



# **THE IMPACT OF CHINESE INVESTMENT IN AFRICA**

**Arif Jabari**  
Research Fellow at The Sixteenth Council

## Abstract

This research document delves into the multifaceted impact of Chinese investment in Africa over the last decade. It scrutinises the influence of Chinese investment on Africa's economy, infrastructure, job market, and technological landscape, while also tackling concerns regarding debt sustainability. Through an analysis of economic data, case studies, and scholarly research, this document aims to furnish a comprehensive understanding of the opportunities, challenges, and future trends associated with Chinese investment in Africa.

## Impact of Chinese Investment in Africa

Chinese investment in Africa over the past decade has significantly impacted the continent's economy, infrastructure, job market, and technological landscape. The nuances of these impacts include substantial economic growth, improved infrastructure, job creation, technology transfer, and concerns regarding debt sustainability.

## Economic Growth and Trade

Trade between China and Africa surged from \$10 billion in 2000 to over \$200 billion in 2019, contributing notably to Africa's economic expansion. This robust trade relationship has facilitated economic growth in several African countries, with the International Monetary Fund (IMF) reporting higher GDP growth rates for African countries closely linked to China. For instance, Sub-Saharan African countries with stronger economic ties to China experienced an average annual GDP growth rate of 6.2% between 2000 and 2018, compared to 3.9% for those with weaker ties.

## Infrastructure Development

Chinese funding and construction of infrastructure projects such as roads, railways, ports, and power plants have bolstered Africa's infrastructure significantly. The Addis Ababa-Djibouti Railway in Ethiopia, built with Chinese assistance, has enhanced transport and trade connections. Similarly, the Mombasa-Nairobi Standard Gauge Railway in Kenya, financed and constructed by China, has reduced travel time between the two cities from 12 hours to 4 hours, boosting trade and economic activity.



## Job Creation

Chinese companies have provided numerous employment opportunities for local workers in Africa. Investments like those by the China National Petroleum Corporation in Nigeria's oil sector have spurred job growth, creating over 60,000 jobs in Ethiopia's Hawassa Industrial Park alone. This industrial park, built with Chinese investment, has become a significant source of employment and skills development for Ethiopians.

## Technology Transfer

### Chinese Technology Transfer in Africa: Driving Growth and Connectivity

Chinese companies, such as Huawei and ZTE, have significantly contributed to the expansion of mobile networks and the deployment of 5G technology in Africa. This technology transfer has had a profound impact on Africa's development, as supported by data and evidence.


According to the International Telecommunication Union (ITU), as of 2020, 95% of the African population had access to 3G mobile network coverage, and 79% had access to 4G networks. These advancements can be attributed to the involvement of Chinese companies like Huawei and ZTE.

Huawei's collaboration with South African telecom operator Rain resulted in the launch of Africa's first commercial 5G network in 2020. This milestone demonstrates the technological capabilities of Chinese companies and the potential of 5G in Africa.

The introduction of new technologies and expertise by Chinese companies has had a transformative impact on African development. Improved mobile connectivity has facilitated economic growth, enhanced access to education and healthcare services, and empowered individuals and businesses through increased connectivity.

The deployment of 5G technology holds immense potential for various sectors in Africa, including agriculture, healthcare, transportation, and smart cities. These advancements can address critical challenges and foster sustainable development on the continent).

In conclusion, Chinese technology transfer, led by companies like Huawei and ZTE, has played a crucial role in driving growth and connectivity in Africa. The expansion of mobile networks and the deployment of 5G technology have had a positive impact on African development, as evidenced by the increased access to communication services and the potential for innovation in various sectors.







## Debt Concerns

Despite these advantages, concerns persist about the potential debt burden African countries may face due to Chinese loans. Critics worry that these loans might trap African nations in unsustainable debt, compromising their economic sovereignty. Transparency in lending practices and responsible borrowing are crucial to mitigating these risks.

