



CHINA'S ENGAGEMENT WITH AFRICA: From Natural Resources to Human Resources

DAVID DOLLAR, Senior Fellow

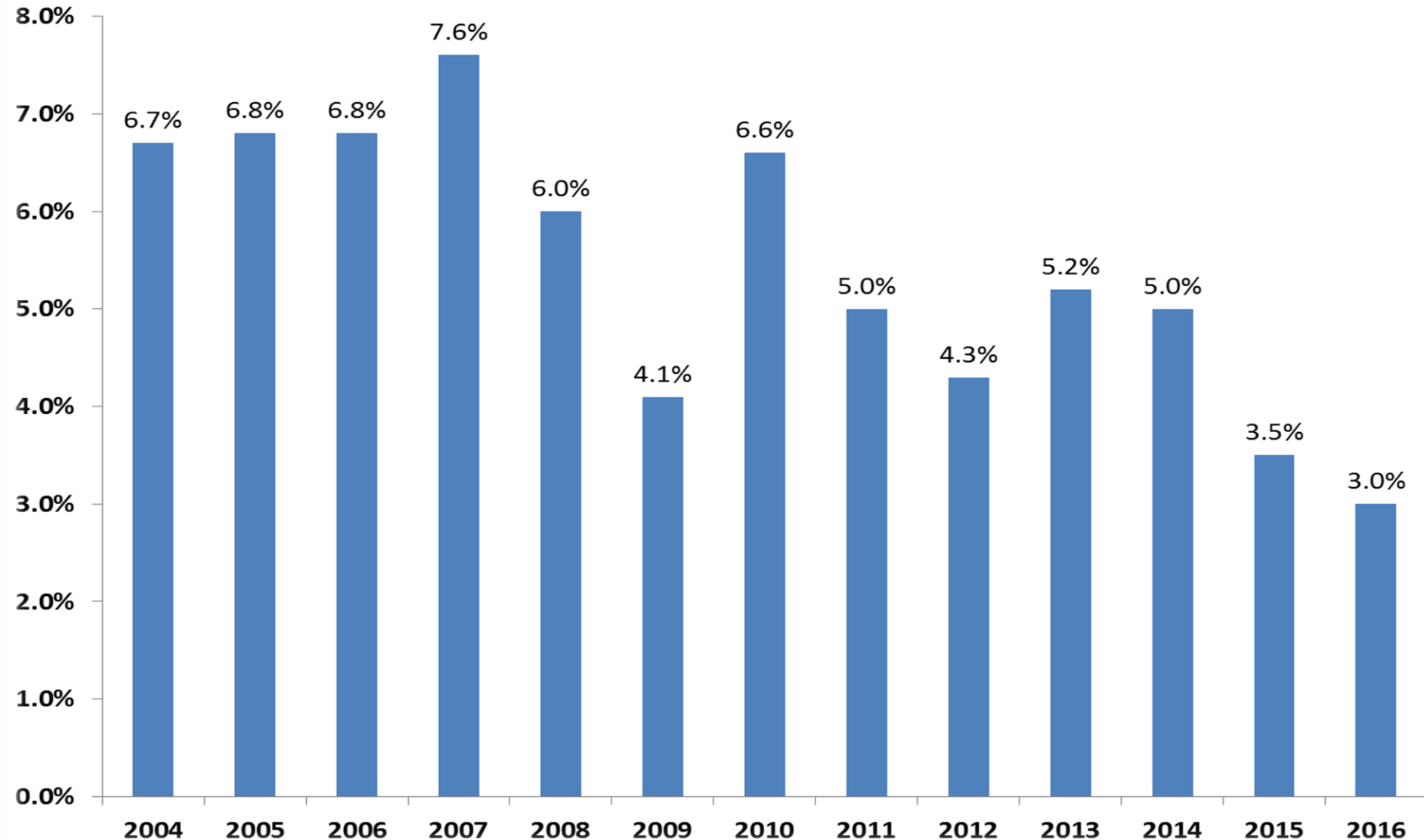
John L. Thornton China Center, Brookings

