) sector, behave more cordially towards trade unions and are more receptive to industrial resolution mechanism. In other sectors, convincing evidence where some Chinese firms practice casual employment, under-age employment and pay less than industry-wide negotiated wages.

There are also labour law breaches committed by Chinese companies in the areas of health and safety. In the chemical sector of rubber and plastic productions, workers and their representatives complained of grossly inadequate protection against dangerous substances. The workers were not provided with ear and nose filters to protect them from the loud noise and air pollution. Chinese firms have also been accused by trade union representatives of “colony iron gate operation methods” described as worse than sweat-shop production regime where workers are practically locked in during production hours. Some public officers agreed, claiming that the working conditions in some Chinese firms are “slave-like” (Pat Utomi, 2008). The officials expressed concerns over what they called a “low-level commitment to human dignity”. This practice, according to union representatives is usually employed by the Chinese to prevent materials and products theft by the workers. In one case such practices resulted in death by fire of more than 20 workers in a Chinese rubber and plastic production factory located in Abeokuta, South-West Nigeria.

This incident among others has raised the issue of compensation, which trade union representatives argue is often grossly inadequate when compared to the severity of the injury, thereby pointing out the loops in the country’s obsolete and inefficient labour legislation. The Workmen Compensation and Factory Act provisions are not aligned with the prevailing realities of the world of work as the last amendment dates back about 30 years. Section three of the Act, for example, defines compensable injuries as those that occur by accident, thus leaving other injuries uncovered and not compensable. Another aspect is the use of regular courts for compensation cases which are often unduly delayed and frustrating.

Another area of concern is factory inspections and the obvious inefficiency of the regulatory agencies responsible for monitoring of activities within these firms. Members of Staff at the Ministry of Labour who inspect factories and production sites for occupational health and safety standards are in most cases faced by tight schedules, which they often fail to meet.
When compared to most non-Chinese companies operating in the same sectors, the Chinese firms did not fare so well in terms of respect for labour standards, payment of workers’ salaries as well as health and safety standards. However, a significant number of non-Chinese firms were also found to fair poorly.

5. Possible trade union interventions

A consensus has been reached between the trade union leaders and organising secretaries to lobby for the improvement in Chinese companies of health and safety of workers, which was a major concern in most companies. The Chinese must be open to trade unions and adhere to labour rules and regulations. In the construction and manufacturing sector, there were complaints of poor working conditions, payments of wages below the industrial minimum wages and the absence of skills and technology transfers. Nigerian workers complained about the “closed shop” attitude of Chinese employers who are unwilling to accept trade unions.

During our research, the trade unions identified the following possible interventions:

1. The need for a general drive towards improving labour relations with the Chinese employers and management of the firms.

2. The need to adopt a strategy of ensuring the representation of employees and abolition of casual labour, which will be done through aggressive anti-casual labourer campaigns and picketing of defaulting Chinese companies.

3. The mapping out of a massive organising model, aimed at ensuring that more workers are unionised.

4. Engaging in advocacy campaigns to ensure that the terms, contents and conditions of trade and investment policies do not only address the socio-economic and infrastructural development of the country, but also ensure that they represent the needs of workers.

5. Carrying out a campaign for the inclusion of the local content policy in bilateral and multilateral agreements, where they are non-existent. The trade unions called for the review of existing trade agreements to make them more labour-friendly.

6. The review of existing trade policies, such as the expatriate quota policy, which has been grossly abused.

7. The need to include all stakeholders, organised labour included, in the review of existing trade agreements and the formulation of new ones.

8. The need to review existing national labour legislation to ensure compliance with international standards and best practices.

9. Engaging in a campaign that calls for the strengthening of government regulatory and monitoring agencies, such as NAFDAC, the Inspectorate units
of relevant ministries, etc. which are responsible for ensuring strict adherence to labour laws and standards.

10. A national debate on trade policies and agreements by stakeholders with the aim of coming up with ideas on how to optimize engagement with China and other trading partners.

The trade unions noted that government, trade unions, civil society organisations and other progressive elements in Nigeria must work together towards the improvement of the trade and investment environment. They added that all stakeholders must work together as a collective force to ensure that adequate and proper enforcement of rules and regulations takes place.

6. Conclusions

The Chinese ideology of engagement is hinged on the South-South cooperation, which China envisages as a “win-win” situation for her and Africa. China’s approach places primacy on cultivating relationships with heads of government, which explains the recent high profile state visits by Chinese top government officials to Nigeria within the last eight years. The strategy of state-to-state negotiations and the emphasis on building relationship with African heads of government has also seen China make substantial progress in reaching agreements on investment and trade on very favourable conditions.

China’s foreign policy of non-interference and non-conditionality has been appreciated and there are expectations that FDI from China will boost development as it will compliment domestic capital, stimulate the economy, create jobs and promote growth. However, it is argued from the civil society viewpoint, that Chinese activities in Nigeria undermine efforts to enhance transparency, accountability and good governance, human and labour rights.

This study has shown the Chinese quest for resources in Nigeria and other African countries, has resulted in increasing levels of investments, particularly in the extractive sector. Besides the oil sector the Chinese have also invested in agriculture, telecommunication, construction, and manufacturing, commerce (import, wholesale and retail trading), which have grown tremendously post-1999. China’s interest in Nigeria is no doubt motivated by a number of issues, with sourcing of raw material being a vital part of it. China’s FDI inflow to Nigeria has also increased greatly in the last eight years and this is expected to increase as the number of Chinese investors in search of projects and investments improves. Nevertheless, the volume of Chinese investments, when compared to OECD countries, is still relatively small.

Concerns have been expressed about the implication of cheap, low quality Chinese imports on domestic production. There have been arguments about the need to curb dumping, which has adverse effects on the local industries and labour market. However, poor policies and weaknesses of regulatory institutions and agencies have been blamed for failing to deal effectively with this issue.
Workers, trade unions and a very large section of Nigerians welcome China’s investment as it provides an alternative to traditional sources given its development-driven policy. However, there are major concerns about work standards, health and safety standards, production standards, dumping and industrial relations issues. The “closed-shop” nature of operation of most Chinese businesses has also come under criticism, stifling the goal of FDIs, among other things, of transferring and building skills and technology.

With this in mind, Nigeria must begin to develop the capacity to manage its own policies toward China’s engagement. Nigeria must now make efficient use of the opportunities presented by its engagement with China to develop a comprehensive strategy that focuses on meeting its long-term needs. Nigeria should go beyond the dependence on the petroleum sector and move towards a more diversified economy as a vehicle for obtaining a sustained economic development.

Nigeria must make good use of its engagement with China and the Western countries to diversify its development. A thorough assessment of the type of aid that has been given and how such aid fits into the country’s long-term development strategy must be made. For instance, China’s standpoint on discipline could help in curbing corruption in the country while the West’s commitment to human rights would assist in fighting abuse of power.

There is also the need for Nigeria to draw lessons from the engagement of other countries with China and to copy successful policies. It must review its trade policies with a view to identifying those which are beneficial to the country’s long-term development and those that need to be improved on. The government should place greater emphasis on human capital development and this should be a major component in all trade agreements. The issue of language should also be addressed to provide easier transfer of technology and business skills to Nigerian workers.

With regards to the Nigerian labour legislation, it is evident that these laws and their provisions are grossly inadequate in today’s world of work to protect workers. Thus there is need to have them reviewed to meet international standards as well as to provide more protection for workers. Civil society and organised labour unions must oversee the enforcement of the labour legislation as they play a central role in ensuring transparency, accountability and good governance in organisations.

Given the many complaints regarding the way the Chinese do business in Nigeria, the position of organised labour is that Nigeria must protect itself against poor labour practices. With the number of regulatory and supervisory bodies and agencies in the country, the prevailing problems can be rectified. These agencies should make sure that offenders are brought to book. Trade unions should also be committed to their duty as the voices of the workers. They must be willing and ready to speak out against any ills and protect workers proactively.

There is no doubt that numerous opportunities exist for Nigeria to gain more from its relationship with China, but to do so, the country must develop a comprehensive strategy that will take into account the positive sides of its engagement with China and the West, with the ultimate goal of creating sustainable development in Nigeria (Pat Utomi, 2008).
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3.9 Chinese investments in Angola

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1. Introduction & Background

1.1 Angolan relations with China

Angola has tried to make significant economic strides during the past few years. In 2005, GDP growth reached 20.6%, followed by 18.6% in 2006. Higher growth rates of 23 – 26% were predicted for 2007 and 2008. Inflation had reached 300% by 1999 but it lowered considerably to less than 12% in 2008. Surging oil revenues have led to large fiscal and external current account surpluses.

However, Angola lived through a long period of civil war that lasted about three decades between the People’s Movement for the Liberation of Angola (MPLA) and the Movement for the Total Independence of Angola (UNITA). When a peace agreement was reached in April 2002, the Angolan Government began a process of national reconstruction turning the country into a “construction site”, which constituted both a challenge and a high priority of the Angolan government. The People’s Republic of China has played a crucial role in the implementation of these construction plans.

Relations between China and Angola date back a long time. During the anti-colonial liberation struggle, China had links to the three larger liberation movements, namely the MPLA, the National Front for the Liberation of Angola (FNLA) and UNITA. During the Cold War era and with the Cultural Revolution taking place in China, China rendered political and military support to the MPLA in the 1960s. The recognition of FNLA and UNITA as legitimate liberation movements by the Organization of Africa Unity (OAU) generated China’s interest in the two rival movements. Holden Roberto’s encounter (president of FNLA) with China’s Foreign Minister Chen Yi in Nairobi, Kenya in 1963 and the meeting of UNITA leader Jonas Savimbi with President Mao Zedong and Premier Zhou Enlai in China in 1964, resulted in the shipment of more than 450 tonnes of weapons to the FNLA’s military bases. In addition, 112 Chinese military instructors were dispatched while Savimbi, received military training and became a disciple of Maoism. UNITA benefited from sporadic aid from China and later, during the post-election conflict (1992-2002), Chinese weapons had been brought into UNITA – controlled territory.

As a result of China’s support for the rival movements, the relations between China and the MPLA went sour. China tried to balance the influence of the powerful Soviet Union that supported the MPLA, which came to power with the independence of Angola in 1975.

This explains why China initially refused to recognise the independence of Angola, while the MPLA government accused China of supplying weapons to fuel a post-independence conflict.
Formally, political and diplomatic relations between Angola and China were established in 1983 when the Deputy Minister of Foreign Affairs of China, Gong Dafei, visited Angola. The following year, China opened its embassy in Angola. Ever since, more than 30 bilateral visits of State officials were undertaken by the two countries. The first official visit of Angola’s President José Eduardo dos Santos to China, was in October 1988 with a further visit taking place in 1998. In June 2006 the Chinese Prime Minister Wen Jiabao visited Angola.

Currently, China maintains an embassy in Luanda with 17 officials while since 1993 Angola has an embassy in Beijing with 3 consulates in Hong Kong, Macau and in Shangai, the latest opened in 2008. The consolidation of the bilateral relations between Angola and China also paved the way for the phenomenon of “Chinese emigration” to Angola as well as the intensification of business trips between the two countries.

1.2 Chinese migration

Presently, the number of skilled Chinese workers coming to Angola has exceeded the number of Portuguese and Brazilians that had dominated the foreign labour force in Angola before 2005. According to the Angolan Ministry of Interior, more than 25 000 Chinese reside in Angola with work visas. Many of these workers have contracts of 1 to 2 years with Chinese companies being engaged mainly in the construction sector. They usually live in closed compounds at the construction sites. There is a lack of communication between Angolan and Chinese workers due to the language barrier.

The Chinese presence in Angola has resulted in the proliferation of “houses of Chinese’s small businesses”, known as China Shops in other countries. Dispersed in all the towns and cities of Angola, many of these small businesses seem to be an attempt by the Chinese to find a “better life” outside their own country. Between 2004 and 2007, 38 000 visas were issued to Chinese nationals while another 17 000 applications were received by the end of 2008, according to Ambassador João Manuel Bernardo.

Angolan technicians met with Asian investors in a bid to inform them about the business opportunities that the Angolan market offers. The Angolan community in China is very small, consisting of less than 100 people. Sixty six (66) of them are students, studying for Masters’ degrees in the several Chinese universities.

1.3 Trade relations

Since 2004, trade relations between China and Angola have grown significantly. In the 1990s, the value of trade stood at about US$ 700 million. By the year 2000, trade had risen to US$ 1.8 billion and by 2005 the value of trade had soared to US$ 6.9 billion. By 2008, the figure had nearly doubled to US$ 12 billion. China is the second largest importer of oil from Angola after the United States of America. In the first half of 2006, Angola supplied China about 23.45 million tonnes of oil. Currently, approximately 18% of China’s total oil imports come from Angola.
Crude oil represents over 95% of all Angolan exports to China. Although the US is still the main importer of Angolan oil, exports to China have increased seven-fold, compared to only 3.5 times to the United States.

In 2004, Angola’s oil exports to China reached US$ 3.9 billion, making Angola China’s third largest oil supplier after Saudi Arabia and Iran. By 2008, Angolan oil imports represented over 18% of China’s total oil imports, making Angola the largest supplier of crude oil to China.

In 2004, China became Angola’s fourth-largest trading partner at US$ 194 million. In 2006, Chinese exports to Angola quadrupled, with steel and iron bars, batteries, cement, and vehicles as the principal goods. In 2008, the volume of trade between the two countries had reached US$ 25.3 billion, while the value of Angolan exports (mainly oil) reached US$ 22.3 billion. Angola imports finished products, mainly telecommunications, agriculture and electronic equipment from China.

China surpasses Brazil and South Africa as Angola’s second-largest trading partner behind Portugal. Chinese imports reached US$ 368 million in 2008, an increase of 106% from the same period in 2007. With the increase of infrastructural projects and the greater competitiveness of Chinese exports compared to European exports in Angola, it is expected that within the next few years, the penetration of Chinese products in Angola will rise significantly.

2. Nature of Chinese Investments and Trade

2.1 Chinese investments

Economic stability in Angola has increased investor confidence in that country. In addition, the Angolan government through its National Agency for Private Investment (ANIP) actively promotes private investment by Angolan and foreign nationals by providing tax incentives in targeted industrial sectors and development zones. As of December 2005, 50 Chinese firms were registered with ANIP. Over 50% of these firms were engaged in construction and others are involved in retail trade of foodstuff products, manufacturing of rubber products, and mineral water bottling.

2.2 Projects/investments and FDI

Between 2005 - 2007, 50 projects valued at US$ 73.6 million were approved by ANIP and were undertaken by Chinese companies. This is still relatively small when compared to other players such as Portugal and South Africa. Chinese FDI to Angola is set to increase in the next few years as new cooperation agreements have been signed by the two countries to attract prospective investors, providing legal protection and stability to their investment. About 10,000 Chinese businessmen have visited Angola in recent years to get to know the market and to identify local opportunities. During the 2006 - 2007 period, the number of Chinese businessmen requesting visas to Angola increased by 30%.

