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"China's Investment Experience in Africa: What It Means For the Region and U.S. Business"

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P R O C E E D I N G S

MR. SCHNEIDMAN: My name is Whitney Schneidman and I'm a Nonresident Fellow at the Africa Growth Initiative at Brookings and we'd just like to welcome you all to our discussion today on China's investment experience in Africa, and what it means for the region and U.S. business. I think we're just going to get going. People are trickling in and I think we've got a great panel discussion today, so we don't want to spare any time. But just let me mention -- the Africa Growth Initiative at Brookings is about five years old. It's a partnership really, with six think tanks on the African continent and it's really designed to bring to the Washington policy dialog, the African perspective on so many issues -- politics, economics, development, human rights, China. And in that sense, it's quite unique. We are also here in partnership with the Congressional African Staff Association and are most appreciative to them for organizing this great facility. AGI has been doing this dialog on the Hill now for about two years, and we really value this opportunity to bring our scholars and research to you and to engage in a dialog.

So today, we're very fortunate to have a panel of Yun Sun, who's a Fellow in the East Asia Project at the Henry Stimson Center, and a former Visiting Fellow, Africa Growth Initiative at Brookings. And just let me commend to you her paper, "Africa-China's Foreign Policy". It's really one of the most interesting, provocative and candid analyses on China and Africa that I have read. Sitting next to Yun Sun is David Dollar, who is a Senior Fellow at the John L. Thornton Center, the Brookings Institution, and a former Economic and Financial Emissary to China at the U.S. Treasury. And to his left is Amadou Sy, who is a Senior Fellow, Africa Growth Initiative at Brookings, and formerly with the IMF. So our format is that each of the speakers will give some remarks for about five minutes. I'll make some concluding comments, and then we'll just jump into a dialog, and maybe end up in, maybe about -- we'll go five or ten minutes over if you've got the time and there's interest. So let me turn it over to you. Thank you.

MS. SUN: Thank you very much. It's my great pleasure to be here and I think Brookings for giving me the opportunity to produce this report. I hope you find it interesting and I look forward to an interesting productive session with you as well. So I'm going to talk more about China's challenges, or the challenges and problems China has encountered in Africa. In recent years, more and more attention has been focused on China's economic engagements and the success stories, so-called, in Africa. Compared with the United States, we admire China's ability to treat Africa as a priority, to allocate all the resources necessary to attain its political and economic agendas, and also to have exemplified a high level of moral flexibility in the process. So today, I'll focus on the other side of China's success story in Africa -- the challenges and the problems in its operation.

So first of all, as China's economic

activities and personnel presence expand rapidly on the continent, the security risks and the threats have also grown exponentially. Chinese government official data suggest that China's cumulative FDI by the beginning of 2013 in Africa is about 22 billion U.S. dollars, although Chinese officials in private have acknowledged that the real volume of China's FDI in Africa could easily double or triple that figure. And in terms of personnel, according to incomplete data, there are at least one million Chinese nationals currently living in Africa as of the beginning of 2013. Because many of these projects and people are based in unstable or politically volatile countries, how to protect their physical security has become a top challenge for Beijing.

Several types of security threats toward the Chinese locally on the ground. The most common type is criminal attacks such as robbery and kidnapping. The ones that have attracted much attention globally are the political motivated attacks on the Chinese, as retaliation for China's cooperation with local governments and/or for exploitation of African natural resources. More recently what we have seen -- the more controversial type of attacks have been the attacks on Chinese projects, due to labor disputes and illegal activities by the Chinese on the ground. Some examples include unrest in the coal mine in Zambia against Chinese management, and the rate of Chinese illegal gold miners, but the Guinean government in the past two years. Then last but not least there are attacks on Chinese vessels by the Somali pirates. And the Chinese PLA Navy has dispatched 16 missions and escorted more than 5000 ships.

At the state level, domestic political turmoil and the regime change in South African countries have created the most serious challenge to the safety of Chinese investments and nationals. The protection of Chinese nationals in Africa is linked to Beijing's legitimacy in that a failure to provide such protection would undermine Chinese Communist party's internal and international prestige. The Chinese government has learned a lesson in the hard way during the civil war in Libya in 2011, when China was forced partially by domestic public opinion to mobilize significant military and diplomatic resources to evacuate more than 30,000 Chinese nationals based in Libya. And Chinese PLA also dispatched military aircrafts and one naval vessel for the mission. Nonetheless, the regime change in Libya resulted in a total loss as high as 20 billion U.S. dollars for Chinese companies on ground due to the uncompleted contracts originally made with the Gaddafi government.

So Beijing essentially lacks the capacity to protect Chinese nationals and investment in Africa. Consulate protection is weak, as every Chinese. Counsular officer at the Chinese embassy in Africa has to serve 130,000 overseas Chinese nationals on average. Military protection by the Chines PLA is out of the question, because China strictly follows the principle of no overseas military deployment unless there is a U.N. mandate and also host country consent. Private security firms are a popular speculation. It is said that the ex-CEO of Blackwater, Eric Prince, is now working enthusiastically with large Chinese state owned enterprises in Africa. But Beijing will need to address related legal and political barriers before making any substantial commitment.