## Focused Areas of Chinese Investment in Africa

**China's investment in Africa has concentrated on several key areas:**  
**Infrastructure**

China has heavily invested in infrastructure projects in Africa, including roads, railways, ports, and airports. These projects aim to improve transport infrastructure, promote commerce, and strengthen connections within and between African countries. For example, the Standard Gauge Railway in Kenya, part of China's Belt and Road Initiative (BRI), has significantly enhanced regional connectivity.

### Natural Resources


Chinese investment in Africa's natural resource sector, particularly in mining, oil, and gas, allows China to secure access to vital resources needed to meet its growing domestic demand. African countries benefit from foreign direct investment and knowledge exchange in these sectors. For instance, Chinese companies have invested in copper and cobalt mining in Zambia and the Democratic Republic of Congo.

### Manufacturing

Chinese companies have established factories and production facilities in Africa, creating job opportunities and promoting industrialisation. This investment helps African countries diversify their economies and move up the value chain. For example, the establishment of a steel plant in Nigeria through a joint venture funded by the China-Africa Development Fund (CADFund) has boosted local manufacturing capabilities.

### Renewable Energy

China has shown a growing interest in investing in renewable energy projects in Africa, supporting efforts to address energy challenges and reduce reliance on fossil fuels. Chinese companies have been involved in constructing solar and wind power projects across the continent, contributing to Africa's sustainable energy goals.





## Examples of China's Deals in Africa

**China has engaged in various significant deals and projects across Africa:**

### **Belt and Road Initiative (BRI)**

The BRI includes several infrastructure projects in Africa, such as the Standard Gauge Railway in Kenya. This project, funded and built by China, has improved transport and commerce between Kenya and its neighbouring countries.

China-Africa Development Fund (CADFund)

The CADFund supports Chinese companies investing in Africa, with investments spanning manufacturing, agriculture, and infrastructure. An example is the investment in a joint venture to establish a steel plant in Nigeria, promoting local industrialisation.

Resource Extraction

Chinese companies have invested heavily in Africa's resource extraction sector. In countries like Nigeria and Angola, Chinese firms have engaged in oil exploration and production. Additionally, mining companies have invested in copper and cobalt extraction in Zambia and the Democratic Republic of Congo.

### **Telecommunications**


Chinese telecommunications giants, such as Huawei and ZTE, have been instrumental in building and upgrading Africa's telecommunications infrastructure. They have provided equipment and services for the expansion of mobile networks and the deployment of 5G technology in several African countries.

## Disputes Surrounding China's Agreements in Africa

While Chinese investment has brought economic benefits to Africa, it has also ignited controversies:

### **Labour Practices**

Reports of poor labour conditions in Chinese-operated ventures, including low wages and safety concerns, have raised alarms about workers' rights. Adherence to labour laws and international standards, along with regular inspections, can mitigate these issues.





## Environmental Impact

Chinese mining companies have sometimes disregarded environmental regulations, leading to pollution and ecological damage. Implementing stringent environmental regulations and conducting impact assessments are crucial to minimising these negative impacts.

### Lack of Transparency

The opacity of Chinese deals in Africa has fuelled scepticism, with calls for greater transparency in negotiations and contracts. Public disclosure of agreements and independent monitoring can enhance accountability and trust.

## Impact on Africa: Benefiting Africa or China?

The impact of China's deals in Africa is a complex and debated topic. While there are significant benefits for both regions, concerns about the balance of these benefits persist.

### Benefits to Africa

Chinese investments have contributed to Africa's economic growth, infrastructure development, job creation, technology transfer, and poverty alleviation. For example, Chinese-built infrastructure projects have improved connectivity and trade within Africa, and investments in manufacturing have promoted industrialisation.

### Benefits to China


China's engagement in Africa has secured access to natural resources, expanded markets for Chinese goods and services, and provided opportunities for Chinese companies to operate globally. Additionally, it has enhanced China's geopolitical influence and diplomatic relations with African countries.

### Balancing the Gains

While some African countries have benefited significantly, others face challenges and controversies related to debt, environmental impact, and labour practices. It is crucial for African nations to negotiate fair and sustainable deals that prioritise their long-term development and economic autonomy.

