



CHINA: SLOWING AT HOME BUT EXPANDING ABROAD

WHAT BUSINESS LEADERS CAN LEARN FROM CHINA IN AFRICA

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Despite recent news about China's slowing growth and tumbling stock markets, the country's enterprises have also been expanding abroad, both through direct investment and acquisitions. The recent acquisition by ChemChina of Swiss agriculture giant Syngenta, as well as its purchase of the German company KraussMaffei, figure among the biggest foreign Chinese purchases to date.

China's foray abroad is not new. In addition to the acquisitions of established companies in Europe and the Americas, China is also undertaking extensive investment in many developing regions of the world. Since the 1990s, China and its businesses have been massively investing in Africa, with trade hitting up to USD \$200 billion per year. China is now Africa's biggest trading partner. Much of this activity concerns natural resources and other primary materials. Moreover, even with the recent slump of raw material prices and slowing growth in China, the level of investment by Chinese companies shows little signs of abating.

A Look at China in South Africa

Beginning in 2016, IMD has offered a Dual Degree EMBA in collaboration with China's leading executive education institute, CKGSB. The program is comprised of five modules, two of which are delivered in Europe and two in China. The fifth module takes place in South Africa, which stands at the intersection of East and West, and which reveals a great deal about China's activity abroad.

In January, the Dual EMBA class visited a number of companies from the infrastructure, banking and finance, telecommunications, and natural resource sectors in South Africa. We met with business leaders, members of government, and many others, to find out more about the country's business challenges as well as its political and social situations. We not only went to the country's largest city but we also got away from Johannesburg to discover the realities off the beaten path.

The trip was filled with a rich variety of experiences, and we discovered and did things that we could have never done without being on site. One of the most eye-opening parts of the experience was a trip to the Bakubung platinum mine run by Wesizwe, a publicly traded company based in South Africa. The mine is largely owned by Chinese interests and is emblematic of how China is investing in Africa specifically, but also around the world.

China's involvement in Africa has been seen as somewhat controversial by many in the western world. The country and its companies have been buying up a great deal of natural resources and farmland from Zambia to Congo, and all over the rest of the continent. These initiatives have attracted skepticism. Many westerners are dubious about China's intentions. But for Africans, the Chinese have provided the means and the labor to build a lot of needed infrastructure and haven't attached many strings like others have attempted to do.

Is China exploiting South Africa?

Our visit to the Bakubung mine allowed us to question a number of commonly held views about Africa's engagement in China. In the case of Wesizwe, the company and the mine have a complex structure, with a myriad of beneficiaries. An entity called China-Africa Jinchuan Limited has a 45% stake in the project while other investors include a number of South African ones such as BEE, Micawber Anglo American Platinum, and many more. This debunks the myth of the Chinese government buying the land, building the mines and shipping everything back to China.

On the flipside, some local native groups can be very sensitive about foreigners mining their neighboring land. They have an almost spiritual connection to the ground and believe it was inherited from their ancestors, leading to negative feelings about companies digging up minerals and hauling them away.

According to Wesizwe, over 30% of the project employees were hired in South Africa. The Chinese are one of the only groups investing in large projects at a time when their peers are halting investments amid rising cost pressures. The company is also investing in local human capital and is funding school projects with a local NGO. We did not see Chinese workers on site when we visited the mine project: the technicians, engineers, and workers we met were all South African nationals.

Foreign legacies in Africa

There are a lot of valid questions to be asked about Chinese involvement in Africa. Could they do more to create jobs for locals? Could they do more for the environment and human rights? The answers to these questions are all probably yes.

But another question to be raised is: What are western nations doing that is any better? Many other countries cannot boast of a good record when it comes to their activities in Africa. Whether in terms of education, employment, or construction, much less building the foundations of democratic institutions, their actions have been far from stellar.

China will invest in Africa for the foreseeable future, with important consequences not only for Africans but for the world at large. What is certain is that leaders from all over the world will be increasingly in contact with Chinese businesses directly or indirectly, and understanding China's engagement abroad will be a key to success.

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