China's economic activities in Africa have also become a rising gravitational risk for Beijing as well. International scrutiny and criticisms have focused on Chinese investment in less developed, also retiring or semi also retiring African countries. Some common criticisms include China's economic activities are only about natural resources exploitation. China props up, also recurring regimes or Chinese investments undermine efforts to strengthen democracy and human rights and at the same time contribute to corruption, environmental and social degradation. Chinese analysts and some American scholars have come up with some very powerful rebuttals, such as -- despite the down side, China still provides infrastructure projects to African countries and create revenue. And they also point out that Western companies have demonstrated similar behavior patterns in Africa. Nevertheless, the public humiliation and the damage to China's international image and prestige have been particularly disturbing for Beijing. They also undermine the viability and success of Chines projects on the ground.

The security challenges and reputational costs to China raise a more fundamental question about China's engagement in Africa within the Chinese foreign policy community. And the question is, does China really have an African strategy? In the view of most Africa specialists in China, China has different goals in Africa, but does not have a long term strategy. China has two clear defined goals. One is political -- China wants the political support and friendship of African countries. And the other one is economical -- economic -- which means China wants profitable commercial ties, which results in business entities, merchantilistic, profit seeking behaviors in Africa. So unfortunately, Beijing does not have an effective coordination system so far, to manage the conflicts between the two. And in many cases, the

Minister of Commerce and Chinese companies have operated in a way beyond the knowledge and the reach of Chinese embassies on the ground. And the foreign policy folks, for example, the ministry of foreign affairs, believes that China's broader strategic goals is being inevitably undermined by China's economic endeavors in Africa. But so far, the foreign policy folks do not really have the ways and means to address the issue from within. So this is the most direct and serious internal dispute, and bureaucratic infighting, we're seeing the Chinese system on China's engagement in Africa. I'll stop there, and look forward to the discussion.

MR. SCHNEIDMAN: Great, thank you. David?

MR. DOLLAR: Thank you very much. It's a great pleasure to be here. I'm in the China Center at Brookings and I've started a line of research on China's direct investment in Africa. I think of this as kind of following on to the work that Yun Sun has done, which is published today. So my work is at an early stage and want to share some ideas and some early results with you, but am particularly interested in hearing what people are thinking about -- what they're interested in. So I want to introduce three points into the conversation. The first concerns the volume of Chinese direct investment in Africa. This has been growing very very rapidly and has gotten a lot of attention, and there have certainly been a couple of big deals, but I want to start by putting this in perspective. As Yun Sun said, the stock of Chinese foreign investment in Africa, according to the ministry of commerce, is a little bit above 20 billion dollars. That would be about four percent of China's total outward investment, and as Yun Sun said, there are reasons to think it might be underestimated a little bit, so you might raise that a little bit. But the first point I want to make is that Africa is not the centerpiece of China's overseas investment. China's overseas investment is primarily in neighboring countries in Asia. Nevertheless, if you get to a number around six or seven percent, maybe eight percent of Chinese foreign investment in

Africa -- that's actually reflecting a lot more interest in Africa than the rest of the world evidences. If you look at total foreign direct investment in the world, only three percent of it is in Africa. If you look at the United States foreign investment, United States is the largest provider of foreign investment -- only one percent of U.S. foreign investment is in Africa. So relatively speaking, China is showing more interest in Africa -- investing more in Africa.

But having said that, China is still a small player. The U.S. may only put one percent of its foreign investment in Africa, but the U.S. is overwhelmingly the largest provider of foreign direct investment in the world, so that amounts to a much larger stock of foreign investment than China has provided. So U.S. direct investment -- the stock in Africa -- is two to three times higher than the stock of Chinese investment. So I'm just starting by putting that in perspective. I think that's interesting that relatively speaking, China seems more involved or invested in Africa, but I was a little bit surprised when I first looked at these numbers -- that in fact, the U.S. is a much larger investor in Africa than China is. So the data do not support the idea that China is taking over Africa.

Now the second point I want to make is that, it is correct that some of that Chinese investment is directed at natural resource extraction, so if you take different measures of natural resource wealth, or natural resource rents as a share of GDP, China's investment in Africa is very clearly correlated with natural resource wealth of the recipient countries. But the same thing is true of the United States investment and the same thing is true for foreign investment in general in Africa, and in fact, I can't see any evidence that China is more attracted to natural resources than say, United States investors or global investors. So it is a fact that Africa is relatively rich in natural resources. A lot of foreign investment is oriented at resource extraction. That's true for China, but it seems to be equally true for U.S. investment and for global investment.