Chinese FDI comes from private and state-owned companies. Initial funding for infrastructure development was provided by the China Construction Bank (CCB) and
China’s EximBank in 2002. This financial support was reserved for key public investment projects to assist Angola’s post war reconstruction effort under the Angolan government’s National Reconstruction Office. According to the Angolan Finance Ministry and the Angolan Ministry of Energy and Water (2007), the projects financed by China Construction Bank and EximBank in 2002 were as follows:

- Phase 1 of the rehabilitation of the 444 km Luanda Railway, valued at US$ 90 million;
- Phase 1 of the rehabilitation and expansion of the electrical network of Luanda, valued at US$ 15 million;
- The rehabilitation of electricity networks of Lubango, valued at US$ 15 million;
- The rehabilitation of electricity networks of Namibe and Tombwa, valued at US$ 25 million.

In March 2004 the Angolan Ministry of Finance and the Chinese Ministry of Trade signed a new economic and commercial cooperation agreement. A loan of US$ 2 billion was advanced towards the public investment project. This loan is payable over 12 years at concessional interest rates.

The first half of the loan was released in December 2004, and by the end of 2007 nearly US$ 837 million had been utilised. The second half of the loan was made available in March 2007. In May 2007, an extension of US$ 500 million was negotiated with EximBank to finance “complementary actions” to first phase projects that had not been budgeted for. As of December 2007, only US$ 237 million of the second phase had been disbursed. The second phase of the loan will fund implementation of 17 contracts, involving over 52 projects, some of which are unfinished projects of the first phase.

In 2005, the China International Fund Ltd., a private Hong Kong-based institution extended a loan of US$ 2.9 billion to assist Angola’s postwar reconstruction effort.

**Table 1: Chinese FDI in Angola by sector**

<table>
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<tr>
<th>Nr</th>
<th>Sector</th>
<th>$ in million</th>
<th>Percent representing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Construction</td>
<td>41.301</td>
<td>56.09%</td>
</tr>
<tr>
<td>2</td>
<td>Industry</td>
<td>21.573</td>
<td>29.30%</td>
</tr>
<tr>
<td>3</td>
<td>Transport</td>
<td>7.070</td>
<td>9.60%</td>
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<tr>
<td>4</td>
<td>Fisheries</td>
<td>1.478</td>
<td>2.01%</td>
</tr>
<tr>
<td>5</td>
<td>Commerce</td>
<td>1.204</td>
<td>1.64%</td>
</tr>
<tr>
<td>6</td>
<td>Commerce*</td>
<td>510</td>
<td>0.69%</td>
</tr>
<tr>
<td>7</td>
<td>Extractive Industry*</td>
<td>500</td>
<td>0.68%</td>
</tr>
</tbody>
</table>

*Source: ANIP 2007*

*Oil and Diamonds are not included*

Regarding extractive industries, the opening of China’s first credit line to Angola, *China Petrochemical Corp.*, better known as *Sinopec Group*, acquired its first stake in Angola’s oil industry, 50% of the BP-operated block 18. *Sonangol Sinopec International* (SSI) – a joint venture between Angolan National Oil Company SONANGOL and SINOPEC – was created to explore the stake on the block. Sonangol holds 45% and the Sinopec Group 55% of the shares. The Chinese
reportedly spent US$ 2,225 billion for the development and exploration of the block. Sonangol also entered into a long-term agreement to supply oil to China’s Sinopec and additionally, in 2004, the two parties signed a memorandum to undertake the exploration of the shallow offshore blocks.

The Chinese have also shown an interest in Angola’s diamonds. On 6 April 2005, the Angolan Council of Ministers accepted a joint venture agreement between Angola’s state-owned diamond companies (Endiama). The Council also approved Endiama’s participation in the creation of Endiama China International Holding Ltd (Endiama China) to prospect, produce and market diamonds, including cutting and production of jewelry in Hong Kong.

Currently, more than hundred Chinese firms are doing business in Angola. Some of them have been attracted by the Chinese loans and the country’s improved economic prospects. Some Chinese firms, that were initially engaged in projects tied to Chinese credit lines will establishing themselves in Angola after completion of their projects. China Jiangsu and China Roads and Bridges Cooperation have pledged US$ 5 million and US$ 1.1 billion of own assets respectively, for private-sector projects.

Seven Chinese firms were engaged in the initial phase of the credit line. The largest project was the rehabilitation of the 317 kilometer road between Luanda and Uige. The first phase of this credit line involved 31 contracts on energy, water, health, education, communication and public works, resulting in the setting up of 50 projects across the country. With the accomplishment of AFROBASKET in 2007 and the hosting of the Africa Cup of Nations by Angola in 2010, additional contracts were signed with Chinese companies for the stadium construction in the provinces of Cabinda, Huila, Benguela, Huambo and Luanda.

3. Employment, labour relations and working conditions: Case studies

The presence of the Chinese companies in Angola has created many job opportunities for Angolans, mainly the young people. However, the labour relations and working conditions in many of these companies remain problematic. The construction and rehabilitation of electrical and hydro-electrical infrastructures by the Chinese company has expanded electricity access in some cities such as Luanda and Lubango; the rehabilitations of the rail system in Benguela benefitted people commuting into towns and enhanced the transport of goods across the region. However, for workers at these companies, the impact is not always positive.

Some of the projects financed by the EximBank of China in 2002 included eight contracts in the energy and water sector. These incorporated the rehabilitation of electricity networks of Lubango, the third largest city of Angola. One of the firms that participated in this project is Sino Hydro one of the China’s largest hydropower engineering company, also recently contracted by the World Bank to build a US$ 20 million water supply network.
Other projects included the construction of new telecommunication lines out of optical fiber as well as the rehabilitation of electricity networks of Namibe and Tombwa. This was done by the Xangai Bell Company. The working conditions at this firm were investigated at the sites between the Namibe and Huíla provinces.

Angola’s postwar reconstruction remains a high priority for the Angolan government and the growing participation in the construction sector by Chinese firms reflects the urgent need for infrastructure. Jiangyuan Fujian is one of the big firms engaged in the rehabilitation of highways and railways.

Two of the three key public investment projects were focused on infrastructural development and telecommunications. The Jiangyuan Fujian and Xangai Bell companies represent those sectors. The Angolan government continues to prioritise health and education through the construction of schools and hospitals throughout the country. Other priority areas are the energy and water sectors and thus the Chec Energy, Sino Hydro firm was also included in the sample for this study.

**Brief company profiles**

CHEC ENERGY, SINO HYDRO is a private company that was established in 2005. It undertakes hydro-electrical rehabilitation and employs 1 027 people, 715 local and 312 expatriate staff. Eighty-seven (87) percent of staff is male. The company does not belong to the Employers Association.

XANGAI BELL is a private company that was established in 2004. It operates in the communications sector and employs 814 people, 683 local and 131 expatriate staff. Ninety-two (92) percent of staff is male. The company does not belong to the Employers Association.

JIANGYUAN FUJIAN is a private company that was established in 2004. It operates in the construction industry and employs 1 207 workers, 804 local and 593 expatriate staff. Eighty-nine percent of staff is male. The company does not belong to the Employers Association.

**3.1 Case Study 1: The Nossa Senhora de Monte Multi-Functional Pavilion Project**

**3.1.1 Background**

The *Nossa Senhora de Monte* Multi-functional Pavilion Stadium is located at Lubango in the Southern Region of Angola. It is one of the four stadiums which were constructed by a Chinese construction company, Sino Hydro, to host the 2007 Afro Basketball Tournament, and the African Handball Cup of Nations in 2008. The *Nossa Senhora de Monte* facility has a seating capacity of 2000. The other three pavilions were built in Cabinda, (in the Northern Region), Huambo (in the centre) and Benguela.

**3.1.2 Data Sources**

Initial background information was obtained from the Ministry of Youth and Sport and from some officials of the Sino Hydro Chinese Company. Information about working conditions during the construction of the Multifunctional Pavilion was
gathered from 40 workers of the company. The oldest respondent was 51 years of age while the youngest was 22 years of age. About 46 percent were between the ages of 22 and 30 years and only 25% of them had basic education while 12.5% had secondary education and the rest did not complete any formal education. Twelve (12) of the 40 workers interviewed are still involved with the company which is currently engaged in the construction of the stadium to host the 2010 African Cup of Nations tournament that will be held in Angola in January 2010. The main issues discussed with the workers included employment conditions and labour practices.

3.1.3 Project Impact
According to the officials of the Ministry of Sports, the construction of the Nossa Senhora de Monte Multi-functional Pavilion Stadium is part of the government's programme to make sports in Angola more attractive and to motivate the youths to participate in sports. Angola has the best basketball team in Africa but only the capital city (Luanda) has facilities to play this game. The government intends to make the basketball championship more competitive in all the provinces of Angola and to further develop Angola’s potential to become a leading country in the field of basketball. The four multi-functional pavilions in the Huíla, Benguela, Cabinda and Huambo provinces are expected to contribute to the overall development of sports in the country. The pavilions have also become a popular venue to host church festivals and political events.

3.1.4 Employment & Working Conditions
The Nossa Senhora de Monte Multifunctional Pavilion project employed approximately 100 workers, a large portion of who were Chinese. This can be attributed to Chinese companies preferring to employ their own workers and their assistants.

Employment Security
According to the Angolan workers, none of the local workers signed an employment contract with the company and all workers that we spoke to had been employed for 3-12 months. The Angolan legislation is not very explicit in this regard but the general law of work stipulates that after a period of 6 months a casual worker automatically becomes a permanent worker unless his/her contract is terminated within 15 days of completing 6 months of work. Thus it can be argued that Sino Hydro is violating the law by employing workers without contracts.

Hours of Work
The working hours vary according to the area of work which each individual was involved in. Weekly working hours ranged from 44 – 71 hours, which means some worked an average of up to 10 hours a day every day! According to the Angolan Labour Act 105, each extraordinary working hour has to be paid for with an additional 50% above the normal hourly pay. Overtime is also limited to 30 hours a month. The amount of overtime work at Chinese companies thus exceeded what was allowed by law. Furthermore, all workers indicated that they received no extra pay for their overtime. It is important to note that the non-payment of the overtimes is common in all construction companies in Angola.
Wages and Benefits
According to the workers, the monthly wages range from Akz 7 000 - Akz 9 000 (US$ 93 - 120) per month. Angola’s national minimum wage currently stands at US$ 70 – 100, which is five times less than what the unions demanded. Thus the wages paid by Chinese firms are just slightly above the prescribed minimum wage. None of the workers received any kind of training, nor did they get paid when they were on sick leave or maternity leave. Only some of the workers received paid annual leave and free transport.

Health and Safety
Only 17 of the 40 workers interviewed said they were given protective equipment. The rest of the workers complained that they did not receive any protective equipment and two of them experienced breathing problems because of the dust at their workplaces.

Unionisation and Labour Relations
Workers were not unionised and expressed the fear of losing their jobs if they tried to join a union. However, nine workers were of opinion that the union abandoned the workers in the Chinese companies while others never heard about unions.

3.2 How do labour practices at Sino Hydro compare with practices in other foreign and local companies in the construction sector?
A comparison between the labour practices in the two Chinese companies, Syno Hydro and Xangai Bell and other foreign and local companies in the construction sector was made. The companies chosen for the comparatives analysis were Camargo Corrêa (Brazilian Company), Soares da Costa (Portuguese Company), TSE (Belgian company), Omatapalo and Plana Sul, both Angolan companies.

Employment Status
As discussed earlier, the Chinese companies violated the law in terms of employment status. All the Angolan workers in these companies were casual worker’s for almost a year and the same applies to all the workers who are involved in the construction of the Lubango Stadium. We found that the Angolan companies like Plana Sul also employed casual workers for specific short-term jobs. However, in most of the foreign companies like Camargo Corrêa, the law was respected including for employees who work on short term jobs of less than 6 months. The Soares da Costa and Andaime Carvalho changed the status of their workers after 3 or 6 months to permanent contracts.

Working Conditions
Most construction companies have long working hours. However, the law foresees the payment of the overtimes for every extra hour worked. In companies such as Camargo Corrêa, Metro Europa and Soares da Costa, overtime was paid according to the law. At Omatapalo and Plana Sul, workers were either compensated through extra-pay or through extra days of rest, following an agreement between the company and the workers.

As stated above, workers at Chinese companies work up to 71 hours per week and are not paid overtime according to Angolan law.
Wages
Wages amongst all companies in the sector ranged from US$ 93 to 120. This meant that the Chinese companies were in line with the wages paid by other companies. However, a comparison done in terms of the workers' occupational category revealed that workers in non-Chinese companies were better paid. Wages at foreign companies tended to be about 20% higher than those paid by Angolan and Chinese companies.

A further comparison between Angolan and Chinese companies, taking into consideration the actual number of hours worked, revealed that wages of workers at Angolan companies received hourly wages that were about 10-20% higher than those paid by Chinese companies. Thus Chinese paid the lowest wages in the sector.

Social Security
The Xangai Bell and Jiangyuan Fujian companies did not contribute to social security for their employees. SynoHydro paid only for the workers they considered permanent but not for the so-called casual workers. The other foreign firms paid the basic social security for their permanent workers as required by the laws but they also did not pay for the casual workers. The Angolan companies paid social security for their workers.

Annual Leave
Workers in the non-Chinese companies had up to 22 days annual leave, depending on the length of employment. In the Chinese companies, workers had no annual leave and managers from Jiangyuan Fujian said that some projects were quite short and that with the pressure of work and the time of delivery of the projects, it was not possible to release workers. Angola’s general law of work (act 145) stipulates that workers are entitled to 2 days of paid annual leave for every month worked. Chinese companies violate this provision and grant leave only to permanent workers, which are mostly Chinese nationals. After months and sometimes years of employment, Angolan workers have not been granted annual leave.

Paid Sick Leave
All companies that we investigated granted their workers sick leave if they presented a medical certificate. In some cases, workers were entitled to long sick leave (more than 2 months). However, some workers of the Sino Hydro revealed that a lot of times they were forced to “hide” their diseases to avoid losing their jobs. This problem was also reported from the Angolan companies.

Maternity Leave
The general Angolan law of work stipulates maternity leave of three months. However, we found in Jiangyuan Fujian Chinese Company, three women with babies that were only one month old already back at their work. Others were nine months pregnant but still at work. Most women at the company were not even aware of their right to paid maternity leave. A similar situation existed at other foreign companies and the law was only upheld in Angolan companies.
Accommodation
The Angolan labour laws stipulate that if the workplace does not facilitate the daily transport between residence and work, the employer also has to contribute to worker’s lodging expenses. The companies we investigated adhered to this provision although the quality of accommodation differed. The accommodation offered by Chinese companies was poor – both for Chinese and Angolan workers.

Health and Safety
Medical services as well as health and safety measures were generally poor at all the companies. Workers were expected to arrange medical treatment themselves.

Unionisation and Collective Bargaining
Angola’s labour law stipulates the right of workers to join unions. However, we found no unions at Chinese companies, which is partly due to the weak intervention by the unions. Workers also expressed fear of losing their jobs if they joined a union. Chinese companies feel accountable to the Angolan government only (from whom they received their contracts) while workers representation was found in non-Chinese companies such as Camargo Correa and Soares da Costa.