JULY 2016

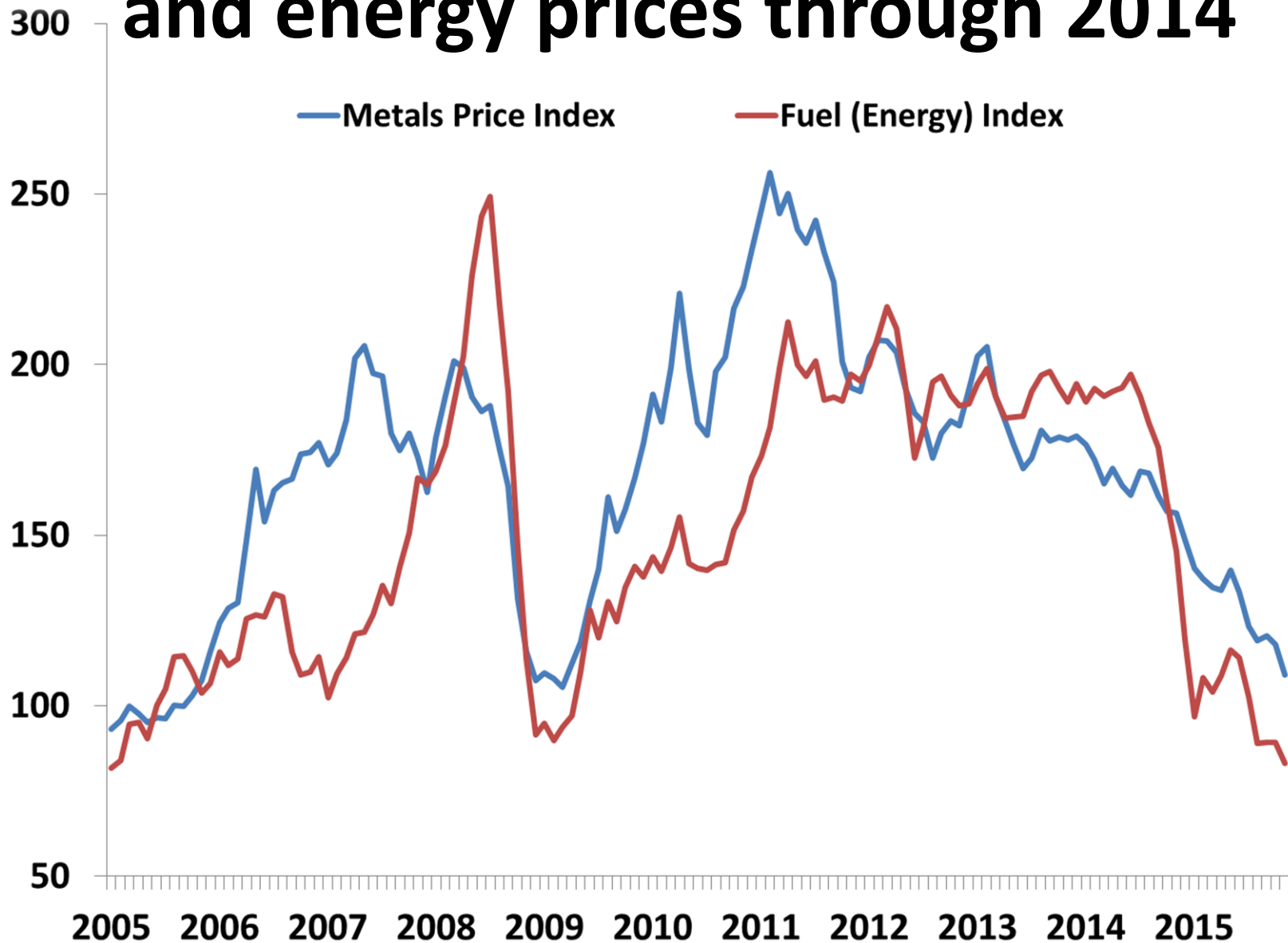
China's engagement with Africa

- Background on African growth and trade
- China's direct investment in and lending to Africa
- Chinese workers and migration to Africa