I'm impressed that China seems to have direct investment in pretty much every African country. Some African countries, of course, are not resource wealthy, so it's interesting that China is pretty much everywhere. Recent study found that 22 percent of the Chinese foreign investment in Africa is in the manufacturing sector, so while natural resources are important, there's also a significant amount of Chinese investment in manufacturing. And there's growing trend toward the Chinese investment coming from private investors, and there are lots of small private Chinese investors working in Africa, often in service sectors, but some of those in the manufacturing sector. So I think that's an interesting development. When I discussed this line of research with some African officials, one of the reactions that I got was that the -- just to be very frank -- one of the reactions I got was -- you Westerners think of Africa as a continent that needs aid and help, and the Chinese come to Africa and see an investment opportunity and frankly, it's flattering to be seen as an investment opportunity, not just as a charity case. So I think that that's backed up by the data I've seen so far, that you do have quite a bit of Chinese investment in manufacturing and services. I would predict that that trend strengthens because while some of China's initial outward movement was aimed at natural resource extraction, one thing that's happened is China's economy is becoming less dependent on natural resources. China is undergoing a domestic rebalancing in which investment is slowing down quite significantly, and the consumption is rising, the service sectors are rising, so some of the anticipated need for natural resources in China is not panning out. China's demand for copper and other metals is -- I don't think I would say it's declining -- it's on a lower trend than people had thought, so you noticed the recent softening in copper prices and other commodity prices. I think that's a real permanent trend that China's rebalancing and that as it does so, it's going to be looking for different things in its outward investment -- more likely to be investing in manufacturing and service, so continues to be involved in Africa and if I'm right about that trend, that's potentially a very positive and healthy development. Now the third point I want to make -- there is something of a caricature or China going into some very poor governance environments in Africa, so I do want to look into that. As I said, China is pretty much everywhere so they're in the good governance environments as well as poor ones, but it is true that the Chinese stock of foreign investment is currently correlated with poor governance, as measured by various rule of law indices or democracy measures. So there is a tendency for China's share of investment to be especially large in countries that have poor governance. Some examples are DR Congo, Central African Republic, Guinea-Bissau, Zimbabwe -- it may actually be the case, as I said that Chinese investment seems to be everywhere. Western investment is definitely staying away from the poor governance environments and so it may just be that the Chinese share is relatively higher because Western foreign investment tends to stay away from the poor governance environments. So I think that's an interesting area I want to explore further. It's possible that the Chinese assess risks differently. The Chinese state enterprises are not worried about poor rule of law, but as Yun Sun said, there's growing concern about security of Chinese people, for example, so it's also possible that this is a learning process, and the Chinese investors are learning that there's a good reason why investment stays away from poor governance environment. It's hard to run an economic operation and make a profit. My hypothesis is that a lot of the Chinese investment in the poor governance environments is not working out well. The Heritage Foundation keeps a list of troubled Chinese projects and I haven't examined this too carefully yet, but my casual inspection suggests that there are a lot of troubled investments in the poor governance environments, which is what I would expect. But at least it's a hypothesis to explore.

So let me end my -- I've gone a little bit over my five minutes. Let me end by saying that I think a good hypothesis to explore is that Chinese investment is evolving and in many ways it's becoming more like Western foreign investment. I think it has some focus on natural resource wealth, but it's actually diversifying into services and manufacturing and I wouldn't be surprised if you saw some re-evaluation of the investments in poor governance environments, because I think a lot of those investments are not going to work out well. But it's an interesting thing to study, whichever way that goes. Thank you very much.