3.2 Case Study 2: The Highway Luanda-Lobito Project

3.2.1 Background & Data Source
The Highway Luanda Lobito Project rehabilitated the 300 km highway that links Luanda to Lobito. The project was executed by the Chinese firm Jiangyuan Fujian which employed more than 1000 workers for approximately two years. No Chinese workers were willing to be interviewed. We held several focus group discussions with groups of about 40 workers. One group included workers from the Xangai Bell Company that rehabilitated communication networks in Lubango, Namibe, and Luanda. Therefore this section also reflects the working conditions at Xangai Bell.

Among the 147 workers that participated in the focus groups, 64 were between 18 and 27 years old.

3.2.2 Employment & Working Conditions
The working conditions were the same as those that we found at Sino Hydro. The Angolan workers were treated as cheap labourers who executed basic work such as loading, cleaning or assisting machine drivers. The local workers changed jobs frequently.

Employment Security
Workers did not have contracts and were treated as casual workers. They were employed between three months and two years and once again the Angolan labour law was violated at the Jijuang Chinese Company.

Hours of Work
Most highway rehabilitation project employees worked continuous shifts of eight hours each. However, some workers worked for more than 10 hours every day (from 6:00h to 20:00h) with only 30 minutes for lunch. This amounted to more than 70 hours of work per week. As was the case at the other Chinese companies, workers were not paid for overtime as stipulated by law.
Wages and Benefits
The wages ranged from US$ 120 to 150 per month. Workers complained that these wages did not correspond with the actual hours of work and their positions at work. They received wages regularly but the only benefitted provided was transport.

Health and Safety
Workers were provided with uniforms and boots and in some cases also with helmets and gloves. No treatment was provided for workers who fall sick.

Unionisation and Labour Relations
Workers were not unionised and were never visited by a union. Many workers had never heard about a union. Many workers were of the opinion that it was the Angolan government’s responsibility to look at the conditions of employment because it was the government who called the Chinese to work in Angola.

3.4 Some general observations about Chinese companies in Angola

3.4.1 Trade unions in the selected Chinese companies
There are two big trade union federations in Angola namely CGSILA (The Central General Independent and Free Trade Union) and UNTA-CS (National Trade Union of Workers – Union Confederation). A third emergent federation is the FSA (Angolan Trade Union Force). Therefore, all industrial unions in the country are affiliated to one of these three big trade union federations.

The UNTA-CS is considered as a labour division of the ruling MPLA. Since the independence of Angola in 1975, UNTA has had representation in almost all the companies of the country and played a decisive role in the defence of the workers' rights aiding the state. This changed when the country moved towards free market policies. With the law of association and the holding of the first general elections in 1992, another emergent union force was formed, CGSILA. The founders of this new federation were mostly former UNTA leaders. CGSILA was proclaimed an independent movement, independent of the MPLA which still has a strong influence over UNTA. The relationship of the two union federations in terms of their understanding of workers problems is not conducive. The federations are divided along political lines. The FSA (Angolan Trade Union Force) seems to be an attempt to balance the two poles.

In all the Chinese companies covered in this study, we did not find any of the trade unions operating.

3.4.2 Labour relations and working conditions at Chinese companies
The Chinese companies studied in Angola preferred to employ Angolan workers as casual workers for basic tasks such as loaders, diggers and bricklayers’ assistants. By comparison, Angolan companies tended to employ workers permanently at all levels of employment, not just for basic tasks.
3.4.3 The occupational health and safety (OHS) standards
The Angolan General Law of the Work (GLW) contains two chapters on occupational health and safety (OHS). It compels employers to provide medical treatment in co-operation with the relevant government ministries. It also sets out periodical medical examinations for workers in dangerous jobs. Such examinations are the employer’s responsibility. If a worker cannot continue in his/her current job for medical reasons, the company should try and find another position for that person.

We found no medical examinations at Chinese firms as demanded by the Angolan legislation before and during the job engagement.

Chapter VI of the Angolan labour law sets the normal working hours at 44 per week and eight hours per day. This was also not adhered to by the Chinese companies as outlined earlier.

3.4.4 The impact of Chinese companies on the environment and communities in which they are operating
There are no significant differences between Chinese and non-Chinese companies regarding their impact on the environment and communities in which they are operating. However, Chinese companies such as CHEC ENERGY, SINO HIDRO that rehabilitate the electrical network in Lubango, were more efficient when it came to filling up the ditches that they would have dug up for electrical cable conduits than other companies.

3.4.5 The minimum and maximum wages in Chinese enterprises
There are three distinct categories of employees, namely managers, specialised technicians and general workers. However, the few Angolan workers that are in the specialised technicians' or in the managers' categories are mostly agents of the contracting state.

The following table shows the differences in wages (in US$) paid by the companies covered in this study.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Expatriate/Chinese</th>
<th>Local workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximum</td>
<td>Minimum</td>
</tr>
<tr>
<td>Managers (staff)</td>
<td>3.200</td>
<td>2.700</td>
</tr>
<tr>
<td>Specialised technicians</td>
<td>1.800</td>
<td>1.400</td>
</tr>
<tr>
<td>General Workers</td>
<td>925</td>
<td>800</td>
</tr>
</tbody>
</table>

The wage differences between general Angolan and Chinese workers are very high, with Chinese workers earning about eight times more than their Angolan counterparts. Regarding managers and specialised technicians this difference is in the range of 20 to 30%. It must be borne in mind that Angolans hold only about 12% of those positions in Chinese firms.

When comparing Chinese wages with the minimum wage (sectoral and national minimum wages), one encounters the challenge that the national minimum wage in Angola is a complex issue. This minimum wage is supposed to be adjusted periodically by the Council of Ministers. It has to consider the consumer price index,
the general levels of wages and social security, economic conditions and productivity levels.

The two main trade union federations of Angola (UNTA-CS and CGSILA), presented to the government a proposal for a national minimum wage of around US$ 350 – 500 but the government set it at only US$ 70 – 100. Thus the Chinese companies covered by this research paid within or above the minimum wage. Other companies in the same sector, however, paid significantly more, about US$ 200 – 250.

As there are no trade unions operating at Chinese companies, wages are set unilaterally by the companies.

### 3.5 Workers’ benefits at Chinese companies

As reflected in the table below, there are very few benefits offered to Angolan workers at Chinese companies.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Local Workers enjoy these benefits</th>
<th>Expatriate/Chinese Workers enjoy these benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Medical care</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Free/subsidised transport</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Paid vacation/holiday</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Paid sick leave</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Subsidised housing/housing allowance</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Child care services</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Severance pay</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Free/subsidised meals</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Employee Share Ownership Plan</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Interest-free loans</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Company-level or in-house pension schemes/provident fund for example</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Education/training bursaries</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Other benefits</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

Many workers were unsure about the status of their social security payments. They also complained about the lack of consideration for their health:

“We work in a dusty atmosphere and we are lifting weights everyday. But when I had back problems, these Chinese did not even help me... the only thing that they did was to put me in another work team and then my wage was lowered”, said an old assistant bricklayer of the Jingjang company.
We discovered serious problems in the workers' accommodation on the highway that links Namibe with Lubango with about 188 km during the fibre optic fixation. Most of the workers who were involved in the excavation of the trenches and in the cable placement, would sleep in the huts along the highway without any kind of suitable shelter.

Workers also complained about the lack of training and career opportunities at Chinese firms:
“A lot of tasks that we could execute are given to the Chinese. They bring assistant bricklayers even. What remains for us other than to be the assistant bricklayers?,’’ asked one of the Sino Hydro’s electrical technicians.

4. Assessment of the compliance with national labour laws and ILO conventions

4.1 Relevant background information about national labour laws and ILO Conventions ratified

The Angolan labour legislation consists of 10 fundamental rights that employers should grant their workers. According to the GLW (article 45, Chapter III), all the companies/enterprises should guarantee the following to their employees:

- Consideration and respect for the integrity to the worker's dignity;
- Conducive conditions for the increase of productivity of the work;
- Warranty of stability of the employment;
- Warranties of rests (break) daily, weekly, annually;
- Fair and appropriate wage for the work that should be paid regularly and punctuality;
- Inclusion in the execution of the plans for professional development, including access to promotions and career advancement;
- Good hygienic conditions and safety at work and protection against accidents and work-related diseases;
- Right of individuals to complain about working conditions in case of workers rights violations;

Angola has ratified the ILO’s fundamental Conventions 29, 87 and 98 on Forced Labour, Freedom of Association & Protection of the Right to Organise, Equal Remuneration and Discrimination (Employment & Occupation). Currently one member of the CGSILA executive board serves as a member of ILO.

In the companies covered by this study, we found that the legal rest periods were not adhered to. Also, workers did not feel free to join a union. Chinese companies seem to be able to violate national laws and international labour standards due to weak organisation by trade unions and a lack of enforcement by the Angolan government. This is mainly due to:
1. The historical situation of the country
2. The privileged relationship that China enjoys in Angola
In Angola, there is no clear distinction and separation between the “Government - State – Party”. Foreign investors usually have backing from influential politicians and are thus hardly reprimanded for the workers’ rights violations.

On the other hand, the privileged relationship that China has in Angola and the need for Angola’s reconstruction, frequently led to compromises on workers’ rights and the fundamental ILO conventions. This problem does not only occur at Chinese companies but can be observed at other investors as well. Overall, Chinese companies’ adherence to relevant national laws and practices as well as the Core ILO Conventions ratified by Angola is highly problematic.

6. Conclusions

China’s contribution towards the reconstruction of Angola’s infrastructure is crucial and is welcome. The credit lines offered by China are advantageous for Angola, especially since the relationships with international financial institutions were degraded when Angola needed international support in the post-conflict period. Therefore China offered Angola an alternative and promising source of support.

Angola is a particularly favourable market for Chinese companies that offer cheap technologies which tend to be more suitable for Angola than those from Europe and United States, where the technology is highly advanced and expensive. However, the Angolan government in this relationship with China needs to safeguard workers' rights and ensure skills transfers to Angolan workers. “They cannot limit the cooperation concentrating on the final result only. The workers cannot be ignored” said some union leaders during our interviews. Some workers suggested that the government should present Chinese companies with rules, including the respect for workers' rights. Workers also proposed that companies should sign a commitment to respect the general law of work. Projects should be terminated if companies violate this commitment.

According to the José Eduardo dos Santos’s presentation of New Year’s greetings to the diplomatic corps in January 2008, “globalisation naturally makes us see the need to diversify international relations and to accept the principle of competition, which has, in dynamic manner, replaced the petrified concept of zones of influence that used to characterise the world”. In this sense, the growing relationship with China is not seen as a “current phenomenon” but as a logical re-orientation of trade partners as a response to the expensive products coming from Europe. The inflow of money and credit lines from China gives Angola’s ruler the ability to resist pressure from Western Financial Institutions about transparency and accountability.

However, the subject of the transparency in the Chinese credit line is not clear. As some workers said, the lack of transparency in the administration of the funds can also affect the indicators of human development if a small elite group continues to take advantage of public funds for its own interests. A government cannot reprimand others for being unethical and for violating laws if it is not ethical and transparent in its own actions.
Therefore, there is need to create control mechanisms not only from the Chinese government, which in 2007 investigated a Chinese construction company Hangxiao Steel Structure Company Ltd., through the China Securities Regulatory Commission (CSRC), for suspected stock price rigging in deals related to Angola. Such controls need to be applied by and to the Angolan government in managing, not only in terms of the allocated funds but also the working conditions during the implementation of all projects by Chinese companies.

Angola welcomes any investment by other countries like Japan, UK, Turkey, India, Pakistan, and Israel. Likewise, there is a need to diversify sources of financing and investment, and the scale of the Chinese loans directed at infrastructure reconstruction is significant. Consequently, under existing agreements, Chinese companies were awarded 70% of the contracts, leaving only 30% for local contractors. This may undermine the development of local industries and create dependency on China in the long run. Thus the Angola-China partnership is complex and needs to be shaped by Angola’s developmental interest in the years to come.

It is important for the government to design policies to develop Angolan companies and place them in a position where they can learn from Chinese companies through transfers of technology and know-how. Likewise, there must be a skills transfer to Angolan workers to ensure the sustainability of the infrastructure development projects. Angolan workers cannot be confined to the most basic tasks only, while Chinese workers are imported to perform tasks that could be carried out by local workers. If there is an intention of transferring knowledge and technologies, Angolans must be included at all levels.

The study shows that the rights of Angolan workers are violated at Chinese companies and thus there is an urgent need for a systematic trade union intervention. At the moment, Angolan unions seem to unable to spearhead the organisation of workers successfully. Many workers are not even aware of their rights and unions thus need to establish an organisational presence first, convincing workers about the benefits of joining a union. A second step would then be to enter collective bargaining to improve conditions of employment.

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3.10 Chinese investments in Kenya

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*Central Organisation of Trade Unions (COTU-Kenya)*

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**1. Introduction**

There is a lack of disaggregated and detailed data about the nature and contribution of China’s trade, FDI and aid in Kenya. This study was therefore designed to examine the extent of China’s trade, FDI and aid in the country. The specific objectives of this study are to determine:

a) Composition and significance of Chinese investment in Kenya and the ISIC classification of recipient sectors, as well as the identification of key stakeholders and classification of such stakeholders into gainer or loser groups.

b) Features (types, purpose, conditions including the extent to which the aid is tied and purpose) and the significance of Chinese aid to Kenya and the ISIC classification of the recipient sectors, as well as the identification of key stakeholders and classification of such stakeholders into gainer or loser groups.

c) Composition and significance of Kenya’s exports to China and the SITC classification of exports, as well as the identification of key stakeholders and classification of such stakeholders into gainer or loser groups.

d) Composition and significance of imports of Kenya from China and the SITC classification of such stakeholders into gainer or loser groups.

e) Situation faced by trade unions and workers in Chinese companies in Kenya with particular emphasis on industrial relations.

The general approach to this study entailed investigating the extent to which existing data in Kenya support the thesis that the China-Kenya relations (trade, FDI, and aid) has expanded in recent years, resulting in losers and gainers. The primary sources of data included interviews and published information i.e. from International Sources, Government Printers, Kenya National Bureau of Statistics, Ministry of Trade and Industry, Investment Promotion Centre, Kenya Revenue Authority - Customs. The
The chapter is structured as follows: Section 1 discusses the historical development of the Kenya-China cooperation. It traces the development during the Mao-Kenyatta era (1963-1978) through the transition to the business and investment era under the Moi regime (1978-2002) and the cooperation under the Kibaki regime (2002-2009). Section 2 highlights Chinese investments in Kenya while section 3 interrogates the state of employment, labour relations and working conditions in Chinese companies that are operating in Kenya. Section 4 carries an assessment of the level of compliance of the Chinese companies with domestic labour laws, international labour organisation conventions, and human rights issues. In section 5, we provide possible areas of trade union intervention while section 6 contains the summary and conclusions emanating from the study.

