Should Africa be wary of Chinese investment?

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Africa being made up of diverse countries has a mixed relationship with China with each country independently securing agreements and deals dependant on the whim of the incumbent governments.

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Against this background, the continent has still seen promising change from Chinese aid with the country becoming the world's largest supporter of Africa's economic development, and $60bn has been set aside for loans and infrastructure development over the next three years.

The Belt and Road Initiative (BRI), a project to develop transport infrastructure that improves connections between Asia, Europe and Africa, will have a major positive impact on the transport sector, which has an infrastructure that is crumbling from colonial days due to underfunding from a rehabilitation standpoint.

Apart from infrastructural development, Huawei, which earns 15% of its global revenue in Africa, trains 12,000 students in telecoms a year at centres in Angola, Congo, Egypt, Kenya, Morocco, Nigeria and South Africa. Zambia has one of the longest relationships with China which dates back to 1964.

Chinese state-owned companies such as Aviation Industry Corporation of China (AVIC), Sino Hydro Corporation, China Jiangxi International, China Henan Cooperation and China Sichuan have made substantial investments in Zambia. In Zimbabwe China's President Xi Jinping increasd the promised donor funds Foreign Direct Investment to $4bn as part of the above mentioned USD60 billion promised to 54 African countries.

Concerns

With all the investments and lines of credit flowing into Africa from China it is inevitable for there to be concerns. As Adam Smith the father of economics rightfully pointed out that one does not endeavour into business out of benevolence but for profit. How far is China willing to go for that bottom line and at what cost? A broad look at Chinese relations with African counterparts reveals a common trend where leaders make decisions that are simply not in the best interests of their citizens.

Chinese companies for example are flooding local markets with their own labour force without entering into joint ventures with local firms. China on the other hand, does not allow multinationals to do that. It is mandatory in China to enter into joint ventures with a state agency or local Chinese company should one want to invest in China.

In spite of all the newsworthy investment numbers being reported there is a general trend of decreasing foreign direct investment (FDI) in Africa amounting to a 21% decline in 2017 due to a reduction in Chinese FDI on the continent. The concern has been less on the reduction but more on the loans being too much and deals agreed upon too unbalanced with far reaching consequences.

China, for example is threatening to take over the Kenneth Kaunda International Airport due to outstanding debt amongst several other questionable events in Zambia. In Kenya, the Asian country accounts for 72% of the country's sovereign debt. In Zimbabwe, Chinese nationals and big mining companies, where the Chinese government has interests, dominated the list of individuals and companies, who allegedly externalised huge sums of money released, costing the troubled economy of an estimated $1bn.

Business ethics

A research survey conducted by the Congress of Trade Unions secretary general, Japhet Moyo on Chinese investments into the country found that the Chinese have developed a negative reputation when it comes to business ethics. These include not paying workers on time or paying below minimum wage; having no regard for the environment, employing very few locals and flouting the law while saddling local governments with huge debt.

Embarrassing incidence recently played out in the media with Kenya having to deport a Chinese businessman for referring to locals including the country's president as monkeys. Uganda saw a minister receive a beating from Chinese investors over a failed tender bid. All being a clear result of what can go wrong if countries allow China uncontrolled access to their resources by excessive borrowing and allowing Chinese nationals unconstrained reign to the continent's wealth.

There is no doubt that China is contributing to Africa's development with regard to infrastructure projects that transcend roads, bridges, airports, power generation, schools and hospitals. The question that needs to be asked is at what cost are these initiatives being rolled out? African leaders may need to tackle the relationship as more of an economic enhancement tool and less as political expedience which lines politicians' pockets leaving the ordinary citizen less well off.

The interests of the average citizen should come first. Africa should avoid the lopsided relationship that has limited mutual benefit to the lending parties. Brokered deals always seem to favour the lender with far reaching negative consequences for the other party. It is paramount that African countries are level headed and understand the value of their resources at government and ruling party level in order to approach Sino-African negotiations with expectations and demands that benefit the ordinary citizen over the longer-term.