MR. SY: Great. Thanks for having me. Let me try to bring the quote unquote "African perspective" knowing that we have 44 countries involved. So the first thing is that China is not a newcomer in Africa. I remember from my childhood seeing Chinese engineers building our biggest stadium. So they have this checkbook diplomacy -- stadiums, theaters, big buildings -- and then countries would run and recognize Taiwan and get another check and then five years later, go back to Beijing and get another check. So that is not a newcomer. I think what is new is the emphasis on trade and investment, rather than aid. So in terms of stock, OECD can't -- in terms of stock of MTI, OECD countries are the largest in Africa. But when you look at the flows and you look at the trend, the growth, the recent growth of capital flows in Africa is due to these newcomers, and it's led by China, but you have the other BRICs, so there's this quote unquote "South-South investment" which is driving a lot of the new growth in capital flows that you see in Africa. And the other interesting trend is that the data we have looking at capital flows on ODA in sub-Saharan Africa -- in 2012 you had from the DUC countries and so that doesn’t include China but aid flows were about 43 billion in sub-Saharan Africa, compared with 67 billion of capital flows. So in a sense, Africa is getting more and more integrated in the global economy, through the BRICs and through China. So that's something very new, that's something very interesting that raises a lot of expectations. So this focus on investment and trade is very interesting and very appealing to many African policy leaders, because right now, what we hear from policy makers in Africa is all about this transformation of agenda. So Africa needs infrastructure, data from the World Bank is about 100 billion in infrastructure needs. The fiscal revenues in these countries will not be able to cover it. Savings are low -- domestic savings are low. So Africa needs foreign savings. It needs capital. And so it's all about transforming the economy. And we need jobs, we need skills, and China has this model. This growth commission was saying that you need to grow by more than seven percent per year and if you do that you can double the size of your economy in ten years, and very few countries have done it. Botswana in Africa has done it. Mozambique is close but has its own issues, but Mozambique has had this sustained high growth. So this so called Chinese model is very interesting to many African policy makers, so that if you compare, we just concluded the EU Africa Summit -- what were the big issues there? It was mostly peace and security, mostly about Central African Republic -- the crisis in the Central African Republic, about securing trade routes off the Horn of Africa, or the Gulf of Guinea, about migration. It was about who was invited, not invited, Mugabe's wife, President Basher of Sudan's not being invited. So that was the main issue. But in the back, if you see for example what Dlamini-Zuma of the African Union was saying, it was all about the needs for skinning up our people, the need of not making the same mistakes as we did for mining and this time letting the processing happen in Africa. So this disconnect between one audience which is still focused on aid, on governance, and the other audience which is all about, how do you transform the economy, how do you grow faster? How do you make that growth sustainable -- is something that is there and it's less apparent when African countries deal with China. So I've kind of thought about four issues, when you take the perspective this transformational agenda perspective. One is the size of the financing gap. It's huge and domestic revenues will not be enough to fill that gap so China and other countries also are very interesting. So if I'm a Minister and I have all these highways and power plants that I have to build, I'm interested in China. They can build a coal generated power plant very quickly in two or three years. Last time we had a meeting at Congress, there were some private investors -- they were saying the true competitive advantage of China is speed, when it comes to Africa. So it's interesting by that. If you look at, for example how China has started building these solar panels and the cost of the solar panel has gone down, that is something very interesting when you have this huge infrastructure gap and you're thinking of non-renewable energy for example.

The second point is Africa is more integrated globally through China. Let's take the case of Zambia. You can think about Zambia as a big copper mine. So Zambia sells copper mostly. And then copper prices depend heavily on Chinese demand. And it's not only the micro, because last night I was reading this article about the shadow financial system and how copper is used as collateral to secure loans. So if I were the Zambian policy maker, I would be really really trying to study what's happening with Chinese demand, what's happening with Chinese shadow banking system, because it has an impact on the copper price and how do I have some policies to manage that?

Third is -- Africa could benefit from this domestic rebalancing. If China's increased reliance increases its reliance on its domestic consumption and then, let's say wages in China start increasing and then that could prompt China to relocate some industries. But there we have the competition of countries like Vietnam. But that's something you've seen Ethiopia that has managed to attract Chinese industry, having shoe factory in Ethiopia. There's something very appealing.

And fourth, I think it's not really a matter of either or. It's not, Chinese investment in Africa is not mutually exclusive with U.S. investment. First of all, it can bring a healthy competition. And let's take for example some sectors -- offshore exploration. There the U.S. has a competitive advantage. Chinese firms are not yet there. Texas and people in Texas are very good at that. They are very good at this offshore exploration and the technology and the know-how is not there yet in China. But when it comes to renewable energy -- solar panels -- China is very competitive. So I think -- let's take telecom -- I don't like this image, but people say that these cheap Nokia phone is the AK-47 of telephones because it's very durable and all of Africa -- you go to a village and people have that Nokia phone, and it's changing people's lives. But now if you go in the cities, people are more and more interested by smart phones. So what way might bring cheaper smart phones? And Africa is a big market, really, for that. And then that can help at least those in the cities have access to the internet, right? So that's something that is very interesting. But I think the key issue really, is African policy makers need to be prepared, not even now, but yesterday, to really benefit from capital flows. Academic literature shows that you need macroeconomic stability, you need good governance, you need good policies and most importantly, you need speedy and adequate implementation of these policies, so there we have some lessons from Korea and Malaysia on how to implement policies very well. Africa is discovering more and more natural resources and these three points -- revenue generation -- which type of contract do you have? Do you have royalties, taxes and so on? This kind of rules how you make sure you don't just spoil this benefit and the quality of public investment. So another policy priority is to find a way to attract investment in sectors other than the natural resources. It's not easy -- and the Chinese are starting to do it. So that's very interesting too. Infrastructure, I talked about it, but the issue is also coming back to these sector is not to have this enclave economies. You can have a mine sometimes in a country and you would not even know it. Some are very far, or let's say it's off shore. You don't see them. Nobody in your city or village is working for them. It's really an unpaid economy. So how do you get skills, transfer skills? Let's say also agriculture. How do you get in the global value chain of these big firms? And I'm sure that as Chinese companies get global they will also have this global value chain. Not everything will be manufactured in China. So these are some issues I think that are very important right now. As Africans have many many friends, how do you prepare yourself enough to really benefit from that?