1.1 A Review of Cooperation Arrangements between China and Kenya

1.1.1 The Mao-Kenyatta Era: Differences Over Revolution
Kenya gained its independence from Britain in December, 1963, and diplomatic relations with the People’s Republic of China, as opposed to Taiwan, were established soon after, courtesy of the radical left wing of the ruling Kenya African National Union (KANU) party led by then KANU vice president and Minister for Home Affairs Jaramogi Oginga Odinga. On 5 February 1964, Wang Yutien was appointed China’s ambassador to Kenya. For the KANU left, however, harnessing China’s revolutionary agenda and that of their own to the emerging trajectory of independent Kenya proved more difficult than they had bargained for. Not only did they meet stiff resistance from the right wing of their own party and from entrenched Kenyan capitalist interests, but they also suffered machinations from Western intelligence operatives in Nairobi that saw them sidelined from the mainstream of Kenyan politics by the late 1960s. As a result of this internal acrimony and the decline of the left, China-Kenya relations went into cold storage for a decade and did not begin to thaw until after Mao’s exit from the political stage in 1976 and that of Kenyatta two years later. Economic ties between Kenya and China, however, go back before independence. As a British colonial state, and despite the Cold War, Kenya was exporting raw materials to be processed in China in the 1950s and early 1960s: sisal fibre, raw cotton, wattle bark extract, and pyrethrum. In return, Kenya bought semi-processed and finished products from China: base metals, tea, fabrics, fruit preparations, and sundry manufactured goods. In 1963, Kenya’s last year under colonial rule, the volume of trade between the two countries amounted to 9.2 million Kenya shillings (US$ 1.2 million at the prevailing exchange rate), and it was largely in Kenya’s favour: Kenya’s exports were valued at thrice what the country bought from China. In the following year (1964), however, the value of Chinese exports to Kenya rose, and they were more diversified than before. It is interesting to note that the new product range (at the height of Maoism) essentially differed little from that observed at the close of the twentieth century: paper, stationery, cotton yarn, textiles, sheet glass, and household items like clocks, chinaware and porcelain, toys, hand tools, and bicycles (Republic of Kenya, 1964). Kenya’s export product range to
China did not change immediately after independence either, but the volume of trade rose to thrice that of pre-independence levels. However, it is worth observing that this trade was a tiny proportion of the volume of international commerce transacted by the two states. But it was a foundation on which much else was to be built in the ensuing period.

In July 1964, the Chinese Ambassador paid a visit to then Minister of Finance James Gichuru to negotiate economic and technical cooperation between the two countries. They soon agreed on the dispatch of a Chinese delegation of 15 experts to Kenya in order to determine specific areas of economic cooperation. Meanwhile, the relevant departments in the Kenyan government were invited to forward suitable project proposals to the Ministry of Finance. From a long list of proposals from the Kenyan side, the Chinese delegation in early 1965 committed itself to the construction of a textile factory and a sugar refinery, both to be financed from the sale of Chinese consumer goods provided to Kenya free of charge (Republic of Kenya, 1965). This was customary Chinese “aid” at the time. Offers to train Kenyans in the skills of ivory and bamboo carving in China were thrown into the bargain. None of these proposals was to see the light of day. Instead, they fell victim to the internal political schism within the Kenyan government between the radical left in the ruling party (which favoured socialism and closer ties to the Soviet bloc and China) and the increasingly dominant faction of the party led by President Jomo Kenyatta and KANU party secretary General Tom J. Mboya, which preferred a “mixed economy,” predominantly driven by the private sector but with ample room for producer cooperatives, state-operated enterprises (the “parastatals”), and small-holder production for the market. Kenyatta and Mboya were suspicious of Chinese political intentions in Kenya at the time and were determined to increase cooperation between Kenya and the United States, Britain, and Western Europe (East African Standard, 1964).

Shortly after independence, Jaramogi Oginga Odinga led a high-powered Kenyan “goodwill delegation” to Beijing to discuss enhanced ties between the two countries. Even though the delegation consisted mainly of his allies in the party, he had the full support of Jomo Kenyatta at the time. In Beijing, Odinga implored China to join independent African states in a war against apartheid South Africa and the remaining colonial territories on the continent (East African Standard, 1964). Imperialism and colonialism, he told his hosts, were mutual enemies of China and Africa. His ally, Information Minister R. Achieng Oneko, followed suit in August 1964 and met the Chinese vice premier, military commander, and minister for foreign affairs Marshall Chen Yi. This was no minor achievement considering Marshall Chen Yi’s high profile in China’s political establishment at the time.

Earlier in the same year, Chinese premier Chou En-lai had made his famous statement about an “excellent revolutionary situation in Africa” after a visit to some 10 African countries. The Kenyatta government’s immediate response was that the Chinese premier’s expectations did not apply to Kenya, as it had already completed its anti-colonial revolution in the previous decade. Relations between the two countries throughout 1965 were tense, reflecting the divisions in the cabinet. In March 1966, Kenya expelled the third secretary in the Chinese embassy, Yao Chun, on suspicions of plotting subversion. He had in fact protested at the adoption of a motion by Kenya’s Senate condemning Chou En-lai’s “ripe for revolution” marks. In the growing internal breach speeches were made by the anti-China side in Kenyan
Parliament warning against imperialism from the Eastern bloc, led by cabinet ministers close to Kenyatta and Mboya. As left and right in the ruling party fought it out, China became even more closely identified with the left wing of the ruling party, much as the Western states were associated with their opponents. The prospective economic ties between China and Kenya were the first casualty of this two-way struggle. Relations between the two states deteriorated, ending in a diplomatic break in 1967.

As the war of words between the two sides escalated, the Chinese embassy protested against speeches by three cabinet ministers in Parliament—Mboya, J.N. Osogo, and Daniel arap Moi—claiming that they had subjected the Peoples’ Republic of China “to slander, vilification and grave provocation” (East African Standard, 1965). Moi in particular was accused of “brazenly vilifying China”. In August 1966, the Red Guards held a demonstration outside the Kenyan embassy in Beijing, pasting it with posters protesting Kenya’s “reactionary politics” and breaking some windows. The Kenyan government handed a protest note to the Chinese embassy in Nairobi, but was unable to get a satisfactory explanation and it recalled its ambassador to China. In apparent retaliation to the Red Guards’ actions, youths affiliated to Kenya’s ruling party KANU staged a counter-demonstration outside the Chinese embassy in Nairobi, during which some of the embassy’s windows were broken. In June 1967, Kenya declared the Chinese chargé d’affaires persona non grata, ordering him out of Kenya immediately. Since the Chinese ambassador was on leave in China, this left the embassy without any serious top-level representation. In response, China expelled the Kenyan chargé d’affaires in July 1967, leaving the Kenyan embassy without any top-level representation — a condition analogous to that of the Chinese embassy in Nairobi. The Chinese ambassador did not return to Kenya after his leave was over, and his Kenyan counterpart did not go back to Beijing either. With the ambassadors and their deputies now out of their stations, China and Kenya had severed diplomatic relations in all but name. This remained the case for 11 years until Mao Zedong and Jomo Kenyatta had exited from the political scene. The thaw began with the first visit to China by a Kenyan head of state, when President Daniel Arap Moi (Kenyatta’s successor) paid a state visit to China in 1980.

Yet even then, economic and political relations between Kenya and China did not immediately assume the proportions that worried some observers 20 years later. They went through a transition from state visits for the first time in history, and confidence-building mechanisms at the highest levels of both governments that cascaded downwards to the levels of cabinet ministers, legislators, and leaders of the ruling parties in both countries. This was followed by the obligatory “friendship” agreements that typified China’s relations with African countries in that era, followed by more detailed arrangements on development projects, technical assistance, and limited state-managed trade. The phase of liberalised trade and investments that was to characterise economic relations between the two countries in the first decade of the 21st century had yet to begin. The confidence-building mechanisms, the toning down of revolutionary and counterrevolutionary rhetoric, and the new efforts at promoting trade and economic development in the 1980s helped lay the foundation for change from the politically charged climate of the 1960s and 1970s to the mutually beneficial era of the opening decade of the new century.
1.1.2 Transition to the Business and Investment Era (1978-2002)

President Moi who had repeatedly accused China of plotting a revolution in Kenya in the 1960s, lost no time in reaching out to the post-Mao People’s Republic of China. Moi’s main motivation was to diversify the sources of Kenya’s external development funds, but the visit also had a subsidiary agenda: to secure new development projects for Moi’s Rift Valley home region in order to shore up his political base. Moi held talks with China’s de facto leader, Vice Chairman Deng Xiaoping, and Prime Minister Zhao Ziyang. Kenya had dispatched an ambassador to China at the end of 1978, thus opening the embassy that had been technically closed at the height of the “Cultural Revolution” in 1967. China had in the meantime appointed an ambassador to Kenya and Ji Pengfei, the then vice premier of China’s State Council, visited Kenya in August 1980. Moi paid a state visit to China a month later, the first of the three he was to make there before his retirement in 2002. The man who had berated China in Kenya’s parliament in 1966 now came back full of praise for China’s modernisation, orderliness, and cleanliness. By the time he left office in 2002, Moi had succeeded in endearing himself to the political authorities of the People’s Republic of China.

Moi’s initial state visits opened the way to a flurry of negotiations and diplomatic exchanges at lower levels of government. Between 1978 and 2000, two Kenyan foreign ministers led strong delegations to China: Wilson Ndolo Ayah in 1991 and Bonaya Adhi Godana in 1999 and 2000. KANU leaders and parliamentarians led by the Speaker followed suit. But this was a trickle compared to the number of top-level Chinese delegations that came to Kenya in the Moi years, indicating how seriously China took Kenya, the gateway to eastern Africa and the most developed and diversified economy in the region. Between 1980 and 2002, 20 top-level Chinese diplomatic entourages came to Kenya. They included Prime Minister Zhao Ziyang (1983), Foreign Minister Wu Xueqian (1987), President Jiang Zemin (1996), and Prime Minister Zhu Rongji (2002). These visits in turn spurred lower-level technical exchanges and activities, such that by 2000 in Kenya, the press reported an important development or commercial initiative involving China virtually every month of the year. At this point it should be observed that China did not just come to Kenya as a donor and as the beneficiary of “mutual trade and cooperation.” As a rapidly modernising developing economy making the transition from Communist-era central planning to globally competitive production, China was also in Kenya to learn from areas where Kenya had made outstanding progress like agriculture and tourism.

As a result of Moi’s first visit to China in 1980, Kenya and China concluded two agreements. The first one was on “economic and technological cooperation,” covering a wide variety of projects: a new sports stadium (which had been under discussion since 1977); technical support to two new universities; scholarships; and military and cultural exchanges. The second one was another state-managed trade agreement between Kenya and China that resembled those of the 1960s in many ways. Typical of China at the time, this involved exchanges of goods between a China state trading agency and its equivalent in Kenya. The most important component of the economic cooperation agreement, however, was the Moi International Sports Center in a suburb just outside of Nairobi’s central business district. It was built at the cost of 930 million Kenya shillings (approximately US$ 52 million), 48 percent of which was financed by Kenya. It included a sports stadium with a seating capacity of 60,000 people, an Olympic-size swimming pool, and a modern gymnasium thrown into the bargain. It was intended for completion in time to host the fourth All-Africa games in 1987 and
thus to showcase the new China-African cooperation to all of Africa. China’s contribution to the construction costs (52 percent) was funded by an interest-free loan from China, thus marking a break from the Chinese commodity-financed projects of the 1960s and 1970s, like the aborted Kenya textile mill in 1964. In this case, most equipment and material came from China with a few being sourced from Kenya.

Under the economic cooperation grant, China also constructed a new teaching hospital at the brand new Moi University in Eldoret, the Gambogi-Serem highway, and provided teaching equipment at Egerton University. All these projects were located in Rift Valley Province, although, they did serve a national constituency. China committed itself to providing 10 scholarships annually to Kenya and two top-level military exchanges per year. But it was not all a one-way affair. Keen to develop its own tourist industry, China in 1980 requested Kenya to train Chinese students in tourist management at Utalii College in Nairobi, Kenya’s flagship training institution for skills in the tourism industry. Chinese officials also seemed interested to learn from Kenya’s tea and coffee sectors—products that were to feature two decades later in its agricultural modernisation drive. Kenya replied positively to both requests.

1.1.3 Cooperation in Making Money: 2002–2007

The much despised Moi government gave way to a broad-based reform coalition (the National Alliance Rainbow Coalition or NARC), which won the 2002 general elections, the third in a series of competitive elections the country had held since 1992 when KANU acceded to the principle (but not the spirit) of competitive multiparty politics. The government had presided over a slow-motion economic calamity that brought the average annual GDP growth rate down from the seven percent (1970–1979), when it came into office, to 0.6 percent in 2002. It had also raised the national poverty level from 48 percent in 1982 to an estimated 56 percent in 1997 (UNDP, 2004). The Moi government had an appalling human rights record and had instituted systematic terror against political opponents. China overlooked these realities as it strengthened its economic relations with Kenya — but then so had some Western governments like Britain (until the late 1990s) and France. One can argue that, amidst the many failures of the Moi era, one positive development was to lay the foundations for improved trade and economic cooperation with China, thereby diversifying the country’s investment sources and widening the country’s access to external markets, without jeopardising existing ones.

When President Mwai Kibaki took office in January 2003, his government instituted a broad governance and economic reform programme that produced economic recovery within three years and accelerated growth thereafter, resulting in the longest period of sustained growth (2003–2007) since the roaring Kenyatta years. GDP growth rose from 2.9 percent in 2003 to a projected 7.1 percent in 2007. Poverty levels declined from 56 percent in 1997 to 46 percent in 2006, according to the best household expenditure survey done on the country to date (KNBS, 2007). Economic growth was broad based, originating from all sectors of the economy: agriculture, tourism, wholesale and retail trade, manufacturing, telecommunications, construction, transport, and the financial sector. The government instituted free primary school education in 2003 and also improved the delivery of health care particularly to the most needy. As a result, HIV-prevalence rates fell from 15 to six percent between 1999 and 2004.
Most of the investment driving this growth was domestic. Unlike many other African states, external aid to Kenya accounted for only 5 to 10 percent of the budget over this period, and foreign direct investment (FDI) inflows, though growing exponentially by 2007, were modest in comparison to local capital formation. The United Nations Conference on Trade and Development (UNCTAD) estimates cumulative FDI into Kenya from 2000 to 2004 at US$ 402 million—an annual average increase of US$ 50 million — which, as in 2006, was much smaller than the annual gross fixed capital formation. FDI sources were still largely European and mostly British (UNIDO, 2005). Yet even if investment from China (or elsewhere) did not play a central role in this economic turnaround, prospects for profits in the reinvigorated economic life of Kenya were already attracting external investors keen to gain a foothold in a promising economy. Corporations choosing to invest in Kenya were not necessarily attempting to spur economic growth; rather, they were investing in an already growing economy in which they saw an opportunity for profit. By 2007, General Electric, Virgin Atlantic, Google, Hewlett-Packard, Cisco, and Tata of India (among others) had opened offices in Kenya. The spectacular rise of Chinese trade and investment in Kenya during the Kibaki years followed similar profit-seeking motives.