GDP growth of Sub-Saharan Africa has been good up until the last two years



China's demand supported high metals and energy prices through 2014

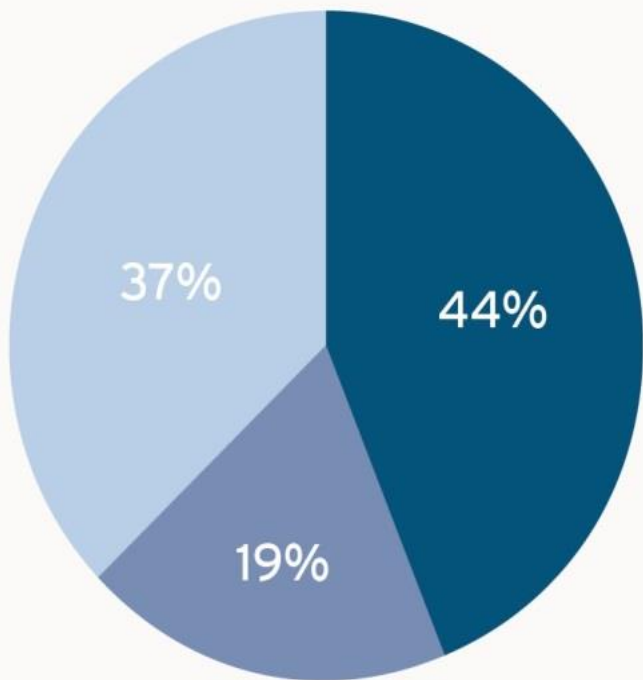


Investment and lending

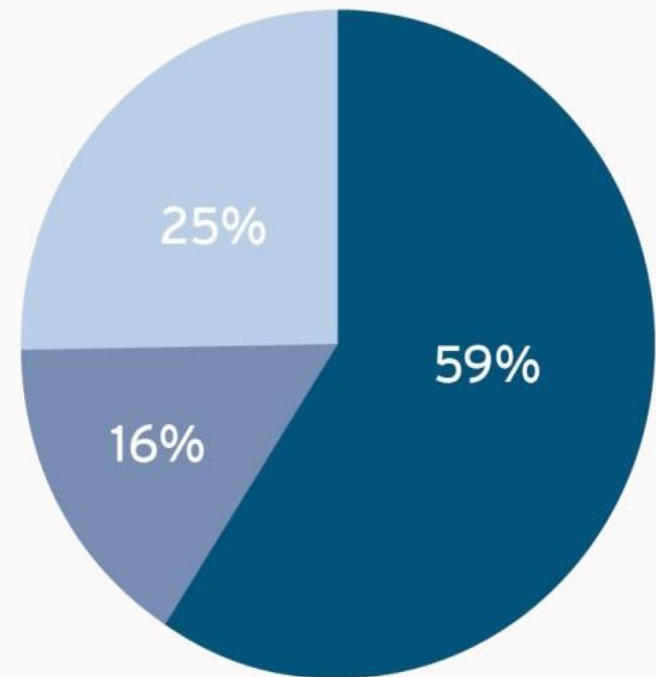
- China's direct investment (ODI) less than 5% of total, attraction to natural resources same as FDI
- ODI uncorrelated with property rights/rule of law index

