

# Africa Isn't Being Re-Colonized

There's a big difference between military conquest and development with overseas capital and know-how.

By

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This is how development typically starts.

Photographer: Michelle Cattani/AFP/Getty Images

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A number of African countries appear to be in the early stages of their own industrial revolution, promising to lift hundreds of millions out of grinding poverty. Much of the impetus for this transformation is coming from Chinese investment:

## China's Big Move

Country foreign direct investment growth in Africa, 2010-2014

Source: McKinsey & Co.

But when confronted with this news, some well-meaning Westerners -- as well as some wary Africans -- worry that what's really happening is a new form of colonialism. This worry especially crops up with respect to China and its large, well-publicized infrastructure projects, but it also sometimes gets applied to independent Chinese-owned factories operating on the continent, or just to foreign investment in general. If foreigners are profiting from Africa's rise, some reason, that can only mean the continent's resources are being extracted on unfair terms.

This concern is natural, given Africa's tragic recent history of foreign conquest, occupation and exploitation. And in the case of China's infrastructure projects, the worry may be justified. But privately owned factories in Africa are not a colonial project.

Colonialism involves domination through violence. The many small Chinese entrepreneurs moving to Africa to set up shop do not have the backing of a mighty state or an armada of warships. They are on their own, and as author and development researcher Irene Yuan Sun reports in her book, "The Next Factory of the World: How Chinese Investment Is Reshaping Africa," these independent capitalists often lose everything they have to fires, crime or other local hazards.

What's more, Sun's research shows that these Chinese entrepreneurs generally hire locals. Despite much-publicized cases of Chinese companies importing Chinese workers to Africa, this is the exception rather than the rule. Something like 95% of Chinese manufacturing companies in Africa hire local workers, and 54% hire managers locally, while 73% offer apprenticeships or professional training programs for locals.

Skeptics may believe that Chinese factory owners' profits, which can run to more than 20%, represent exploitation by foreigners. But because most Chinese entrepreneurs live in Africa near the factories they run, much of that profit gets spent locally, and is thus pumped back into the local economy. Furthermore, although wages are low and factory conditions are often harsh or dangerous -- sadly typical for countries in the early stages of industrialization -- a profit margin of 20% still means that the bulk of the businesses' expenditures are flowing to workers and suppliers, many of whom are African.

The profits reaped by these expatriate Chinese entrepreneurs don't represent colonialist resource exploitation. Instead, they represent the win-win nature of industrialization. Unlike economies based on natural resources, industrial

economies are not zero-sum games -- they represent the creation of wealth through human ingenuity and labor. Just because Chinese factory owners are winning doesn't mean African workers are losing.

Of course, in the long run, Africans should and will become owners and capitalists themselves. African managers in Chinese factories will learn the tricks of the trade and then strike out on their own. But for now, foreign investment in African manufacturing looks similar to the early stages of industrialization in China itself. Under Deng Xiaoping and his successors, China threw open the doors to foreign capital, offering itself as a low-cost production platform for foreigners. That was only the first stage, however, as Chinese workers learned from the foreigners and eventually moved up the value chain.

So private Chinese investment in Africa isn't a form of colonialism, and the Japanese, German, and Indian multinationals now setting up shop in Africa aren't colonizers. This is how development works.

But there is one type of Chinese involvement in Africa that does threaten to become something akin to colonialism -- Chinese government infrastructure loans. Chinese government banks are lending African governments large amounts of money to build roads, bridges, ports and so on, often secretly. Although some of that infrastructure will be beneficial for African countries, some projects will not recoup their costs. When that happens, small African countries will be left holding the bag, owing money to the mighty Chinese government. China will then hold substantial leverage over its African debtors.

If that's not old-style colonialism, it's too close for comfort. African governments should be wary of Chinese state-owned banks offering lavish loans. Instead, they should focus on soliciting private investment in manufacturing industries, while providing infrastructure, education and other public goods on their own. This strategy will ensure that Africa's road to industrialization is as rapid and smooth as possible without the taint of colonialism.

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