China-Kenya economic relations in the Kibaki era also began with high-level political contacts between the two states followed by a series of agreements. But this time - unlike in the past - independent operators from Kenya and China were part of the act. President Mwai Kibaki made a state visit to China in August 2005, with 11 Kenyan trade - and investment - seeking delegations in tow. He held extensive talks with President Hu Jintao and Chinese government officials, resulting in a five-part agreement covering official development assistance in grants (for infrastructure and energy), extended air services between the two countries, technical assistance for assessment and classification of standards in industrial products, and modernisation of equipment and training at the state-owned Kenya Broadcasting Corporation. President Kibaki’s delegation also paid a visit to Shanghai, where he held discussions with its mayor Han Zheng, on the functioning of special export industrial zones. Kenyan business delegations explored prospects in tourism, joint ventures in power generation, and machinery.

This visit was followed by a highly successful Chinese trade exhibition in Nairobi in mid-2006. Meanwhile a Chinese trade delegation came to Nairobi following up clues and suggestions from the China Trade Centre in Nairobi—the largest in eastern Africa — all the time protesting that they were in Kenya to buy more local products rather than sell Chinese ones. In April 2006, President Hu Jintao visited Kenya, as part of a five-nation tour that took him to the United States, Saudi Arabia, Morocco, and Nigeria, once again indicating the seriousness with which China was taking Kenya. The reasons behind this can be read in the trends over the last five years in trade, the rise in official development assistance, investment in the construction industry (particularly roads), and the so-far futile prospecting for oil in northeast Kenya and the coast. It would be useful to look at trends in each of these sectors more closely.

1.2 Presence of Chinese Nationals in Kenya

The entry of people of Chinese origin in Kenya is fairly recent and their population is still small (the interviewee from the Chinese embassy could not provide a figure on migration trends due to the business liberalisation/globalisation that has made many
Chinese investors flock to Kenya informally without the embassy’s knowledge. It is only in the last decade or so that the presence of a Chinese community in Kenya became noticeable. The small number of Chinese people and their separation from the rest of the population has, however, contributed to the Chinese community being less visible. Even those Chinese people engaged in the clothing industry avoid dealing directly with the local people. They tactfully employ local human resource managers and accountants to handle local matters. Anecdotally, it is currently estimated that there are approximately 8,000 Chinese people living in Kenya. However, there are no official statistics. The people of Chinese origin living in Nairobi have settled in the neighbourhood of the Chinese embassy. Similarly, most of the Chinese companies with operations in Kenya have their national head office close to the Chinese embassy and arguably close to the area where Chinese immigrants reside.

In view of the above developments, Kenya Airways has begun operating scheduled flights to China. The Guangzhou City route was introduced due to the increased popularity of China as a business destination. The airline flies to Guangzhou three times a week (The China Monitor, November, 2005: 17).

1.3 Economic Cooperation

Kenya and China signed the first Trade Agreement in 1964. The bilateral economy and trade agreements signed between China and Kenya include: "Agreement on Economic and Technological Cooperation between the People's Republic of China and the Republic of Kenya", "Agreement on Trade between the People's Republic of China and the Republic of Kenya" (1978) and the agreement on promotion and protection of investments in 2001. The two countries have signed a total of 12 bilateral accords over the past three years which have covered a variety of fields including the economy, technology, energy, tourism, health, aviation, the press, archaeology and education (Kenya, 2006).

In 2006, Kenya and China signed six agreements signalling closer economic and technical cooperation between the two countries during a meeting held at the Great Hall of the People in Beijing between President Kibaki and his host President Hu Jintao. The signed agreements included economic and technical cooperation agreements on the provision of the concessional loan by China to Kenya and the Air Services Agreement which grants Kenya Airways landing rights in several cities in China, hence increasing movement of business people within the two countries. This was officially granted in late 2006, which since then has seen enormous business flow between the two countries. Also signed were agreements on Radio Cooperation between the State Administration of Radio, Film and Television of China and the Ministry of Information and Communications of Kenya and a collaborative agreement between General Administration of Quality Supervision Inspection and Quarantine of China and Kenya's Bureau of Standards. Appendix A provides a detailed account of the agreements signed.

To actively implement already-signed bilateral cooperation agreements, China encourages its businesses to import Kenyan goods, expand investment in Kenya, participate in its infrastructure construction and exploitation of energy and resources, and expand cooperation with Kenya in processing industries and agriculture.
As part of the Kenya-China cooperation, the government of the People’s Republic of China has set up a special fund to encourage Chinese companies to import some Kenyan products. These include coffee beans, rose seeds, black tea and sisal all of which are exported in raw form. As a result of new investment and trading opportunities in Kenya’s expanding economy, Kenya’s imports from China continued to rise along the lines we observed in the 1990s, but this time the pace was even faster. Imported Chinese goods to Kenya rose by a factor of three between 2001 and 2005, from US$ 139 million to US$ 457 million. In addition to the increase in value, the composition of imports was also changing as shown in Table 1.

Table 1: Composition of Kenya’s Trade with China, 2006 (in thousand US$)

<table>
<thead>
<tr>
<th>Commodities</th>
<th>Domestic Exports</th>
<th>Percent</th>
<th>Imports</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Food</td>
<td>2981</td>
<td>15.7</td>
<td>3102</td>
<td>0.8</td>
</tr>
<tr>
<td>2. Beverages and tobacco</td>
<td>n</td>
<td>N</td>
<td>n</td>
<td>n</td>
</tr>
<tr>
<td>3. Crude (non-fuel) materials</td>
<td>12751</td>
<td>67</td>
<td>1622</td>
<td>0/3</td>
</tr>
<tr>
<td>4. Mineral fuels/lubricants</td>
<td>n</td>
<td>-</td>
<td>1622</td>
<td>0.4</td>
</tr>
<tr>
<td>5. Animal/vegetable oils</td>
<td>7</td>
<td>0</td>
<td>53</td>
<td>n</td>
</tr>
<tr>
<td>6. Chemicals</td>
<td>288</td>
<td>1.5</td>
<td>40714</td>
<td>10.0</td>
</tr>
<tr>
<td>7. Manufactured goods</td>
<td>2902</td>
<td>15.3</td>
<td>201429</td>
<td>49</td>
</tr>
<tr>
<td>8. Machinery/Transport equip</td>
<td>91</td>
<td>0.5</td>
<td>163678</td>
<td>39.7</td>
</tr>
<tr>
<td>9. Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19020</strong></td>
<td><strong>100</strong></td>
<td><strong>412217</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


Table 1 presents a summary of a typical of China-Kenya trade in the past eight years. It shows that in addition to volume growth, the composition of China-Kenya trade had changed considerably from the period of the 1960s to the 1980s when Kenya sent agricultural products to China and received lower-end consumer goods and textiles in return. In the post-liberalisation period, the value of Kenya’s traditional exports to China (food, beverages and tobacco) amounted to about US$ 3 million (16 percent of total exports), a declining share. The bulk of Kenya’s exports to China consisted of two new major commodity classes: (i) unprocessed nonfuel materials (mainly soda ash and recycled metals), which contributed 67 percent of all exports’ and (ii) most interestingly, manufactured goods which accounted for 15.3 percent.

On the import side, the change in commodity composition was just as dramatic. Although the volume of imported Chinese household consumer goods continued to rise, other manufactured goods (electronics, building fittings, office equipment, medicine, furniture, etc.) now dominated the manufacturing category, which accounted for half of all Kenya’s imports from China. Significantly, about 40 percent of the Chinese imports to Kenya were made up of machinery and transport equipment, for industrial and agricultural production, and the services sector. In other words, although Chinese household consumer goods continued to find their way into the Kenyan market by dint of competitiveness, a large proportion of imports from China went to fuel productivity in building construction, agriculture, and the industrial sector of a resurgent economy. Both countries gained from this. In February 2006, the Kenya government removed all duties on computers and computer components,
thereby adding another item to the growing list of rapidly increasing goods from China, which in this case helped strengthen a nascent information and communications technology (ICT) sector mostly in Nairobi and Mombasa.

1.4 Cultural Cooperation

In order to expand cooperation in the fields of culture, education, health, tourism, journalism, environmental protection and sport and further build up mutual understanding and friendship between both peoples, a number of initiatives are ongoing:

- In order to stimulate Chinese investment in the tourism sector and to support the direct flight connections between China and Kenya (and a number of African destinations), Kenya and other individual African countries have been granted “Approved Destination Status”. Chinese tourism abroad is strongly regulated. The popular tourist destinations of Egypt and South Africa were the first countries to be granted such status. Following FOCAC’s Addis Ababa Action Plan, China gave an additional eight countries (Ethiopia, Kenya, Tanzania, Zambia, Mauritius, Seychelles, Zimbabwe and Tunisia) such status.


- The two sides agreed that China will import more coffee from Kenya and at the same time China offered Kenya the most advanced coffee processing equipment.

- China’s influence is not limited to raw materials. Kenyan universities are developing Chinese language programmes (University of Nairobi), Technical Scientific Cooperation (Egerton University), while Ministry of Information officials attend exchange schemes.

1.5 Motivation for Cooperation

China views Kenya as a gateway to the region. Kenya has hence become a key focus of China’s trade and economic strategy in Africa. Being a relatively peaceful country with stable political situation, save for the aftermath of the 2007 contested Presidential election results, Kenya provides an ideal regional base for Chinese investors to expand their business in Africa.

The larger Chinese-Kenyan relationship is positive. Over the years, China has undertaken a number of assistance projects including construction and subsequent rehabilitation of the Moi International Sports Centre, a methane generating pit, construction and expansion of the Eldoret hospital, drilling of bore holes, road construction, and upgrading the power distribution system. Commercial ties have developed significantly in recent years. Although Chinese investment in Kenya totalled a modest US$ 53 million in 2003, thirty new Chinese companies reportedly invested there in the first half of 2004. China is especially aggressive in pursuing tenders for construction projects and sale of equipment. It frequently provides modest quantities of free equipment in order to lay the ground for much larger subsequent sales. For example, it donated computers to the National Assembly, communications equipment to Telcom Kenya, and TV equipment to the Kenya Broadcasting Corporation. Kenya is the communications gateway to East Africa. China understands the importance of breaking into the market. China has won many tenders in Kenya
such as a contract with Telcom Kenya to install 26,000 switching lines, the improvement of telecommunications facilities at Safaricom, and the sale of cranes for the port of Mombasa. When they lose bids they believe they should have won, Chinese firms complain publicly as happened when China lost the bid to supply meters to the Kenya Power and Lighting Company.

China designated Kenya as a preferred tourist destination and Kenya now seeks to tap into what it hopes will be a flood of Chinese tourists. As a result, Kenya Airways plans to open a new route to Shanghai this year. The two countries recently signed an agreement for the exploration of oil and natural gas in Kenya and another to increase the sale of coffee to China. There has been long standing cooperation in higher education with small but growing numbers of Kenyans studying in China. Chinese universities collaborate with Jomo Kenyatta University, Nairobi University, and Edgerton. China plans to teach Mandarin at the last two. China and Kenya have agreed on a training exchange program for athletes prior to the 2008 Beijing Olympics. China has an active cultural program in Kenya that emphasises Chinese culture and history. It has had a branch of Xinhua (Chinese News Agency) in Nairobi since 1985 and military exchanges are increasing. President Kibaki commented early in 2005 that Kenya is looking closely at China’s development model to achieve quick economic growth.

2. Chinese Investments in Kenya

Foreign direct investment (FDI) in Kenya is defined as investment in foreign assets, such as foreign currency, credits, rights, benefits or property, undertaken by foreign nationals for the purpose of production of goods and services, which are to be sold either in the domestic market or exported overseas (Investment Promotion Centre Act, Chapter 518). The Central Bank of Kenya keeps records of FDI transactions.

Kenya like most of other African countries has recently liberalised the investment environment. Until 1995, all foreign investments flowing into the country were subject to approval by the Central Bank. The Investment Promotion Act of 2004 clearly spells out the government commitment to attracting FDI in Kenya. This was justified by the fact that FDI in Kenya was declining during the last decade, while it rose in other countries in the region (Kenya, 2006). In addition, increased competition among African countries for FDI also necessitated Kenya to address the domestic impediments to foreign investments. According to the Investment Act of 2004, foreign ownership is only restricted for the insurance industry, telecommunication industry, and companies listed on the Nairobi Stock Exchange, to seventy-seven, seventy and seventy-five per cent, respectively.

Kenya’s FDI flows and stocks are shown in the tables below. These stocks have been increasing gradually over the years. However, the FDI inflows have been subject of fluctuations particularly in the last decade. Analysis over the last decade to 2001 shows that Kenya has lost its competitiveness in attracting investment. Kenya has also lost in terms of retaining the stock of investment. The loss in Kenya’s investment competitiveness is the result of many inter-connected factors such as negative perception by investors about political instability, poor governance, corruption, inadequate infrastructure, insecurity, crime, theft, and policy instability. Private
investment which was growing at an average of 10% between 1985 and 1989, only grew by 0.4% between 1997 and 2001 (Central Bank of Kenya, 2006).

2.1 Chinese Foreign Direct Investment

Chinese investment projects in Kenya currently number about 96 with a workforce of about 6,700 Kenyans and an investment capital of US$ 52.6 million. Based on data from the Kenya Investment Authority (KIA), the value of FDI from China between 2000 and 2005 is presented in Table 1. Between 2000 and 2005, total FDI was US$ 446 million, of which US$ 32 million originated from China, representing 7.2 per cent. China had a total of 57 projects during the period. Using this information, we computed the average size of Chinese projects in Kenya. Although this measure is crude given the incompleteness of data, on average, an FDI project from China is US$ 560,000. It is noted that Kenya’s main multilateral donors have traditionally been the EU, the World Bank and the African Development Bank, while its main bilateral partners are the United States, the United Kingdom, Japan, Germany, France, the Nordic countries, Italy, and now China. China’s contribution in aid to Kenya increased from 0.08 percent of total external assistance in 2002, to 13 percent in 2005. China rose from among the lowest contributors of development assistance to Kenya to become the largest bilateral donor in 2005 (with US$ 56 million), second only overall to the European Union (US$ 60 million). Aid disbursed to Kenya by different donors varies greatly from year to year, depending on Kenya’s institutional capacity to absorb funds, delays in project preparation, and tendering for construction work. But by collaborating only with the Kenyan government, China had clearly become an important—not to mention popular—player among Kenyans, largely because of more rapid design and completion of projects, compared to other donors.

The attraction of Chinese development assistance lies in its bare-bones bureaucratic simplicity, in comparison to the donor red tape that in part motivated the Paris Declaration toward higher efficiency through improved coordination between donors. Once agreed at the political level, China-funded projects are completed by Chinese contractors more quickly than others. Table 2 shows the distribution of aid to Kenya by sources.

