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LOCALIZATION OF CHINESE INVESTMENTS IN AFRICA

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Introduction[1]

In 2014, the play Fishers of Hope/Tawaret, by Lara Foot, Director and CEO of Baxter Theatre Centre at the University of Cape Town, was staged in South Africa. It is about the suffering of a village of Kenyan fisher folk, whose hopes for betterment are dashed by the unemployment of children for whose higher education the villagers had deprived themselves. The village is where "American tourists bring in money," but is in "a land that has freed itself from the shackles of socio-political colonialism by the British, only to face socio-economic colonialism by the Chinese fifty years later."[2] The villagers experience "the subterfuge of the Chinese, who offer to build roads in Africa, but insist on using only Chinese labor, consigning the unskilled local people to a life of eternal poverty."[3]

Whatever the merits of Fishers of Hope/Twaret about other socio-economic and inter-personal relationships it treats, the play takes over whole the misguided mainstream Western discourse of "Chinese neo-colonialism" and workforce non-localization. That is not surprising, as articles appear in newspapers in the playwright's own province that contain such statements as:

> *China pour(s) billions into Zambian projects and development programs in return for mineral rights and immigration permits, but has seen very little in terms of job creation for local Zambians. The Chinese bring in their own cheap labor force and notoriously fail to pass skills on to Zambian nationals or provide them with employment.*[4]

Misconceptions abound about almost every aspect of the Chinese presence in Africa, but the most widespread and persistent myth is that most Chinese firms in Africa, out of ignorance, ethnocentricity or venality, refuse to employ or interact with Africans and ignore local laws and customs. That notion often appears in United States government pronouncements, including recent statements by the US President, Vice-President and Secretary of State. Because the claim pervades Western media, it circulates in Africa as well, but has also been refuted by many African analysts. The inaccuracy of the claim that Chinese enterprises in Africa do not localize has for years been ascertainable, indicating that its continued repetition is likely grounded in the promotion of an ideologized strategic contestation between "the West" and "the Chinese."

Empirically, our book-length study of Chinese enterprise localization in Africa employs descriptive statistics and interview data to ascertain the degree to which Chinese firms in Africa have Africanized their workforces and engaged in other forms of localization. We find that although most Chinese investment in Africa dates only from the 21st Century, localization is already well-advanced and that is so whether the "firm" in question is a Mom & Pop store or an industrial enterprise with thousands of employees. Chinese managers in Africa view localization as consonant with their interests and seek to deepen it as circumstances permit. In so far as comparative data exists for non-Chinese foreign investors in Africa -- and there is much less data from those firms than from their Chinese counterparts -- the rate of workforce localization is by no means consistently higher for non-Chinese firms than for Chinese companies.

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[1] This policy brief is crafted as an abstract of a book manuscript in progress.

[2] Jennie Lee Crewe and Mike Loewe, "The One that Got Away," National Arts Festival, 2014, www.nationalartsfestival.co.za/feminism-and-greek-tragedy-meets-post-colonial-african-decline; BWW Reviews: "Resonant Fishers of Hope (Tawaret) a Step in the Right Direction for the Baxter," Broadway World.com, July 17, 2014, www.broadwayworld.com/south-africa/article/BWW-Reviews-Resonant-FISHERS-OF-HOPE-TAWARET-a-Step-in-the-Right-Direction-for-the-Baxter-20140717#.U-Lf14flqUk.

[3] Dr. EV Rapiti, "Powerful Story About Suffering in our World," Cape Argus (South Africa), Aug. 6, 2014.

[4] "'Suspicious' Zambian Mining about Turn Spells Tourism Disaster, Cape Times (South Africa), Feb. 3, 2014.

We have also determined that to the extent some Chinese firms still have a higher proportion of non-local employees than some Western firms, it is mainly for structural, not ideational reasons; that is, because they are differently-situated. Most Western firms have longer tenures in the continent, share languages and other cultural elements with Africans, and are locally favored as "white." Chinese firms' work requirements in Africa often differ from those of Western firms, especially in construction and manufacturing, in ways that necessitate a greater short-to-medium term infusion of non-local workers to achieve on-time project completion and train local workers. Western firms moreover have an added incentive to localize, as they accrue much greater savings than Chinese companies do on expatriate salaries when they employ locals. Their substantially greater profit rates, compared to the typically lower-profit Chinese enterprises, enable Western firms to pay better salaries than Chinese firms and attract much of Africa's scarce skilled labor. To the extent that worldview plays a role in questions of localization, the leaders of Chinese firms, especially state-owned enterprises (SOEs), are more likely than Western firms to pay heed to such political concepts as South-South solidarity, rather than maximization of shareholder interests. Overall, our tentative conclusion from the present study's empirical findings is that they parallel those in our preceding work on labor conditions in Chinese mines in Zambia:[5] that localization of Chinese firms in Africa is worse in some respects, the same in most, and better in other aspects than localization of other foreign firms.