## Initiatives and Progress in Negotiations





African countries have established various initiatives to promote development and address challenges, with China's involvement playing a significant role:

### **African Union's Agenda 2063**

China supports the African Union's Agenda 2063 through infrastructure projects, trade partnerships, and capacity-building initiatives, contributing to the socio-economic transformation of the continent.

### **Africa Continental Free Trade Area (AfCFTA)**

China has expressed support for the AfCFTA, aligning its trade and investment activities with the initiative's goals of creating a single market for goods and services in Africa.


### **Forum on China-Africa Cooperation (FOCAC)**

FOCAC serves as a platform for dialogue and cooperation between China and African countries, leading to the implementation of numerous projects and initiatives in Africa, covering trade, investment, infrastructure, and people-to-people exchanges.

## **Addressing Africa's Negotiation Challenges**

Negotiating better deals with China requires a comprehensive understanding of Africa's economic challenges and global economic dynamics. Several key factors hinder Africa's ability to negotiate better deals.

These factors include:

- **Power asymmetry:** Africa often faces power imbalances in negotiations with China due to China's economic dominance and influence.
  - **Limited bargaining power:** African countries may have limited leverage in negotiations due to their smaller economies and dependence on China for trade and investment.
  - **Lack of technical expertise:** African countries may lack the technical expertise needed to effectively negotiate complex deals with China.
  - **Debt burden:** Many African countries have significant debt burdens, which can limit their ability to negotiate favourable terms with China.
- 

## Strategies for Improvement

- **Building Strong Institutions:** Strengthening institutions and governance frameworks to negotiate from a position of strength.
- **Enhancing Technical Capacity:** Investing in technical expertise and building negotiating capacity through training programmes and knowledge exchange.
- **Diversifying the Economy:** Reducing dependence on a few key sectors to enhance bargaining power.
- **Regional Integration:** Strengthening regional integration to present a unified front and leverage combined resources and markets.

## Examples of Progress in Negotiations

Several African countries have successfully partnered with China, making progress in their negotiations:



- **Ethiopia:** Projects like the Addis Ababa-Djibouti Railway and Hawassa Industrial Park have significantly boosted Ethiopia's economy and industrialisation efforts.
- **Kenya:** The Standard Gauge Railway and Lamu Port South Sudan-Ethiopia Transport (LAPSSET) corridor have improved regional connectivity and trade.
- **Egypt:** The development of the New Administrative Capital and the Suez Canal Economic Zone has attracted significant foreign direct investment.
- **Rwanda:** Investments in the Kigali Innovation City and various infrastructure projects have enhanced Rwanda's technological and economic landscape.

## Future Projections and Trends

The future of Chinese investment in Africa looks promising, with several trends and projections expected to shape the landscape:

- **Diversification of Investments:** Expanding investment beyond traditional sectors like infrastructure and resources into areas such as healthcare, education, and technology.
- **Sustainable Development:** Focusing on sustainable development projects that align with Africa's long-term goals.
- **Capacity Building:** Investing in human capital development through education and training programmes.
- **Green Energy:** Collaborating on renewable energy projects to address climate change and energy challenges.
- **Digital Economy:** Promoting the development of the digital economy and technology infrastructure.





In conclusion, Chinese investment in Africa has significantly influenced the continent's development trajectory, offering both opportunities and challenges. Ensuring that these investments lead to sustainable and equitable growth requires strategic negotiation, transparency, and alignment with Africa's long-term development goals.

### **About The Sixteenth Council**

Committed to facilitating and managing conversations on our common issues that affect people everywhere and the collaborations required to resolve them, Brian Reuben Policy Group(The Sixteenth Council) provides a platform for leaders globally to engage large, diverse audiences in discussions on important issues about government and governance, geopolitics, security, terrorism, tech and innovation, global health, energy transition and more.

To learn more please visit [www.16thcouncil.uk](http://www.16thcouncil.uk)