Table 2. Distribution of Aid Sources to Kenya Showing China’s Contribution: 2002-2005 (in million U.S. dollars)

<table>
<thead>
<tr>
<th>Sources</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral</td>
<td>181</td>
<td>229</td>
<td>266</td>
<td>242</td>
</tr>
<tr>
<td>China</td>
<td>0.20</td>
<td>6.5</td>
<td>7.1</td>
<td>56</td>
</tr>
<tr>
<td>Other Bilaterals</td>
<td>272.8</td>
<td>300.5</td>
<td>342.9</td>
<td>379</td>
</tr>
<tr>
<td>Total</td>
<td>454</td>
<td>536</td>
<td>616</td>
<td>677</td>
</tr>
<tr>
<td>China’s Share (%)</td>
<td>0.08</td>
<td>2</td>
<td>2</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: UNDP (2006)

Table 2 shows that China’s percentage share of aid to Kenya increased considerably from 0.08% in 2002 to 13% in 2005. This is projected to have increased further by 2009. Between 2003 and 2005, most of China’s development aid to Kenya went into a rural telecommunications project that linked Kenya’s administration units - with Chinese equipment of course. The controversial “tying of aid” to donor suppliers is still part of China’s aid policy. But China is not the only culprit. Bilateral donors who
“untie” aid to Kenya are still a minority. Other projects included rural and urban roads and additional maintenance at the Kasarani Sports Complex.

The Nairobi Roads Project, now in progress, is one of the projects which have earned China’s aid the popularity referred to earlier. As a result of the economic boom since 2003, there has been an unprecedented growth in the number of personal and business vehicles, particularly in and around Nairobi. Kenya registered an average of 5,000 vehicles per month in the first six months of 2007, and the trend is unrelenting. This is partly a reflection of growth in business and partly an example of the consumer priorities of an emerging middle class indulging itself in personal cars, mostly used ones from East Asia. But roads in and around the capital have remained the same, and worse for the unattended wear before 2002.

The Kenyan government and its international development partners had been working on a new road network for the city since 2003. But the project became a victim of delays in preparation, bidding, and tendering. As a result it failed to take off, adding to the misery of Kenyan drivers, not to mention trucks from the neighbouring countries (Uganda, Rwanda, Burundi, Sudan) on their way in and out of Mombasa harbour. When President Mwai Kibaki attended the November 2006 Sino-African Summit in Beijing, he must have had that in mind. He secured a 676-million-yuan aid package (approximately US$ 95 million), part of which (174 million yuan) was intended for the upgrading and expansion of a 30-kilometer road linking the Jomo Kenyatta International Airport to the Nairobi city centre. But after last-minute consultations between the two governments, China agreed to throw in an additional 69 million yuan to decongest traffic in Nairobi, bringing the total deal to 745 million yuan. And so in addition to the city-to-airport road, China pledged to construct 72 kilometres in bypasses from the central trunk roads in and out of the city (to the southern, northern, and eastern suburbs) removing some six “roundabouts” (or traffic circles) in the process. This will give Nairobi’s road network a facelift which it has not had since the 1950s.

2.1.1 Large-scale construction and contracts

It is estimated that there are currently 44 firms from mainland China operating in Kenya. The large ones include Jiangsu International Economic and Technological Cooperation Company, Sichuan International Economic and Technological Cooperation Company, China Road and Bridge Construction Company, China Import Export Group, China Import and Export Corporation, and China Wu Yi Construction Company. There is also an increasing number of small- to medium-size Chinese firms in auto repair and maintenance, home furnishings, construction equipment, agricultural machinery, and of course, restaurants and the hospitality industry. Kenya’s Ministry of Trade and Industry estimates that completed construction and engineering projects by Chinese companies in 2006 accounted for US$ 870 million. That amount will be doubled, and possibly more than doubled, if one considers the projects due for completion by Chinese companies in Kenya in the 2008/09 fiscal year. Of all Chinese construction companies in Kenya, the most successful so far is China Road and Bridge Company, and it has attracted admiration and condemnation in equal measure. Since entering the Kenyan market in 1985, it has built more than 1,000 kilometres of trunk roads. By 2005, it had completed 11 projects worth nearly US$ 200 million (People’s Daily, 2007). Among these are the Gambogi-Serem and
Kipsigak-Shamakhokho roads in western Kenya, both of which will open up some of the least-developed parts of Kenya to local and international markets.

An even bigger player in Kenya’s construction industry has come in recently, China Wu Yi Company, which secured a US$ 37.2 million bid for the first phase of the modernisation of Nairobi’s Jomo Kenyatta International Airport (eastern Africa’s aviation hub) in September 2006. The total Nairobi airport modernisation programme is expected to cost US$ 1.23 billion, 90 percent of which will be financed by a syndicated loan from Kenyan banks and financial institutions and 10 percent by the World Bank. The first phase, of which China Wu Yi Company won the competitive bid, involves the building of a new apron, new taxiways, and an extended fuel-hydrant system. The project has been broken into three phases, to safeguard against possible disruption of operations at the airport. The project was scheduled for completion in just 10 months but the deadline was extended by several months after the post-election riots disrupted operations.

China Wu Yi and China Road and Construction Company provide yet another example of Chinese construction companies that are located in Africa. Local competitors have raised issues with the Chinese insurgence in the country and have increasingly demanded protection. There were 224 “large-scale firms” in building and construction in 2006, according to the government survey of industrial production, buildings, and construction (Republic of Kenya, 2007). Although Kenya’s emerging construction industry contains a large and increasing number of large-scale players, in addition to a considerable size of informal sector, concerns about China’s entry and impact have been raised. This has mainly been seen with respect to China Road and Construction Company. Kenyan construction firms demanding protection rationalise it in the fashion of the “infant-industry” argument: they need to be shielded against foreign competition in order to emerge as profitable domestic and regional players. In a typical example, Spencon Limited, a Kenyan construction firm with 28 years of experience, most of it handling large-scale donor-funded projects in Tanzania, Zambia, Mozambique, Uganda, Malawi, and Sudan, is now demanding protection against Chinese construction companies that “have taken the country by the storm” (Business Daily, 2007). Its regional director for Kenya is cited as demanding “a bit of protection—because we do not have the competitive edge over our partner,” concluding that “we should not expose ourselves to too much competition.”

There may be a case for state nurturing of local construction companies into successful international competitors. It is sometimes suggested that this is what the Asian newly industrialised countries (NICs) did as part of their industrialisation strategy.

2.1.2 The size, composition and significance of Chinese investment and the recipient sectors

In this section, we examine the size and composition of Chinese investments in Kenya between 2000 and 2006. In the year 2000, most of the investments established were in manufacturing (90%) and services (10%). The capital was entirely foreign, ranging from US$ 46 000 – 95 000. Most of the capital was invested in manufacturing.
Employment in these firms was mainly local, constituting 96%, while foreign employment was only 4%. The average number of employees per firm was 87, i.e. on average 83 local employees and 4 foreign employees.

In 2001 and 2002, there were 17 Chinese investments in Kenya, mostly in manufacturing and services. Most of the capital was invested in services. The average employment in these firms was 82 persons, with 78 locals and 4 foreign staff per firm (this translates to 95% local and 5% foreign). The capital used was local (30%) and foreign (70%), averaging US$ 66 000, local US$ 20 000 and foreign US$ 46 000.

In 2003, 11 Chinese firms were started, fully owned by the Chinese, mostly in the services sub-sector (82 %) while the rest were in manufacturing. Capital investments in these firms were entirely foreign, averaging US$ 1.3 million per firm. Most of the capital was invested in services sector. Employment in the firms averaged 45 persons, with local employment averaging 37 (82%), while foreign staff on average was 8 persons (18 %) per firm.

By 2004 there were about 60 Chinese companies such as Jiangsu International Economic and Technological Cooperation Co., Sichuan International Economic and Technological Cooperation Co. Ltd., China Road Bridge Construction (Group) Corporation and China Import and Export (Group) Corporation for Complete Sets of Equipment running their businesses in Kenya. In 2004 at least 12 new firms established their activities in Kenya. These were mainly in the manufacturing and the services sector. Most of the capital was invested in services sector. The firms established were mainly fully owned by the Chinese with capital costs averaging US$ 775 000 per firm. Employment was mainly local (97%), averaging 114 per firm.

In 2005 as shown in table 3 below, 12 Chinese firms commenced their operations in Kenya. These were distributed in manufacturing (58%) and services (42%). Most of the capital was invested in services sector. The capital costs averaged US$ 336 000 and were mainly foreign (93%). Employment averaged 20 persons per firm, dominated by locals (86%).

A Chinese company called Dong Song opened East Africa’s first concrete pole factory for US$ 3 million. It represents the biggest single investment by a Chinese company in Kenya. Most of the firms were in the manufacturing and services subsectors. At least two of the firms established in 2005 were joint ventures between Kenyan and Chinese firms.
Table 3: China’s Foreign direct investment to Kenya 2005

<table>
<thead>
<tr>
<th>ISIC</th>
<th>CO_NAME</th>
<th>ACTIVITY</th>
<th>CAP COST F US$ (000)</th>
<th>CAP COST L US$ (000)</th>
<th>EMP F</th>
<th>EMP L</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANU</td>
<td>Kenya AA Electric Crane Company</td>
<td>Manufacture of electric machines and construction</td>
<td>524</td>
<td>0</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>MANU</td>
<td>Newstar Ltd</td>
<td>Manufacture of Mattresses</td>
<td>54</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>MANU</td>
<td>Blue Wave Group of Companies Ltd</td>
<td>Manufacture of fruit juice, water &amp; milk processing</td>
<td>570</td>
<td>0</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>MANU</td>
<td>Focus Motorcycle Manufacturing Co Ltd</td>
<td>Manufacture of Motorcycle</td>
<td>62</td>
<td>293</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>MANU</td>
<td>Kenplastics Limited</td>
<td>Recycling to protect Environment</td>
<td>77</td>
<td>0</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>MANU</td>
<td>Lulu Development Co. Ltd</td>
<td>Textile manufacturing</td>
<td>208</td>
<td>0</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>MANU</td>
<td>Afri-China International Co Ltd</td>
<td>Recycling Plastics</td>
<td>570</td>
<td>0</td>
<td>4</td>
<td>59</td>
</tr>
<tr>
<td>SERV</td>
<td>Mabokoni Ostrich Investment Ltd</td>
<td>Rearing breeding Ostrich</td>
<td>77</td>
<td>0</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>SERV</td>
<td>Health Action International Africa</td>
<td>Charitable org</td>
<td>62</td>
<td>0</td>
<td>3</td>
<td><strong>17</strong></td>
</tr>
<tr>
<td>SERV</td>
<td>Transafrica Motors Limited</td>
<td>Motor vehicle assembly</td>
<td>570</td>
<td>0</td>
<td>4</td>
<td>59</td>
</tr>
<tr>
<td>SERV</td>
<td>Global Entrepreneurs Africa Ltd</td>
<td>International export</td>
<td>616</td>
<td>0</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>SERV</td>
<td>Xin Yuna Construction Investment Ltd</td>
<td>Import &amp; export of all kinds of granite</td>
<td>284</td>
<td>0</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>SERV</td>
<td>Greatland Pharmaceutica 1 Ltd</td>
<td>Pharmaceutical and Surgical Wholesaler</td>
<td>62</td>
<td>0</td>
<td>3</td>
<td>17</td>
</tr>
</tbody>
</table>

MANU- (Manufacturing) SERV- (Service)

CAP COST F = capital cost (foreign); CAP COST L = capital cost (local); EMP F = employment (foreign); EMP L = employment (local)

Source: Investment Promotion Centre (IPC), Kenya Investment Authority (KIA) Data sets
Eight Chinese firms were established in Kenya in 2006, again mostly in the services (63%) and manufacturing (37%) sub-sectors. Most of the capital was invested in services sector. The average capital investment was US$ 636,000, most of the capital going into services investment. Employment averaged 85 positions per firm for locals and 8 positions per firm for foreigners.

Besides the above activities in 2006:

- An offshore exploration deal was signed between Kenya Government and China, allowing CNOOC to explore in six blocks covering 44,500 sq miles in the north and south of the country. Kenya gave six key oil blocks to Chinese companies (CNOOC) to the detriment of potential European competitors. Companies such as Cepsa of Spain and Swedish Lundin International lodged complaints on this perceived favouritism.

- A Chinese drug firm, one of China’s largest pharmaceutical companies, Beijing Holley20 Cotec Pharmaceuticals, opened a drug distribution centre and an East Africa Logistics Centre, in Nairobi to serve the East and Central African region. The company’s top managers committed themselves to distribute anti-malarial drugs on the African continent. The company has been in the African market since 1993 with offices in Tanzania, Nigeria and Uganda. The centre distributes anti-malaria medicine to the private and public sectors at less than current market prices.
Table 4: China’s Foreign direct investment to Kenya 2006

<table>
<thead>
<tr>
<th>ISIC</th>
<th>CO_NAME</th>
<th>ACTIVITY</th>
<th>CAP COST F US$ (000)</th>
<th>CAPCOST L US$ (000)</th>
<th>EMP F</th>
<th>EMP L</th>
</tr>
</thead>
<tbody>
<tr>
<td>MANU</td>
<td>Hua Long Auto Repairs Co Ltd</td>
<td>Manufacture of motor vehicles bodies</td>
<td>385</td>
<td>0</td>
<td>9</td>
<td>23</td>
</tr>
<tr>
<td>MANU</td>
<td>Gold Lida Ltd</td>
<td>Manufacture of PVC products</td>
<td>154</td>
<td>0</td>
<td>9</td>
<td>90</td>
</tr>
<tr>
<td>MANU</td>
<td>Dong Fang Auto Assembly Co. Ltd</td>
<td>Manufacture &amp; Assembly of motor vehicle bodies</td>
<td>385</td>
<td>0</td>
<td>9</td>
<td>23</td>
</tr>
<tr>
<td>SERV</td>
<td>Zenith Rubber Roller (E.A) Ltd</td>
<td>Re-rubberizing of rubber rollers</td>
<td>131</td>
<td>0</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>SERV</td>
<td>Afri-China International Co Ltd</td>
<td>Recycling Plastics</td>
<td>222</td>
<td>0</td>
<td>8</td>
<td>50</td>
</tr>
<tr>
<td>SERV</td>
<td>Fasr Track Kenya Ltd</td>
<td>Air transport agencies</td>
<td>519</td>
<td>0</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>SERV</td>
<td>Datang Optical Company</td>
<td>Glazing and assembling of spectacles</td>
<td>333</td>
<td>0</td>
<td>2</td>
<td>327</td>
</tr>
<tr>
<td>SERV</td>
<td>Ando Roofing Products (k) Ltd</td>
<td>Importing &amp; selling of roofing tiles &amp; paints</td>
<td>954</td>
<td>0</td>
<td>3</td>
<td>56</td>
</tr>
<tr>
<td>SERV</td>
<td>Proparco E.Africa Ltd</td>
<td>Grain handling</td>
<td>554</td>
<td>0</td>
<td>10</td>
<td>57</td>
</tr>
</tbody>
</table>

| CAPCOSTF=capital cost (foreign); CAPCOSTL=capital cost (local); EMPF=employment (foreign);EMPL=employment (local) |
| Source: Investment Promotion Centre (IPC), Kenya Investment Authority (KIA) Data sets |

2.2 Chinese Direct Investments in 2007

In 2007, China's Jinchuan gave US$ 9,34 million to the Canadian Tiomin's Titanium project. Tiomin Resources Incorporation signed a memorandum of understanding
with Chinese mining company Jinchuan Group, China’s largest producer of nickel, cobalt and platinum with an output of nickel and platinum of 88% and 90% respectively, of the total Chinese production. The joint venture of the two companies aims to finance and expedite the development of the Kwale mineral sands project in Kenya.