Conceptually, we interrogate the assumption that norms of localization are universal. Rather, they are fitted to the circumstances of highly globalized and profitable Western firms operating overseas, some of which nevertheless do not meet a self-ascribed stereotype of deep localization. Chinese outward foreign direct investment (OFDI), including in Africa, is still at a much lower level than Western OFDI and it is not yet global, in the sense that Western OFDI is. China's status as a developing country and its approaches to and marginality in OFDI, make China only an emerging player in a world system that reached globality before China's vaunted rise. With some reason, Chinese managers do not regard their firms as fully internationalized, let alone globalized. Their Africa investments often do not relate as global, but as trans-local; from Chinese to African localities. Views of what localization can and should entail also differ among Chinese and Africans, so that no global consensus on localization exists.

In a book manuscript well underway, we first and foremost discuss the workforce localization (劳动力 **本土化**, **属地化**) of Chinese firms in Africa, based in part on a self-constructed database of proportions of Chinese and locals in more than 250 project, enterprise, industry, and country workforces. To mitigate selection bias, we report every proportion that we have uncovered through an assiduous documentary search and a couple hundred interviews carried out in eleven African countries during ten years of intermittent field research. In coming months, we will use the database to test several hypotheses about factors that make for greater or lesser localization of Chinese firms in Africa. Some hypotheses are quite likely to be confirmed; for example, that workforce localization has proceeded furthest in the more politically stable, industrially-developed African states where there is a greater abundance of skilled labor. Other hypotheses are more uncertain, such as that the length of time a firm is present in Africa highly correlates with its localization, that Chinese SOEs are at least as likely as private enterprises to largely localize, that very substantial enterprises are more likely to attain a high degree of localization than SMEs, and that the levels of localization of Chinese enterprises in Africa vary somewhat across sectors, but are not radically different from one sector to another.

We have already determined that the workforces of the vast majority of Chinese firms in Africa are more than half-localized and most have African proportions ranging from two-thirds to more than nine-tenths. Workforce localization may be highest in extractive industries and manufacturing, but, contrary to common

[5] Barry Sautman and Yan Hairong, The Chinese are the Worst? Human Rights and Labor Practices in Zambian Mining (Baltimore: Maryland Series in Contemporary Asian Studies, 2012). See also George Schoneveld, et al., "The Developmental Implications of Sino-African Economic and Political Relations: a Preliminary Assessment for the Case of Zambia," CIFOR, 2014, www.cifor.org/library/4486/the-developmental-implications-of-sino-african-economic-and-political-relations-a-preliminary-assessment-for-the-case-of-zambia/

conception, is also very substantial in the construction and service industries. Due to shortages of local managers, engineers, other professionals, and experienced skilled workers, as well as the relatively short span of Chinese enterprise activity on the continent, foreign language deficiencies among Chinese managers, and other factors, there is a lesser, but still significant and growing, localization of management, although still often not at the level to satisfy the concerns of local African elites, who are generally concerned more with who gets to be managers than who gets to be managed. Our study also touches on other aspects of localization, such as the acceptance of local laws and customs, adjustment to local work and life styles, and ownership, sub-contracting, product inputs, marketing, and socialization. As workforce localization is realized, these other aspects of localization take on importance. Because localization is generally antecedent to, rather than determinative of local workers' conditions, we only lightly consider the latter, which we and others have treated elsewhere.

Our findings clash with a core attribute of the putative "Chinese exceptionalism" that is central to the ongoing negative narrative of "China in Africa" constructed by Western politicians and media. Our findings that Chinese firms in Africa are largely and increasingly localized do not foreclose debate about how to further enhance localization, provided the discussion takes into account that significant barriers exist to progress on localization and that it is not, in itself, a means to solve the grave problems of employment in Africa. Thus, while not disregarding the necessity to improve employment opportunities for Africans and further integrate the Chinese economic presence with grassroots African needs, our findings should allow analysis of Chinese OFDI in the continent to increasingly focus on more pressing labor issues. These, more often than not, affect foreign investment in Africa generally, including ways to improve localization laws and guidelines, the mitigation of the skills shortages in African workforces and, above all, how to end the asymmetry of power relationships in African societies and between foreign investors and Africans that has continuously fostered the exploitation of workers.