ODI is indifferent to governance environment

CHINESE ODI



TOTAL FDI

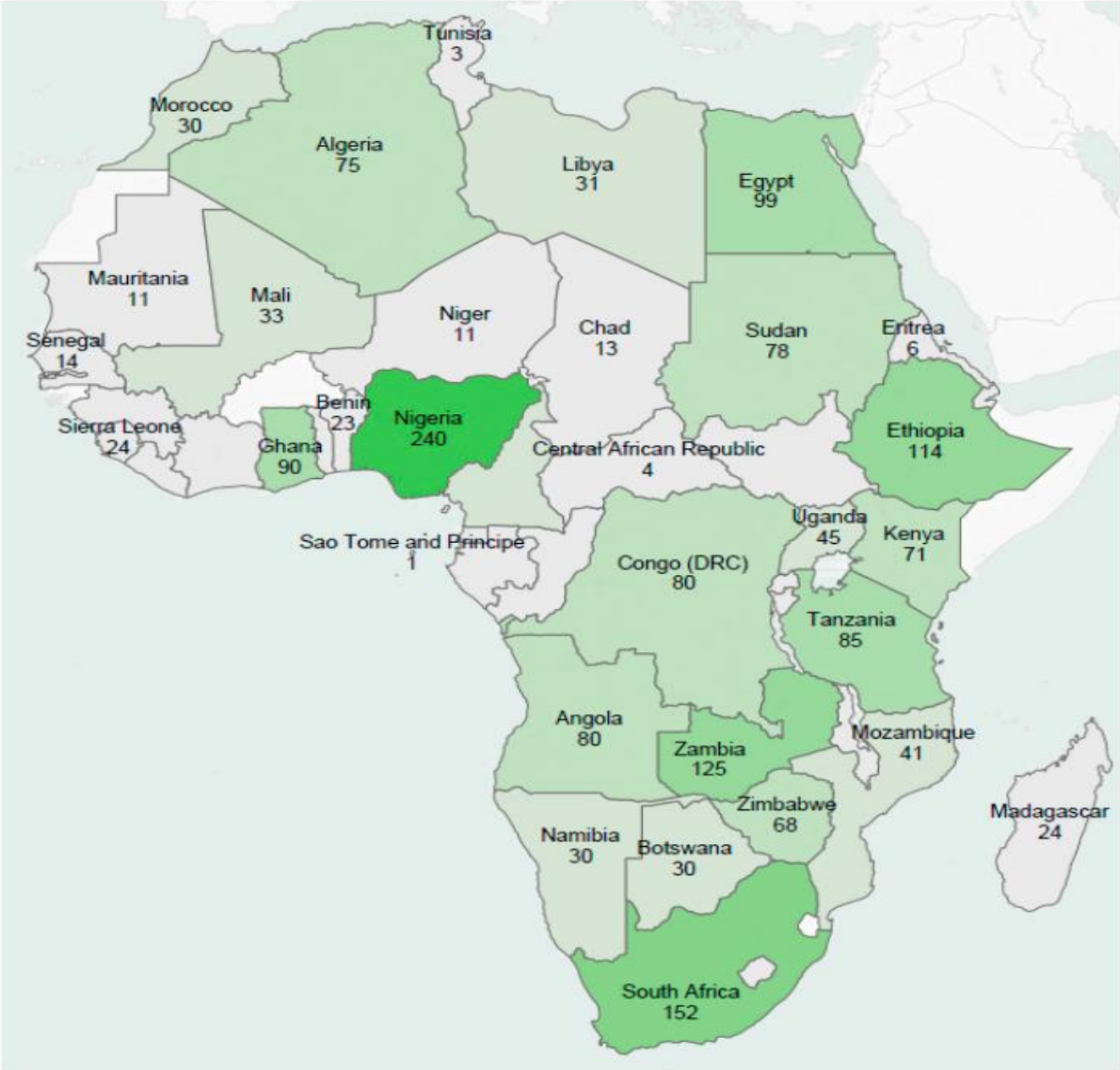


- Top third rule of law
- Middle third
- Bottom third

Investment and lending

- China's direct investment (ODI) less than 5% of total, attraction to natural resources same as FDI
- ODI uncorrelated with property rights/rule of law index
- **Private SMEs invest in services, manufacturing**