MR. SCHNEIDMAN: Great, thank you very much Amadou. Let me just comment and touch on some points, but sort of pick up where -- on a point that Amadou referred to, and put the big question out there. Is the U.S. and China -- U.S. business, Chinese business -- is this conflict or cooperation -- somewhere in between? And I raise this because over the last decade or so, there's been a dialog between the Beijing consensus and the Washington consensus. I think we're all familiar with the Washington consensus of market based economy -- low inflation, low budget deficit and the Beijing consensus of a more mercantile approach to trade and where governance and human rights don't figure in. But let me just read a quote from Yun Sun's report, that I thought was so interesting and revealing -- that we don't hear much and it's this. "The more countries identify with and adopt Beijing's approach, the less isolated Beijing feels. Beijing would like to see non-Western, non-democratic governments grow and prosper in Africa, simply because it would help validate China's political system and mitigate its international isolation by showing that Western democracy is not a universal value and that the Western democratic system does not have to apply in every country." Bold comment -- but I think a couple things. When you look at what's happening on the African continent -- there will be 16 elections this year -- South Africa, and next year, a similar number of major elections in Nigeria, even Central Africa Republic wants to have elections. I think it's fair to say that the aspiration for democracy is very real. But I think what this quote suggests is that there's still a bit of an ideological struggle -- a struggle over the policy environment on the continent. At the same time, Yun Sun's report quotes a Chinese scholar, Hewing Ping, who says that in recent years, Beijing has made efforts to provide training and human resources development to African countries. We've worked with Hewing Ping in the context of our African China U.S. trilateral dialog and that has been an effort to identify common areas of cooperation. And Ms. Sun's report refers to peace and security as a potential area of cooperation. And I think that's really the dynamic that we're seeing. We're seeing, as David referred to -- China focusing on some countries where there's poor governance, but we're also seeing areas such as peace keeping, where China is cooperating with the U.S. and China is part of international peacekeeping operations which suggests that there are other areas that we can focus on to ensure that the cooperation agenda, I think really becomes paramount over any other agenda. Because I think that's really in the interest of Africa and the African economic development agenda. The title of this is "Implications for U.S. Business", and let me just make one or two comments. Clearly, this is not a zero sum proposition. When you talk to U.S. companies, let's say in the extractive sectors, I don't think any of the U.S. companies feel that they've bit off something that the Chinese got and it was zero sum at all, in fact, quite the contrary. You see Chinese firms participating in blocks that are operated by American and Western oil companies. But in the infrastructure space, there's no question that there's a lot of competition going on and I think here again, Western firms, American firms ask, are the ground rules clear? Are they fair? Are they transparent? And I think increasingly the answer is no, because many Chinese firms aren't responsible to shareholders, and the balance sheets aren't available and subsidies are a factor. So in certain respects there's not a level playing field when it comes to competing in the African market. I was interested in the report by the comment that MothCom, the Chinese commerce department, is inclined to allocate its aid budget according to where China sees this largest number of commercial opportunities. And that sounds reminiscent of the United States about circa 1975, where if it was Mubutu Zaire, we were all in with our aid budget. But I think we've learned that that correlation doesn't really work. And that's why the Millennium Challenge Corporation is sort of a new approach. They make resources available and say to the government -- you go to the international market, you put it to tender, and you decide which company is best for you. And that's unfortunately worked to the disadvantage of some U.S. companies, but I think it has helped to level the playing field, and it certainly removed this notion that we're playing favorites, because there's a clear set of criteria about what companies are going to be selected for MCC grants. Another reference to migration -- I recently saw a study by Edward Link, the scholar at UC Berkeley, who's done a lot of participatory analysis of Chinese coming to Africa. And he makes a really important point that Chinese -- to use your number, there's a million Chinese that are living in Africa -- the vast majority are in South Africa. And they come there for the freedom of being their own boss. And they come there for self-employment and to exercise their freedom of mobility. Yes, they recognize there's a trade-off. There's a loss of freedom associated with crime, but I guess I'd end on this note. I think the dialog that we need to have with China, with Chinese companies, as it relates to Africa, is precisely the point that Amadou said -- we need jobs and skills. Africa needs jobs and skills. And that's what we don't see happening with Chinese investment in Africa. China brings its own laborers and their own community. The migrant shop keepers don't hire and train local Africans to work in the shops, so there's this isolation effect of China in Africa, that I personally think is going to work to the disadvantage of China over time, and doesn't help to sort of support the broader development agenda that Africa and many of its partners share. So let me just stop with those remarks and open it to the floor and we welcome any questions or comments. And you shouldn't all raise your hands at once, but please -- please identify yourself.

