



# HOW CAN UGANDA BENEFIT FROM CHINA'S ECONOMIC RISE?

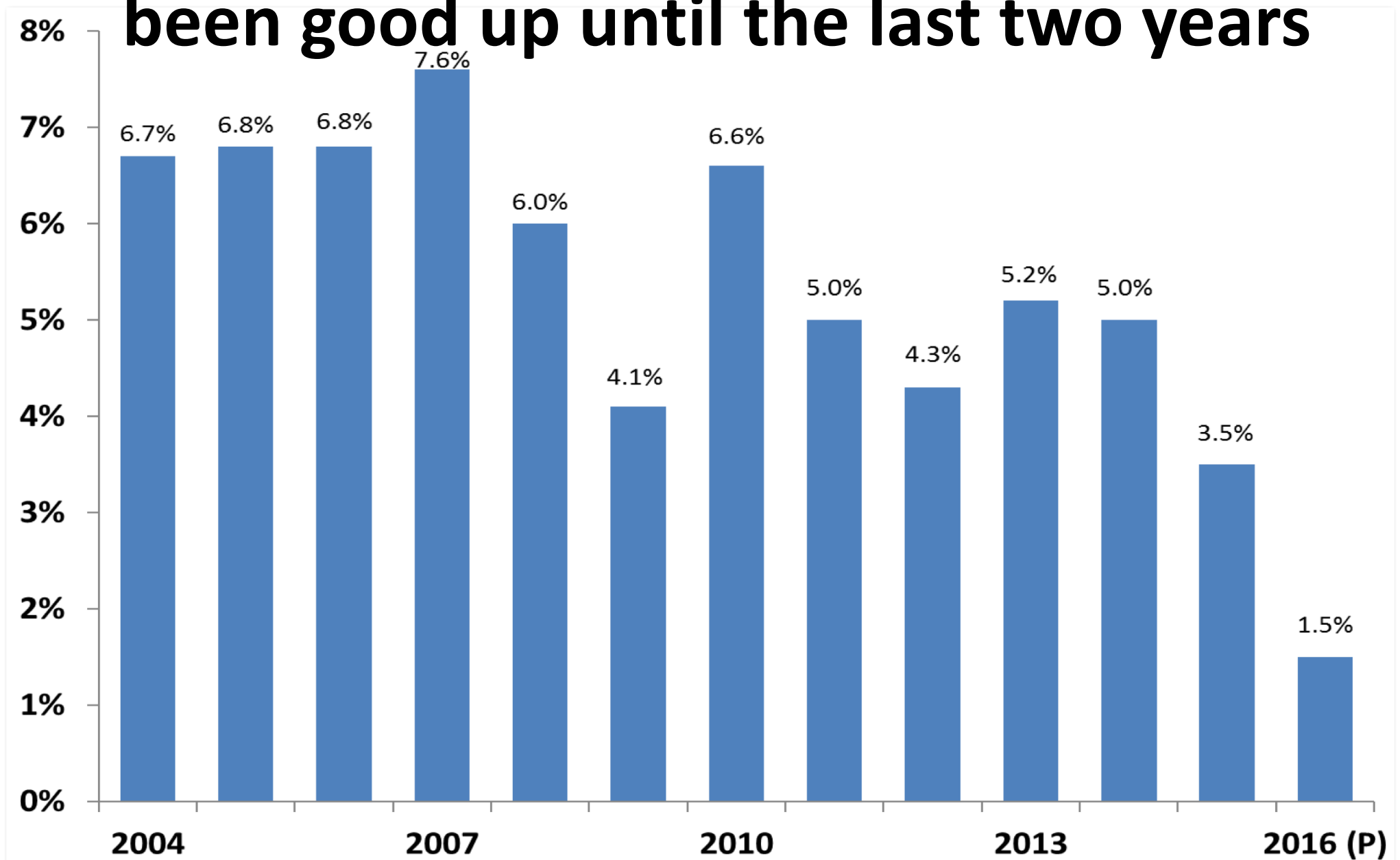
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# China's engagement with Uganda