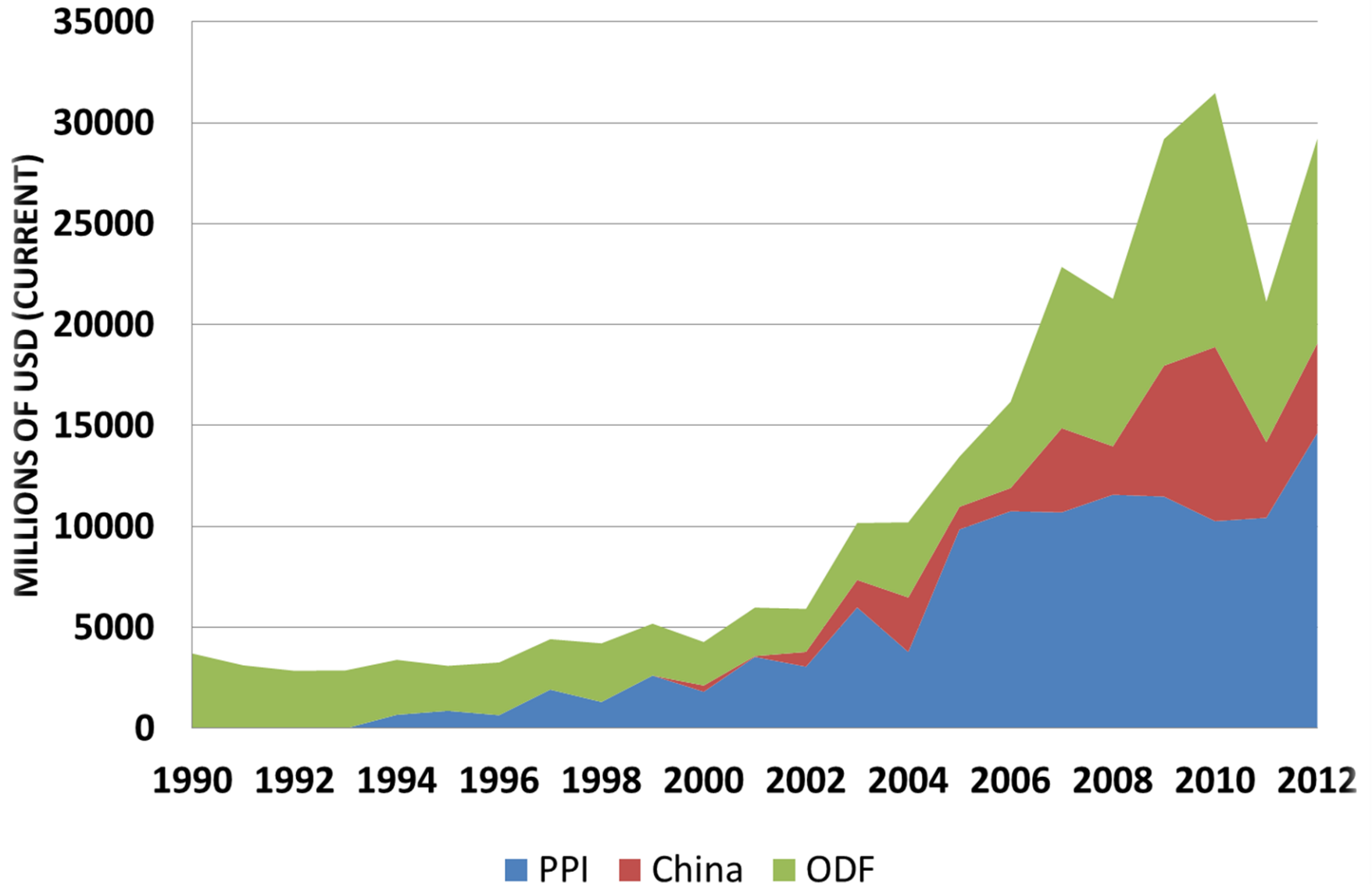
Chinese SMEs invest all over Africa



Investment and lending

- China's direct investment (ODI) less than 5% of total, attraction to natural resources same as FDI
- ODI uncorrelated with property rights/rule of law index
- Private SMEs invest in services, manufacturing
- EXIM, CDB fill a niche with large lending to transport and power

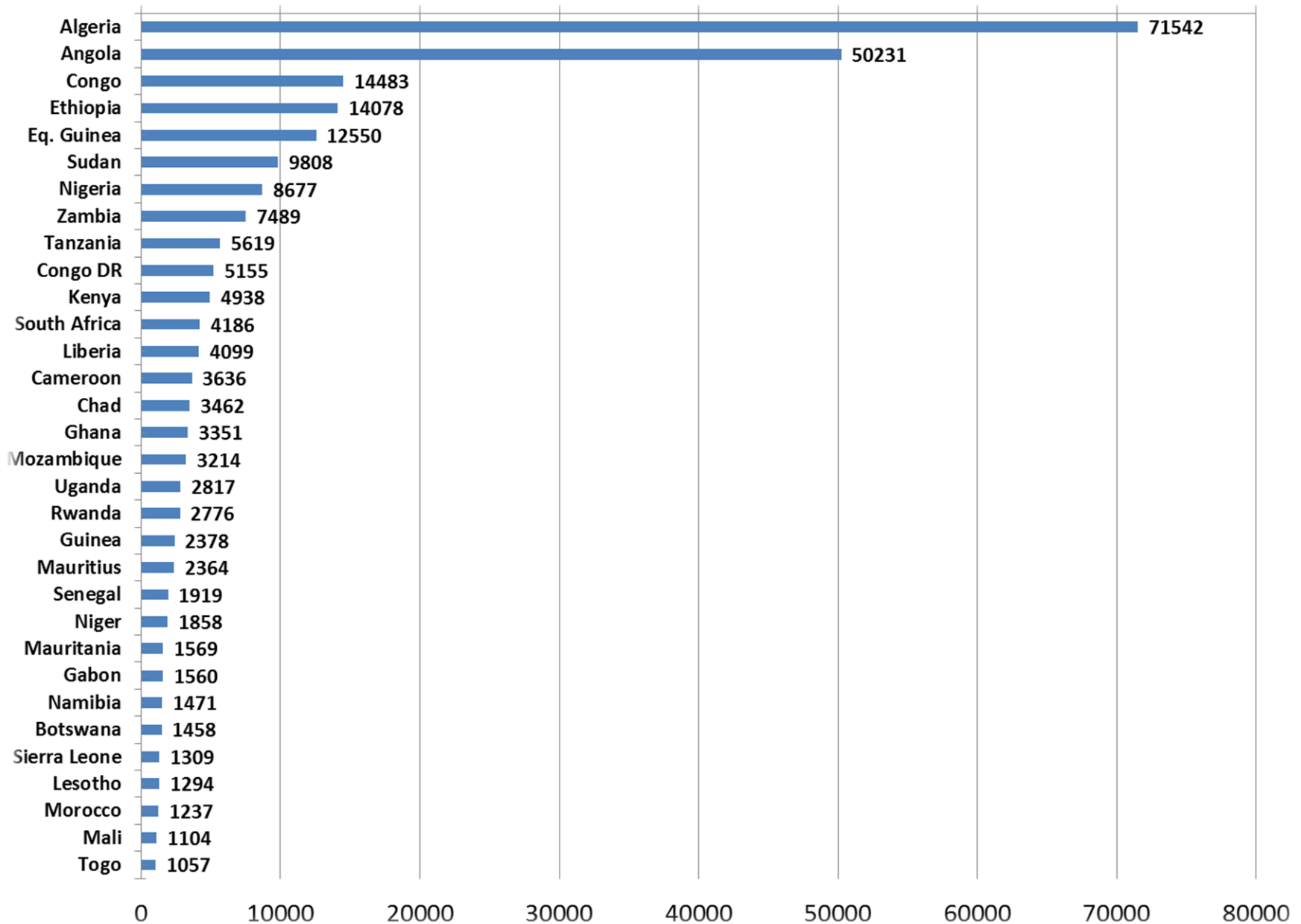
China's share of external financing for African infrastructure is significant