MS. MCGEE: Hi, I'm Allie McGee. I work for the Record Group and thank you all for sharing your research and your insights with us today. My question is for Yun Sun. As Whitney said, the playing field largely is not level, especially in the infrastructure space. However, the criticisms that are coming from the west, like the Chinese are propping up dictatorships and pursing corrupt practices -- those aren't the same sets of concerns that are coming from the African side, which are mostly quality control issues, and lack of transfer of knowledge and skills. So I'm wondering if the Chinese government and the SOBs that are playing in the infrastructure space -- are they starting to change their business strategy to address these concerns? Are they starting to feel the pressure coming from these African governments rather than just the Western media, and do you see any trend changing there?

MS. SUN: So, great question. There have been plenty of complaints made by African governments to Beijing that, your investment or infrastructure projects in our country does not bring us everything we want. There's actually an interesting debate in the policy circle in Beijing about that. One side -- one school of scholars will say, African countries -- you need to prioritize, which one do you want more? Do you want a speedy completion of your project? If that is your goal, then you better use Chinese workers, because we can complete the project in a timely manner. But if you also at the same time want training, you want to promote your own sustained local growth that is going to take longer. So the Chinese scholar perspective would rather ask the question to the African governments as to which they prioritize? And as far as Beijing's Chinese government position --

they will tailor their supplies or their projects to the need of African governments, especially when the local complaints are high. Beijing takes that very seriously, because that damages further ties. But the demand has to be made by the African governments, and it has to be also very clear, about what the priority is.

MR. SCHNEIDMAN: Amadou, let me get you to comment on that as well -- about the quality issue and the training issue.

MR. SY: I think to me, the whole debate should not be really about like a blame game. From the perspective I have, it's about African policy makers having clear policies, clear strategies, and thinking how to implement that. So unless that happens, it's very difficult to proceed. It will not benefit the future generations of Africans, so I think that's where you should start, with good policies at home.

MR. SCHNEIDMAN: Yes, in the back.

SPEAKER: My name is Rose and I work for

Senator Coons on science and technology policy. I'm also from Nairobi and actually the China relations if really close to my heart. I grew up -- we shared a wall with the Chinese embassy and we were playing with bamboo -- they came and worked on their side. When I went down we did not see a single person come in and out of that compound and now the Chinese presence has super exploded and it's very fascinating. My question is from our perspective here on the Hill, regarding the U.S. engagement in Africa, there is a perception of waning influence for the U.S. and with regards to competition versus cooperation, there is a sense of confusion especially in the energy world. How much do you think this is true on the ground? How much do you think that the perception process -- African leaders are at friction with the West right now, as evidenced by what we saw at the EU Summit and a lot of people are saying we don't need the West? China is here, we are working with them. How much, in your view would you say that U.S. and Western influences really reigning in, that we should be afraid on the ground, that U.S. investments in Africa are not really enough leverage to really field U.S. influence.

MR. SCHNEIDMAN: Very interesting question. But let's Amadou have some thoughts on that.

MR. SY: I think that the difference is that having been to some U.S. agencies here and so on, typically, I think, the perception -- the way it works in the U.S. is that, and correct me if I'm wrong, is that the government would follow business. Government follows companies, it will not just go there and say hey, we're laying the ground, come in, which is different from even like other countries. But I think there's a lot of good will towards the U.S. really, frankly, when it comes to Africa. It's perceived as largest economy, militarily, military power is there and it's not a former colonial power, so I think there's a lot of good will. Now we were thinking about this U.S. Africa leader Summit -- the first one -- that will happen with some of our colleagues, and I mean all the other countries have had this for a long time. It's going to be the first time for the

U.S. and then we were thinking that how will it be different from the EU summit. So we were thinking, we were betting that when it comes to money, to funds, the U.S. will not put a lot of money on the table for African countries. The FOCAC which is the China-Africa Summit, or the Japanese, the TICAD which is Japan-Africa Summit -- they end up with this 30 billion dollars over this many years. This will not happen here with that. But what will happen is Power Africa and I think this is (inaudible) is a very interesting model and riveting that he can work and hopefully be extending to other countries, because you have all these U.S. agencies kind of being sherpas and trying to bring in the private sector, and so, that's not aid -- definitely not aid. And I think that it also addresses this big infrastructure gap that we're talking about so the priorities are aligned and I think that's a very interesting model -- this Trade Africa also. And there's AGOA also, so again, to me, I don't think there is this perception really, when it comes to Africa, but again, let's take AGOA, and

Whitney is more a specialist than me, but it's been here for a long time, but in terms of volume of exports from Africa, today we haven't seen this huge jump, so how do we really get Africans to get their -- how do Africans themselves get the right policies to benefit from something like AGOA, right? So I was very happy when I saw McDonald's uniform made out of Kenya.

MR. SCHNEIDMAN: David, too, do you want to comment on --?

MR. DOLLAR: Yeah, I'm afraid I have to disagree a little bit.

MR. SY: That's good.