2.2.1 Overview of ownership structure, size, and distribution of Chinese investments
In Kenya the Chinese are engaged mostly in the manufacturing and service sector. Recently they are moving to mining and minerals exploration. Chinese companies operating in Kenya are not based on joint ventures. The firms established so far are fully owned by the Chinese and there is very limited joint ownership with local capital. Furthermore, the employment level in such firms is relatively low. Even though the initial interest of Chinese investors was in manufacturing, there is a rapid shift in the later years towards the services sub-sector. Most of the capital investment also appears to be placed in the services sub-sector. Increasingly also, the structure of employment is gradually changing, with an increasing proportion of Chinese employees.

2.2.2 The Importance of China’s Foreign Direct Investment in Kenya
The FDI inflows from China have become important in recent years. This position can be explained by two factors:
1. The loss in Kenya’s competitiveness to attract direct foreign investment has meant that any FDI flows from China have constituted an important proportion of the net FDI flows in Kenya.
2. China has adopted a new policy towards Kenya, aimed at closer ties in economic cooperation. There is, therefore, an increased presence of Chinese enterprises.

But the importance of China’s FDI flows to Kenya is much more in terms of capital investment rather than the quality of activities. This is because the firms established have tended to engage in services such as trade with very few firms participating in manufacturing. The FDI flows from China have ranged from US$ 1-3 million in the last 6 years.

Major benefits and disadvantages arising from Chinese investments

a) Spillover Effects
The Chinese FDI inflow in Kenya compared to neighbouring countries may be largely determined not only by macro political and macroeconomic factors, but by the quality of the underlying domestic business climate and institutional conditions, both within Kenya and on a regional level. In addition, and equally important from the perspective of furthering economic development and growth within Kenya, the linkages between FDI and trade among Chinese firms involved in Kenya create the possibility for positive “spillovers” through the attraction of investment in infrastructure and related services development and through the transfer of advances in technology and managerial skills, which are often the intangible assets that accompany FDI (Broadman, 2007:292).
b) Diversification in FDI
Greater diversification in FDI has been occurring increasingly. Significant Chinese investments in Kenya have been made in retail ventures, tourism, transport, construction, power plants, and telecommunications, among others. To cite an example, Huawei, a major Chinese telecommunications firm, has won a huge contract to provide cell phone service in Kenya. However, as outlined above, most Chinese FDI goes into the retail sector.

c) Possibility of New Trade Patterns
In light of the significant heterogeneity among Chinese FDI firms in Kenya, one would expect to observe significant differences in the emerging trade patterns between Kenya and the region as well as the rest of the world. In particular, the increased presence in the services such as imports, exports, might suggest that China’s motive is to use Kenya as an entry point as a trading platform in the region.

d) Participation in International Trade
Worldwide, the presence of foreign firms usually has a profound effect on a host country’s participation in international trade, because FDI is often associated with an increase in both exports and imports (Broadman, 2007:324). An important potential by-product of this process in China-Kenya relations is that Kenyan firms might become exposed to transfer of advances in technology or enhanced skills. Such exposure could lead to positive spill-over effects on the efficiency and competitiveness of Kenyan firms.

It was not until the second half of the 1990s that Kenya’s imports from China picked up. Trade data between Kenya and China show that there was very little change in the value of Kenya’s exports to China between 1980 and 1993. At no time in those years did Kenya’s exports to China exceed US$ 5.1 million. Apart from 1983, when they hit an all-time low, Kenya’s imports from China ranged between US$ 12 million and US$ 24 million from 1980 to 1993. This constituted only a small part of each country’s total trade. The proportion of Kenyan exports to China between 1980 and 1999 was less than 1 percent of Kenya’s world exports. In contrast to the sluggish growth in exports to China, Kenya’s imports from there grew gradually from an average of US$ 10.81 million between 1980 and 1985 to an average of US$ 29.3 million between 1990 and 1994. Trade then picked up after 1995 when imports from China amounted to five-fold their 1989 value. Unlike the early 1960s, the trade balance now favoured China. And it was a sign of coming change: total trade in 1999 was about four times that of 1980. The phenomenal growth of Kenya’s imports from China after 1994 can be explained particularly in view of the fact that the Kenyan economy was undergoing a very difficult phase. Kenya’s real GDP grew at an average of 1.9 percent between 1990 and 2003, while income per head declined by 0.6 percent over the same period. The rapid increase in Kenya’s imports from China in the second half of the 1990s therefore did not originate from rising incomes in Kenya. It originated from two other sources. First, Kenya fully liberalised the exchange rate in 1994 as part of its economic liberalisation programme, with World Bank and IMF “support”. This made it possible for Kenyan firms and citizens to purchase foreign currency to import goods at lower real prices than before because the reform programme had also reduced external tariffs, substantially. Second, China’s industrial modernisation, using domestic and foreign capital (Asian and Western) was turning out products that Kenyans (and Kenyan industries) desired at more competitive prices.
than other suppliers, including those based in Kenya. What was happening was displacement of local suppliers in favour of China. Chinese exports to Kenya now consisted of household electrical appliances, capital goods, agricultural tools, textiles, drugs, building materials and equipment, and machinery. They were thus more diversified than they were in the 1960s and 1970s. For the first time, Kenyan firms and individual traders began travelling to Dubai and then eastward to Hong Kong and mainland China to obtain products directly rather than through intermediaries like the old state trading corporations. It is worth noting that despite repeated efforts by both governments to boost the volume of Kenya’s exports to China, the balance of trade still remains overwhelmingly in favour of China as can be deduced from Tables 5 and 6.

Table 5 shows that Africa continued to be the major destination of Kenya's exports followed by Europe. In 2003, the market share of Kenya’s total exports to African countries and the European Union (EU) stood at 46.2% and 30.6%, respectively. The share of total exports to the European Union (EU) was 28.5% of the total exports while exports to Asia accounted for 15.2%. By 2007, Kenya’s share of exports to African countries stood at 45.2% of total exports, while that of Europe was 28.9%. The decline in the market share of exports to African and European countries in 2007 may be attributed to the increase in the exports to America, which increased from Ksh. 3.9 billion in 2003 to Ksh. 20.5 billion in 2007. This accounted for an increase in the market share from 2.1% in 2003 to 7.5% in 2007. An analysis of the value of principal commodities exported by Kenya in 2006 shows that the key commodities exported to Europe were coffee, tea, pyrethrum extract and tinned pineapples. Others were beans, peas and lentils. The principal commodities exported to the USA were tea, pyrethrum extract, tinned pineapples. Others were oil seeds, nuts, kernels, beans, peas and lentils.

Table 5: Total Exports by Destination, 2003-2007 (Ksh. Million)

<table>
<thead>
<tr>
<th>Region/Country/Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EUROPE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>European Union</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>2,332</td>
<td>2,474</td>
<td>2,945</td>
<td>2,126</td>
<td>2,596</td>
</tr>
<tr>
<td>Finland</td>
<td>549</td>
<td>514</td>
<td>626</td>
<td>879</td>
<td>894</td>
</tr>
<tr>
<td>France</td>
<td>3,100</td>
<td>3,592</td>
<td>5,086</td>
<td>3,837</td>
<td>3,952</td>
</tr>
<tr>
<td>Germany</td>
<td>5,330</td>
<td>4,574</td>
<td>5,254</td>
<td>4,633</td>
<td>5,952</td>
</tr>
<tr>
<td>Italy</td>
<td>1,671</td>
<td>1,764</td>
<td>2,233</td>
<td>1,986</td>
<td>2,580</td>
</tr>
<tr>
<td>Netherlands</td>
<td>14,139</td>
<td>17,094</td>
<td>18,343</td>
<td>19,656</td>
<td>21,919</td>
</tr>
<tr>
<td>Spain</td>
<td>1,004</td>
<td>1,164</td>
<td>1,070</td>
<td>1,181</td>
<td>1,633</td>
</tr>
<tr>
<td>Sweden</td>
<td>631</td>
<td>1,083</td>
<td>1,058</td>
<td>1,106</td>
<td>1,591</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>21,525</td>
<td>22,404</td>
<td>23,673</td>
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<td><strong>250,993</strong></td>
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Table 6 shows that Kenya’s imports are mainly drawn from Asia, Europe and Africa. In 2003, the proportion of imports from the three regions constituted 52.0%, 27.5% and 13.2% of the total imports, respectively. In 2007, the regions’ contribution to
Kenya’s total imports stood at 55.2%, 23.3% and 11.9% for Asia, Europe and Africa, respectively.

Table 6: Total Imports by Country of Origin, 2003-2007 (Ksh. Millions)

<table>
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<tr>
<th>Region/Country/Year</th>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<tr>
<td><strong>Total ASIA</strong></td>
<td>**146,584</td>
<td>186,046</td>
<td>218,901</td>
<td>286,292</td>
<td>334,096</td>
</tr>
</tbody>
</table>

**AUSTRALIA & OCEANIC**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1,562</td>
<td>1,205</td>
<td>1,416</td>
<td>2,826</td>
<td>1,527</td>
</tr>
<tr>
<td>Other</td>
<td>169</td>
<td>257</td>
<td>231</td>
<td>266</td>
<td>344</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>**1,731</td>
<td>1,462</td>
<td>1,647</td>
<td>3,092</td>
<td>1,871</td>
</tr>
<tr>
<td>All other countries</td>
<td>395</td>
<td>1,600</td>
<td>1,948</td>
<td>626</td>
<td>569</td>
</tr>
<tr>
<td><strong>TOTAL IMPORTS</strong></td>
<td>**281,844</td>
<td>364,557</td>
<td>443,092</td>
<td>521,484</td>
<td>605,117</td>
</tr>
</tbody>
</table>

*Source: Republic of Kenya (2008)*

e) Technology transfer

The shift from an inward to an outward oriented development strategy in Kenya has been accompanied by the emergence of different export support schemes, the latest one of which is the Export Processing Zone (EPZ) (Omolo, 2006). Kenya started implementing the EPZ programme in 1990. The country’s EPZ programme is managed under the Export Processing Zones Act (Chapter 517), which defines EPZs as “…a designated part of Kenya where any goods introduced are generally regarded, insofar as import duties are concerned, as being outside the customs territory but are duly restricted by controlled access…” The objective of the EPZ programme is to promote exports, foreign exchange earnings, transfer of technology and skills, employment creation and enhancement of industrialisation (Republic of Kenya, 2008).

The ownership structure of the EPZs shows that more than half (57.4%) of the enterprises are owned by foreigners. Only 13% are owned by Kenyans while 29% are joint ventures (Figure 1).
Figure 1: Ownership of EPZ Enterprises, 2005

Source: EPZA (2008)

The foreign investors in the EPZs are mainly drawn from Sri Lanka, India, Taiwan, Bahrain, Qatar, USA, United Kingdom (UK), Belgium, Netherlands, China, South Africa and Tanzania (EPZ Authority, 2008). We could not, however, establish the number of Chinese firms within the EPZs.

In terms of promotion of the achievement of the goal of skills transfer, most of the Kenyan EPZ firms recruited people without experience in the garment industry who were then trained within the factory (Fukunishi et al., 2006). In this case, the EPZ firms did not compete directly with the local firms. Equally, some former EPZ employees left formal employment to start their own small-scale garment firms using the training and experience they got while working in the EPZ garment firm. More importantly, some production expatriate workers left EPZ firms to team up with local investors to establish garment factories.

There are some locally-owned (non-EPZ) firms specialising in high value activities such as embroidery, sand-blasting, stone-washing and printing, who get regular subcontracts from EPZ firms. In this way, local firms are able to participate in the global apparel value chain indirectly. Local garment firms are increasingly purchasing machinery from EPZ firms either when the EPZ firms upgrade their machinery inventory or at times when they close down. The cheap and appropriate capital goods have resulted in local firms using relatively modern technology in their production activities.

In Kenya, there appears to be the growth of small-scale entrepreneurial investment from China, often presaged by the construction of specialised shopping malls retailing
Chinese goods. Prospects of technology transfer in these kinds of ventures appear to be real (Kaplinsky et al, 2007).

3. Employment, labour relations and working conditions

Up to date, over 60 Chinese companies are operating in Kenya, of which some are joint ventures with Kenyans. Chinese labour conditions have generated intense interest among international policymakers, labour movement activists, and development agencies (Winters and Shahid 2007). The extent to which such labour conditions could be imported into Kenya through FDI is a cause for concern, especially in the EPZs where already protests have been encountered due to poor working conditions. Rampant “union-busting”, arbitrary pay cuts, no written job contracts, and no maternity pay – these are the conditions at Chinese-owned companies not just in China but also in Africa.

The dehumanising treatment being meted out to workers in Kenya is reminiscent of conditions of work in pre-industrial revolution Britain. In Kenya, workers’ health, safety and dignity are being violated despite the existence of new labour laws. The Chinese bosses violate workers rights with impunity. Two case studies could be used to justify this claim.

3.1 Blue Wave Group of Companies (BWGC) Food & Beverages and Drinking Company

This Chinese company is headed by its Chairman Quest Chee Chao. The company’s headquarters is located in Nairobi with its factories being in industrial areas, Athi-river and Mombasa. BWGC has a 250-strong workforce including ten managerial staff (two Kenyan and eight Chinese). However, none of the workers has an employment letter or contract. As such, no worker can claim to be part of the company staff. The monthly minimum wage for the factory workers is Ksh 4 200 (US$ 53.20). The Kenyan Managerial Staff earn Ksh. 50 000 (US$ 632.9) monthly, while their Chinese counterparts take home Ksh. 55 300 (US$ 700) monthly not including other allowances estimated at Ksh. 9 270 (US$ 117.30) per week. While Kenyan managerial staff is paid in local currency, their Chinese counterparts are paid in US dollars.

No maternity pay

In BWGC, workers’ salaries are deducted when they go on maternity leave. For instance, a quality control manager was not paid at all during maternity leave and when she resumed work, her monthly salary was reduced for no justifiable reason.

No transport

Kenya has a population of 35 million people with four million living in Nairobi. There is considerable traffic congestion in Nairobi and rail transport is almost non-existent. Despite the chaotic transport situation in Kenya and Nairobi in particular, no Kenyan managerial staff is allowed to go home by official car. Only Chinese management staff enjoys this privilege.
No union

There has never been a workers’ union at BWGC. As a result of the demand for a workers’ union, the entire workforce was dismissed in June 2008. Up until now, there is no workers’ union in BWGC. Workers are not allowed to eat the company’s products within the factory - even if they buy it. It has to be taken outside the factory. Any worker who violates this rule is immediately fired. Workers have no rights whatsoever in BWGC and the situation at other Chinese companies such as CASCADE; Classic Beverages Company; JINHVA (Welding Company); Viju etc. is similar.