Labor and migration

- Official figure on Chinese workers in Africa: 259,385 end-2014
- Estimates of total migration as high as 1 million

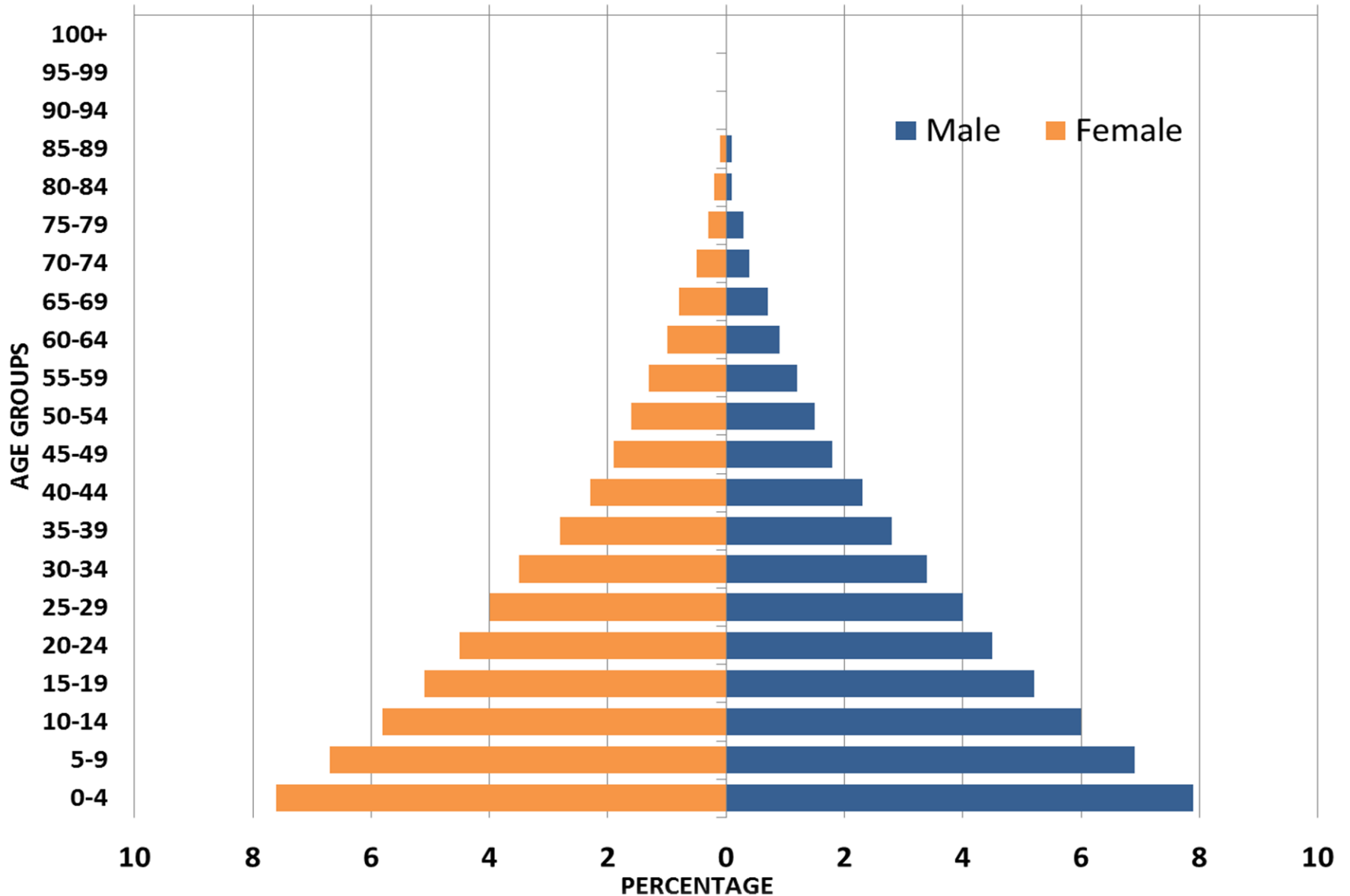
Chinese workers in Africa, end-2014



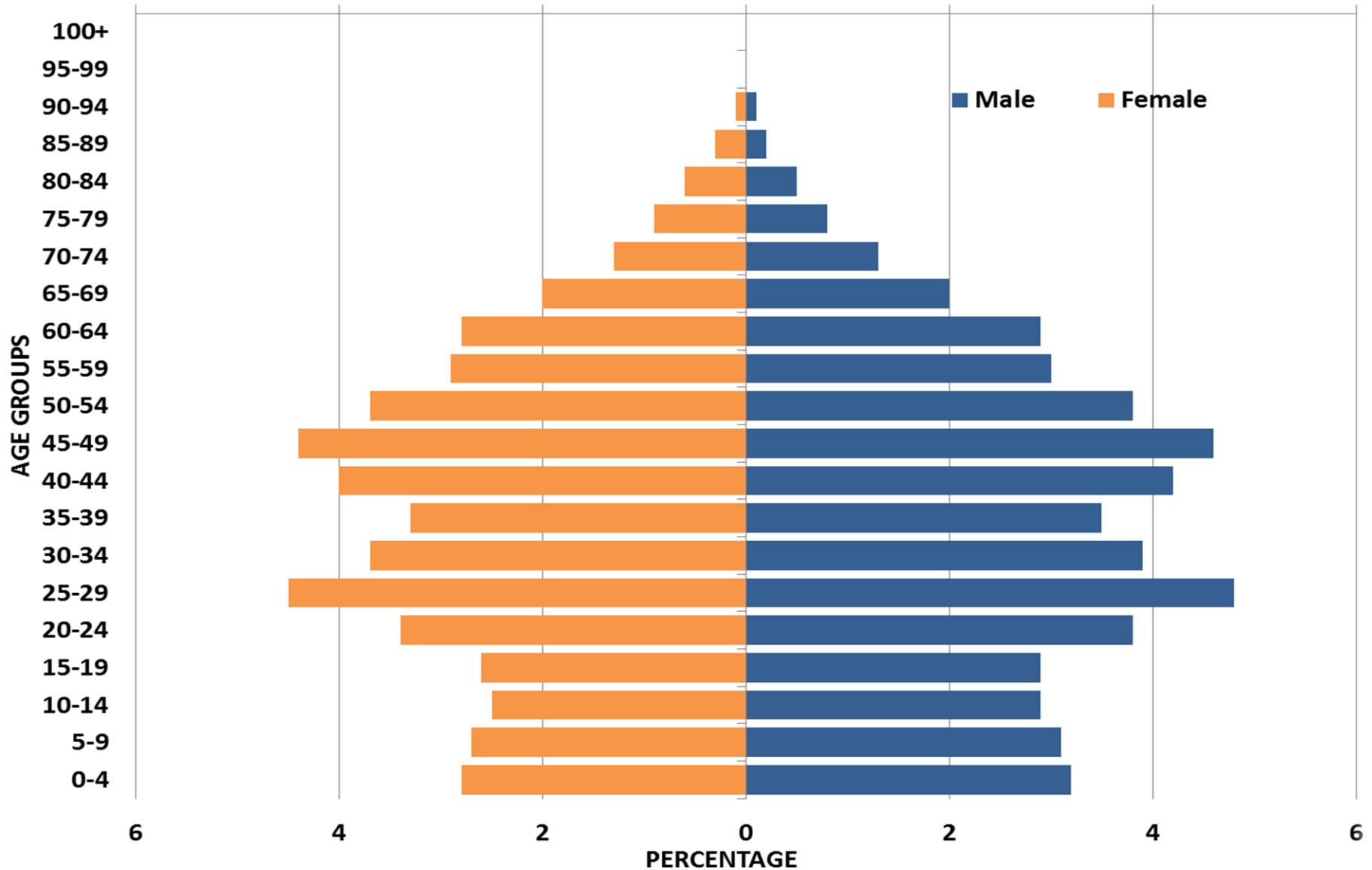
Labor and migration

- Official figure on Chinese workers in Africa: 259,385 end-2014
- Estimates of total migration as high as 1 million
- Half of Africa's population is below the age of 20
- Africa needs to create about 20 million jobs per year
- China's working age population has peaked and will decline in future decades