MR. DOLLAR: Well, I'm happy to hear what you said, but I do think the U.S. influence in Africa is waning to some extent, at least relatively. So the U.S. still has a very large stock of foreign investment there, and the stock is important, because that tells you -- that's capital stock on the ground that's producing value, so the U.S. has a major role. Western foreign investment, western development assistance -- these are all very large, but China is rising very rapidly as a supplier of different types of finance to Africa. China has obviously caught a lot of people's attention, so my sense is the U.S. influence is relatively speaking is waning. There are things the U.S. can do to maintain an important position in Africa and I think there's certainly room for more diplomatic attention from the United States. The United States easily gets distracted in different parts of the world and so that I think there's more room for diplomatic attention. And then, as you say, thinking about ways that African countries could actually take advantage of access to the U.S. market, sometimes small amounts of technical assistance can actually make a big difference in terms of who actually accesses the market. So I would certainly welcome more attention from the U.S. government to Africa, but the U.S. of course has a lot of issues in the world it has to worry about.

MR. SY: Yes, and can I --? So actually that's really interesting because did you know that

President Obama will be welcoming the President of Djibouti, which is this small, but it has a military base for the U.S. and France. So it's true, the love is not being reciprocated. It's more about oil, about security, and actually, President Bush did a lot in terms of aid and so on. So the FDI is still large, but that portfolio flows also, and we have this train where a lot of African countries are starting to issue Eurobonds and so on and most of the money comes from the U.S. and the U.K. because it's where the financial centers are. But there's something which is increasing. I was at a conference with fund managers and so on, and talking about frontier markets and so on, and a lot of them were ready to allocate a small percentage, but they're so huge compared to Africa, so the thing is -- so portfolio flows are increasing but it's true that the traditional interest in oil and security are still there.

MS. SUN: I want to make a few points. I think I agree with David more on that issue, because if you compare the diplomatic resources and the level of attention that China devotes to Africa, there's simply no comparison. President Xi Jinping, after his inauguration -- his first overseas trip, he visited 5 African countries, together with Russia. So I don't think we're going to see that happening to a U.S. President in the years to come. So in comparison, I do see that China's influence on the continent is rising, but on the other hand, if you talk to the Chinese, they're actually very jealous of the achievements that the U.S. has achieved in terms of soft influence in Africa. The Chinese finds the African countries, African governments, African officials admire U.S. system, admire U.S. standards. And they don't have any admiration for the Chinese government, for the Chinese political system of the Chinese way of management at all, so the Chinese feel that we want to copy the success of U.S., not only throughout financial contributions to the continent, but also win the heart of the African people. So that's being pointed out constantly in the Chinese community. Then in here there's interesting comments from some Chinese diplomats, saying that the African officials, African governments, actually tell the Chinese government that they don't want U.S. and China to cooperate too closely, because they want to keep a little check and balance between the two and they can maximize their flexibility and their manipulability. So there is certainly that sense coming out of the African governments as well. So last but not least, I think in terms of the comparison of Chinese influence and American influence, it also depends on which country you're talking about, because in the more authoritarian or the semi-authoritarian countries, China's influence is quite absolute because U.S. is not there. So I'll stop there. Thank you.

MR. SCHNEIDMAN: Just to respond to this very interesting question. I think we have two things going on here. One is -- Africa's place on the U.S. foreign policy agenda and there I think I would agree that we can always do more -- we always need to do more. One stark example is that the Secretary of Commerce Pritzker is going to Africa next month.

She'll be the first fully confirmed Secretary of Commerce to visit Africa since Don Evans in 2002, which is just stunning when you think of it. So I think there's a struggle for attention. There's a struggle for resources. But is the U.S. losing influence in Africa? I think I would disagree with David and Yun Sun and say, I don't think so. I think there's a tremendous amount of residual good will. I think there's shared values in many respects and I think the most recent, the most stirring example, is the Young Africa Leaders' Initiative of the Obama administration. They went online; live online in December to advertise, to accept applications for 500 spaces for 500 Washington fellows to come to the United States. They got 50,000 applications of folks between 25 and 35. These are all self-identified leaders. And I just think it speaks volumes and very powerful volumes about the interest in the U.S. and the connection with our universities, with our companies, with our civil society organizations, and with our government, as unbelievable as that may be sometimes. Still I think there's a lot to build on there.

SPEAKER: Thank you. This work that we do -- OIC and national -- this question is specifically for Sun, but I'd like some comments from the rest of the panel if you'd like. One place and one of the panelist mentioned that Africa needs jobs and skills. One of the things that is interesting to me is that taking the long view, when you look at the youth population in Africa, and that large demographic bulge -- my question is, if you want this to be a real demographic dividend, then you have to train that labor. Because there is a nexus between no jobs, lack of opportunity and instability on the security side, and so if you're looking at the long view, the question becomes, how do you take what could be a demographic dividend and invest it, versus allowing it to continue to fester and become a challenge for you in terms of stability. And by the way, on the point of Power Africa -- we can say to China -- you bring in these big investments, these big infrastructure projects and you don't train the labor. One of the holes I see in the Power Africa project, is we're talking about mobilizing capital while we're missing the opportunity to really do knowledge transfer and hire a number of people in the country who can maintain these projects after you leave. If anyone lives in Montgomery County, you know that if the wind blows and the lights go out, PEPCO needs to get crews out to immediately maintain lines and other sorts of things. So there's a whole host of different things I think we can do on the labor and human resource side with power Africa, to set an example for the Chinese about how you do investments and training and get the objective done on both sides of the aisle. Thank you.