3.2 Rubber Products Company Ltd owned by Lee Group of Companies (China), in Nairobi

On 16 September 2007, about 29 workers at the company on night duty were burnt when their factory caught fire. The company policy was to lock the workers inside the factory at night without any outlet in case of emergency. This was in sharp contrast to Section 77(9) of the Kenyan Occupational Safety and Health Act (2007). The Act states that “While any person is within a workplace for the purpose of employment or meals, the doors of the workplace, and of any room therein in which the person is, and any doors which afford a means of exit for persons employed in the workplace from any building or from any enclosure in which the workplace is situated, shall not be locked or fastened in such manner that they cannot be easily and immediately opened from the inside” As a result of the inferno that led to the death of these workers, the Government set up a Panel of Inquiry. In the end, the panel found out that the management did not comply with all relevant rules on health and safety. The company was, therefore, culpable in the death of these innocent workers. This case shows that OHS standards are not in place in most of these Chinese companies. In addition, the workers in the said company are made to work twelve compulsory hours with incomes of less than the daily minimum wage.

Corrupt officials serve the bosses

The panel also found that all the inspectors of factories in the Ministry of Labour who are supposed to ensure that all laws and regulations are adhered to, are compromised by the Chinese bosses. They bribe the officials who always issue a clean bill of health to their companies. Again, the Kenyan government has not put in place tight mechanisms for factories inspection and thus the workers’ plight is compromised. This has allowed the Chinese bosses in particular to exploit Kenyan workers with impunity.

The Lee Group of Companies has yet to implement the recommendations of the panel such as compensation to the families of each of the workers who suffered painful deaths, workers who suffered burn injuries and workers who were shot by a member of the Chinese staff.
Unionisation

The Secretary General of the Kenya Building, Construction, Timber, Furniture, and Allied Industries Employees’ Union has been making efforts to sign a recognition agreement with some of the Chinese construction companies but encountered serious difficulties due to “political protection” of most of the investors. However, he has managed to sign collective bargaining agreements with two construction companies. Most of the Chinese companies are also afraid of exposure by unions and therefore there is a possibility of some allowing unions to operate in future.

Table 7 gives a summary of the benefits enjoyed in Chinese companies in Kenya.

### Table 7: BENEFITS ENJOYED IN CHINESE COMPANIES

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Local workers enjoy these benefits</th>
<th>Expatriate/Chinese workers enjoy these benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Social Security</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Medical care</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Free/subsidized transport</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Paid vacation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Paid sick leave</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Subsidized housing</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Child care services</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Incentive bonus</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Severance pay</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Free/subsidized meals</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Employee share ownership</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Interest free loans</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Company-level or in-house pension schemes/provident fund</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Education/Training bursaries</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Other benefits</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Sunda y-offs</td>
<td>✓</td>
</tr>
</tbody>
</table>

*Source: Interviews with selected Chinese Road Construction Companies*

Are Chinese Firms Offering Quality Jobs?

While nobody has contested that Chinese investments have contributed to some level of employment in Kenya, many have questioned whether the jobs created are decent. In line with the ILO guidelines (ILO, 2003), the primary goal of decent work is to promote opportunities for women and men living both in urban and rural areas to obtain decent and productive work in conditions of freedom, equality, security and human dignity. The key pillars of the decent work agenda are, therefore, (i)
employment opportunities (ii) worker rights (iii) social protection and (iv) representation. The ILO guidelines on decent work are consistent with the provisions of Article 23 of the Universal Declaration of Human Rights (UDHR), Article 7(a)(ii) of the ICESR, which guarantees the right to work, equal pay, non-discrimination, social protection and freedom of association. These benchmarks are going to be used to assess the type of jobs created by the Chinese firms that are operating in Kenya.

The goal of employment creation through FDI has been promoted in many developing countries, Kenya included. Interviews conducted at Chinese firms in Kenya revealed that local employees have little or no control over the production processes in those firms. Most of the indigenous workers are engaged in low skill activities, and the companies do not have structured training programmes to facilitate skills upgrading and professional development for workers.

Workers at Chinese firms and other companies in the EPZs are exposed to poor and demeaning conditions of employment. Omolo (2006) argues that the EPZs in Kenya are mainly characterised by unfair and restrictive labour practices including low wages, forced and inadequately compensated overtime, sexual harassment and the violation of the organizational rights of workers to join a trade union of their choice and undertake collective bargaining. This supports the revelation contained in the cases reviewed above.

4. Compliance with national labour laws and ILO Conventions

This section explores the rights as enshrined in the Kenyan National Constitution, the Kenyan Labour Laws, ILO Core Labour Standards and Declaration on Fundamental Principles and Rights at Work and their application of ILS in Chinese companies in Kenya. It also examines and identifies the barriers hindering the enforcement of trade union and other human rights in Chinese companies in Kenya.

4.1 Kenyan Labour Laws

There are five main laws governing the operations of the Kenyan Labour Market. These are: The Employment Act (2007), the Labour Relations Act 2007, the Labour Institutions Act (2001), the Work Injury Benefit Act (2007) and the Occupational Safety Health Act 2007. These laws were enacted in between October and December, 2007 to repeal the Employment Act Cap 226; the Regulations of Wages and Conditions of Employment Act (Cap 229); the Trade Unions Act (Cap 233); the Trade Disputes Act (Cap 234); the Workmen’s Compensation Act (Cap 236); and the Factories Act (Cap 514).

The Employment Act (2007) declares and defines the fundamental rights of employees, to provide basic conditions of employment, regulate employment of children. It strengthens minimum terms and conditions of employment, prohibits forced and child labour, sexual harassment and discrimination on the basis of disability, and HIV/AIDS status. It also converts “Casual Employment” to “Term Contract” and raises the age for definition of a “Child” from 16 to 18 years. This harmonises this definition with that in the Children’s Act. The Employment Act
provides for 21 days’ annual leave for all employees; three (3) months’ maternity leave for female and 2 weeks’ paternity leave for male employees, safeguard workers’ dues in the event of employer’s insolvency, ensures that workers whose employers do not contribute to provident funds do not lose their benefits for years worked. Migrant workers legally in Kenya will enjoy the same protection as indigenous workers.

The Labour Relations Act (2007) consolidates the law in relation to trade unions and trade disputes, provides for the registration, regulation, management and democratisation of trade unions and employers’ organisations or federations. It also promotes sound labour relations through the protection and promotion of freedom of association, the encouragement of effective collective bargaining and the promotion of orderly and expeditious dispute settlement, conducive to social justice and economic development.

The Work Injury Benefits Act (2007), provides for compensation to employees for work related injuries and diseases contracted in the course of their employment and for connected purposes, modernises legislation and brings it up to date with the current circumstances and realities, extends insurance cover and ensures adequate compensation for injury and work-related diseases regardless of employers solvency. The National Labour Court arbitrates compensation disputes and disallows subsequent common law claims.

The Occupational Safety and Health Act (2007), provides for the safety, health and welfare of workers and all persons lawfully present at workplaces, to provide for the establishment of the National Council for the occupational safety and health and for connected purposes, prevents employment of children in workplaces where their safety and healthy is at risk, encourages entrepreneurs to set achievable safety targets for their enterprises, promotes reporting of workplace accidents, dangerous occurrences and ill-health with a view to finding out their causes and preventing of similar occurrences in future and promotes creation of safety culture at workplaces through education and training in occupational Safety and Health.

The Labour Institutions Act 2007, establishes labour institutions, to provide for their functions, powers and duties and to provide for other matters connected thereto. It establishes and strengthens institutions which deal with labour administration and management of labour relations; such as the National Labour Board, the National Court, Wage Councils, employment agencies and the National Labour Court will be decentralised to the districts and provinces for easy reach.

4.2 ILO Core Labour Standards and Conventions

The ILO Core Labour Standards that were examined during the study include:

- Forced Labour Convention, 1930 (No. 29).
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98).
- Equal Remuneration Convention, 1951 (No. 100).
- Abolition of Forced Convention, 1957 (No. 105).
• Discrimination on (Employment and Occupation) Convention, 1958 (No. 111).
• Minimum Age Convention, 1973 (No. 138).
• The Worst Forms of Child Labour Convention, 1999 (No. 182).

During field visits at Chinese firms, workers indicated that their rights were not respected:

“The right to join and form trade unions is violated, as the government has failed to register and accord recognition to our union. Besides the employer used several tactics to restrict our right to join and form trade union.”

“The right to 8 hours of work is flagrantly violated as we are often compelled to work for longer hours in order to meet so-called production targets.”

“Our right to freedom of speech is prohibited in the sense that we are not allowed to question the decisions and actions of the employer, as this is tantamount to summary dismissal from the job.”

“We are denied the right to education in view of the fact that the long hours of work, which we have to comply with, prevents us from attending evening classes as a means of furthering our education.”

“The right to paid compassionate leave is denied, as we are obliged by company policy to compensate for any period of absence from work for the purpose of attending funeral ceremonies.”

“Our right to privacy is not respected, given that male workers can enter our female dormitories unannounced and at will.”

“We do not enjoy the right to better working and living conditions. The government-engineered labour rights restriction is a deliberate act aimed at depressing our wages in order to give the Chinese companies an unfair competitive advantage in the global market.”

“We do not have the rights to collective bargaining, trade union representation and protection. The employer unilaterally determines and imposes our terms and conditions of service.”

“Our freedom of worship is hindered, given that those who worship on Fridays (Muslims) and Saturdays (Seven Days Adventists) are not given time-off to observe their prayers.”

“We do not benefit from protection against sexual and other forms of harassment. The employer frequently sexually harasses female employees. The victims of such inhuman treatment are to maintain sealed lips about their ordeal otherwise they will be dismissed from their jobs.”

“The difficulty female employees face in holding down jobs while taking care of their children due to denial of the right to raise children in the company dormitories
coupled with the insufficiency of facilities and systems to support child-raising more or less prohibits our right to bear and rear children."

In terms of the decent work pillars of worker rights and representation, considerable evidence exist to support the conclusion that majority of Chinese firms in Kenya blatantly violate both Kenyan and international laws and conventions that protect employees’ rights to associate freely and join a trade union of their choosing without interference or harassment from their employer. All the firms interviewed have still resisted unionisation of their workers. This violates Section 80 of Kenya’s Constitution, Section 4 of the Labour Relations Act (2007) and Article 20(1) of the UDHR, which states that “everyone has the right to freedom of peaceful assembly and association”. This cardinal principle is also affirmed in the ILO Convention No. 87. According to those interviewed, the basic worker rights are grossly violated as no gatherings are encouraged within the precincts of most Chinese firms and workers are generally prevented from joining a union of their choice.

The Kenyan government’s investment policy, which is intended to boost employment, grossly restricts workers’ and trade union rights in order to protect investors’ rights. The Kenyan government has not sensitised investors (Chinese and non-Chinese) about existing labour laws while corrupt public officials collude with employers to cover up workers rights violations. The country lacks effective mechanisms for social dialogue and the Kenyan government lacks the commitment towards the enforcement of the ILO Declaration on Fundamental Principles and Rights at Work.

5. Conclusions

The trade, investment and aid figures between Kenya and China are not that big when compared to other trading partners of Kenya such as the European Union (EU) and rest of Africa. Nevertheless, the recent patterns of trade, foreign aid, and diplomatic ties highlight important lessons for policy:

1) There is increased proliferation of FDI through manufacturing and service sector in Kenya. There is very limited joint ownership or local capital in Chinese investments. Furthermore, the employment level in such firms is very low for both Kenya and China. The initial interest of Chinese investors was in manufacturing. Nevertheless, there is an apparent shift of investments in recent years towards services sub-sector. Increasingly also, the structure of employment is gradually changing, with an increasing proportion of foreign employees in Chinese enterprises.

2) The above trends conform with the hypothesis that China views Kenya as a gateway to the Eastern Africa region and it has become a key focus of China’s trade and economic strategy in Africa. China’s involvement in numerous road construction projects in Kenya attest to this fact. Being a war-free country with stable political situation has made Kenya an ideal regional base for Chinese investors to expand their trading business. Currently China offers favorable loans to Kenya, builds hospitals and schools for less-developed areas, sets up malaria prevention and control centres as well as sends volunteers to train the locals.
3) The overall impact of China’s trade, FDI, and aid to Kenya is mixed. There are both gains and losses. Arising from the low price of imports of both consumer and producer goods, there are gains from the cheap products, quality not withstanding. At the same time, local producers are the losers due to competitive pressure. Employees of collapsing firms, which fail to withstand competition, will lose their jobs. The implications of China-Kenya economic relations have intricate dimensions with direct and indirect consequences. Some of the indirect impacts relate to loss of regional markets or loss of opportunity to participate in international trade. Likewise, the Chinese FDI presents an opportunity for technology transfer and possibility of upgrading local enterprises. This is likely to make local firms competitive in international markets. Given the implication of such impacts for political and social change, this is an area for further research.

The Chinese investments in Kenya threaten the rights of workers as Chinese employers are opposed to the existence of trade unions. Trade unions thus need to organise workers under difficult circumstances and where necessary seek international solidarity to avert the continued violations of workers rights. Unions need to effectively use tools such as lobbying, negotiation, complaining mechanisms and where deemed necessary institute strikes and related industrial actions to fight for workers and trade union rights. COTU should make it a point of duty to comment on the progress made towards the application of the ILO Core Labour Standards before even the Kenyan government submits its country report to the ILO. In addition, COTU should endeavour to always provide independent information to the ILO Governing Body on the state of affairs vis-à-vis the application of the ILO Core Labour Standards in Kenya with a view to unequivocally expose the excesses of employers and the government in this area.

6. References


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Appendix 1: Bilateral Agreements Signed between Kenya and China

The following Agreements were signed during President Mwai Kibaki’s state visit to China in August, 2005 (Kenya, 2006):

- Agreement on Economic and Technical Cooperation for a grant of 60 million Yuan. 5 million Yuan was earmarked by the Chinese for provision of rice as relief food donation during the Chinese President’s visit.
- The Bilateral Air Service Agreement.
- A letter of accreditation was signed between Kenya and China on 18th July, 2006, marking the final stage of the China Radio International (CRI) project.
Appendix 2: Agreements signed during President Hu Jintao’s visit to Kenya in April 2006

- Exchange of Letters of anti-Malaria Medicine (Grant of RMB 5,000,000).
- Exchange of Letters for Maintenance of the Moi International Sport Centre.
- Exchange of letters for donation of rice (Grant of RMB 5,000,000).
- Exchange of letters for a feasibility study on rehabilitation of Nairobi roads and street lighting.

During President Jintao’s visit, H.E. President Mwai Kibaki requested China to consider assisting Kenya in building the railway link between Kenya and Southern Sudan. The Chinese President indicated they would initially be willing to assist in the feasibility study.