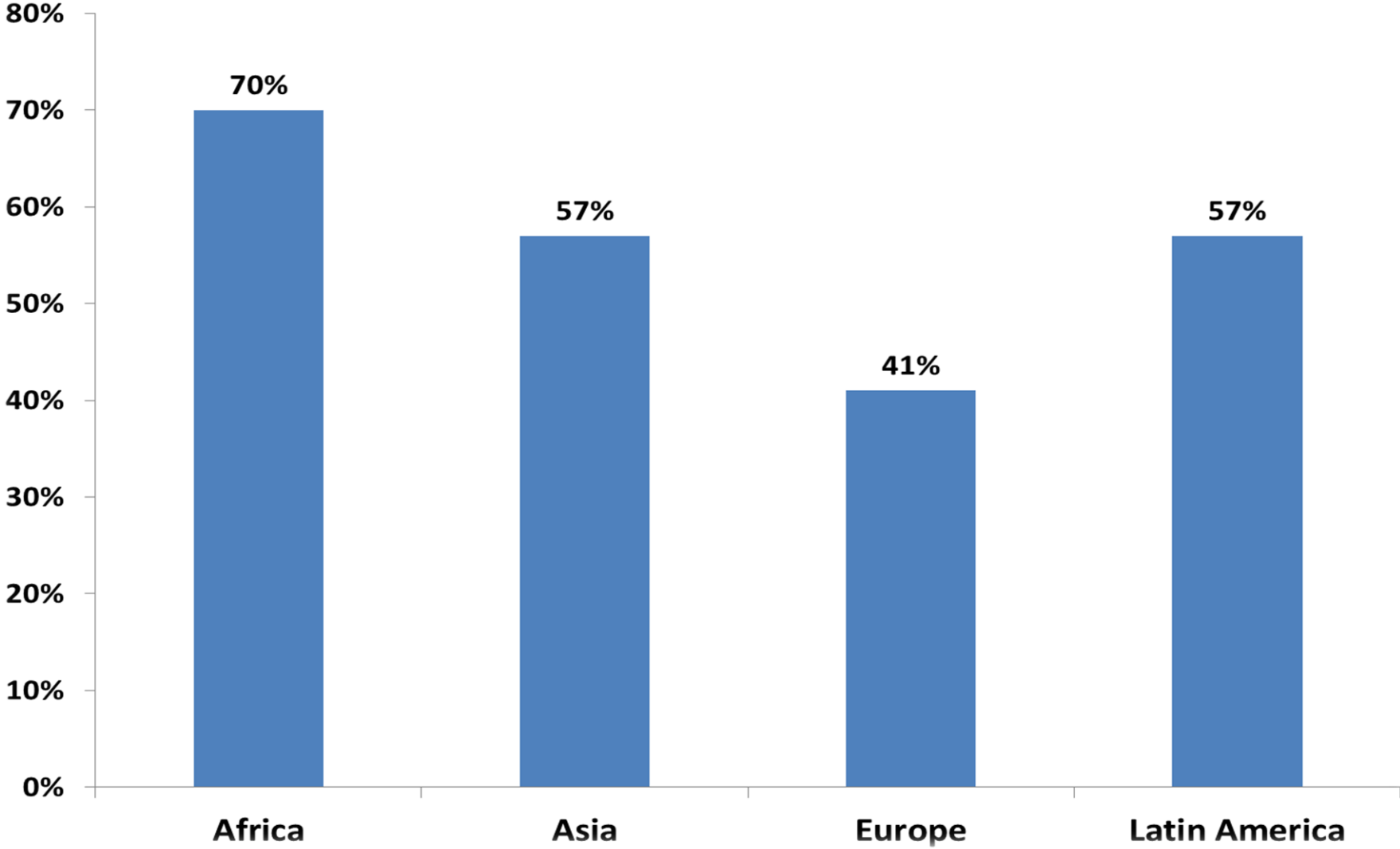
Africa's population is young



China's "population pagoda"



African populations have a favorable view of China (Pew Global Attitudes 2015)



China's engagement with Africa

- China's trade and investment have supported African economic growth
- Some resource investments in poor governance environments not faring well
- Private SMEs invest in services, manufacturing
- Chinese migration a mixed blessing
- Foundation of the relationship shifts from natural resources to human resources

Recommendations for African governments and civil society

- Please publish more data!
- Manage labor flows (China severely limited ability of foreign investors to bring in workers)
- To diversify the economy improve the investment climate: infrastructure, ease of doing business, anti-corruption

THANK YOU!