MR. SCHNEIDMAN: Yun, do you want to make these final comments as well.

MS. SUN: Okay. I'll be quick. On the labor and the training, the youth population issue -- I would say that goes back to the essential question of China's Africa engagement -- does China have a strategy? And the criticism in China is, China does not. China first went to Africa, when you see the rising of Chinese FDI in Africa. It started around somewhere between year 2000, 2005, is when China first launched their going out strategy. And it's initially China's goal was very clear, it was natural resources. It was to bring the resources back to China to fuel the domestic growth. So after a few years, after the Chinese companies engaged in that few activities they realized that Africa also needs infrastructure. And the infrastructure projects could be used as good collateral to achieve more natural resources deals -- it's what the Chinese called the resources for development or the resources for infrastructure. That's when the Chinese got into the infrastructure field. And then, now we are at a point where China has explored both natural resources extraction and the infrastructure development and China needs to respond to the problems on the ground. So when China realized that both there is repetition of risk, both and also there is a security risk, and also concerns with long term sustainable growth of China's presence in Africa, and also the long term sustainable development of the African countries. China is going to take actions. But to expect China to begin with that, is simply not how the Chinese work policy model works. China will respond to demand, and will respond to problems, and will respond to criticisms. That's the best way to get China to take actions on a specific issue. And I do think that the Jinping administration is taking some policy initiatives in that direction, although we need to be a little bit patient, because that could take a few years to happen.

MR. SCHNEIDMAN: Great -- David?

MR. DOLLAR: Yes, I think it's reasonable to, as Yun Sun says, it's reasonable to expect African countries to take the lead in this in demanding what they want. I encourage African countries to look at the Chinese experience in some of these areas. When China first started welcoming foreign investment after 1978, it was extremely restrictive about any labor coming into China. So you had a lot of arguments between early foreign investors and the Chinese authorities, where the early foreign investors wanted -- they didn't want to bring in a lot of ordinary labor, but they wanted to bring in, what I would describe as large amounts of labor. And the Chinese attitude was, no -- we want you to train Chinese workers to do the skilled things and be part of management, so they often had very strict quotas on how many foreign visas essentially could be associated with a project, and then as was suggested by one of the earlier comments -- that actually slows things down. If you're trying to build something quickly, then training people along the way is going to slow things down. So it really is an African choice, but I would say look at the Chinese experience. They got a lot of mileage out making the foreign investors train people, and then, obviously now they can -- they've got Chinese companies that have spun off from those investments that are now out competing with international firms that they used to be working for, and that's a really healthy development.

MR. SY: Yes, if you look at the Voice of

America yesterday, you had this title that said "Ghana wants locals to benefit from oil production". So there is this issue of local content regulation. So again, I'm always taking from the point of view of what good policies in Africa, should Africa have to benefit from all of this. And so now, this local content regulation, I think the key -- the devil is in the detail. You can just have it there for political reasons and so on and then, okay, you need to hire people locally, that they hire, they're not trained, and so on. But putting the Minister of Education, the Minister of Mining together and asking companies, how can you get into the value chain -- maybe you want trained engineers quickly, but you can train some technician that can do something, or it’s the suppliers and so on -- I think this is key. Because as you say -- if this youth bulge is not transforming to a dividend, we don't know what's going to happen. By the way, technology companies -- I think there are interesting things coming in the tech, TMT, ICT -- like I've seen -- as Microsoft and IBM are having these training centers in Africa -- Huawei also is having one. But you see different models. Some are like -- all right, you have this open space where people collaborate and do some programming. And I think the Chinese, they're training kids for medium -- from technician and things like that. So you have different schemes. But the demand is definitely there.

MR. SCHNEIDMAN: I'll just respond and then on this note, we've sort of run out of time, but to say, I think personally, almost the best face to the U.S. in Africa are those companies like GE, Proctor & Gamble, Microsoft, IBM -- that area really training local people -- are going out and hiring local people, not just to be at the bottom or the mid-levels, but to be the top level managers too. And I think when you go to work for a U.S. company in Africa, you enter their work force with the idea that you can rise to the top. And I think it's a very compelling dynamic. I think we can do better. I think we can do more, but I think it's a really powerful dynamic that we've woken up to -- that we can contribute to the economic development process. So let me just wrap up right there. Thank you all for taking time from your schedules to come. Let me also thank the Congressional African Staff Association for being our host up here, and on behalf of the Africa Growth Initiative, just thank you again and wish you a good afternoon. Thank you.

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