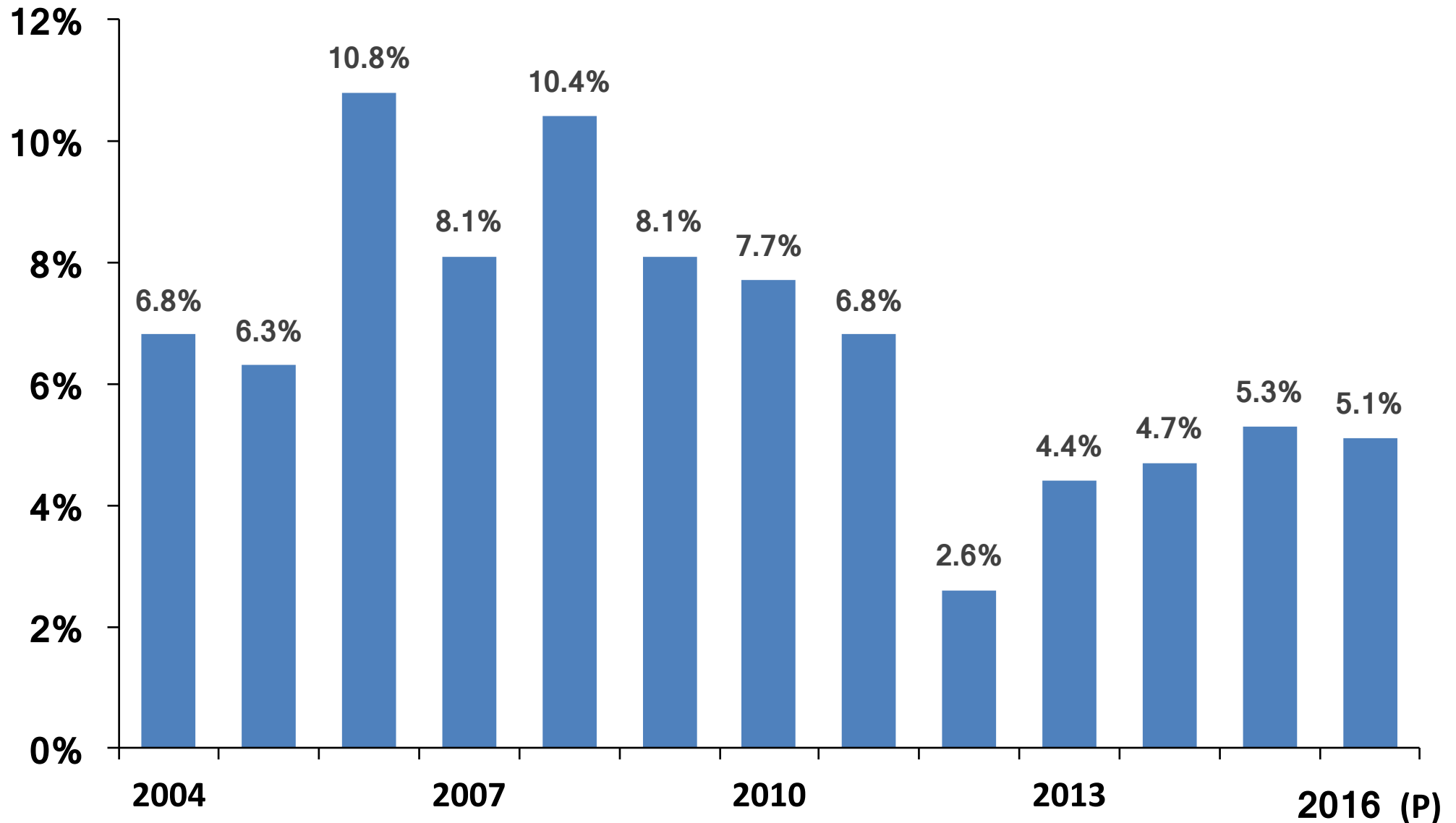
- Background on Ugandan growth and trade, and China's changing growth model
- China's direct investment in and lending to Uganda and the rest of Africa
- Chinese workers and migration to Uganda

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

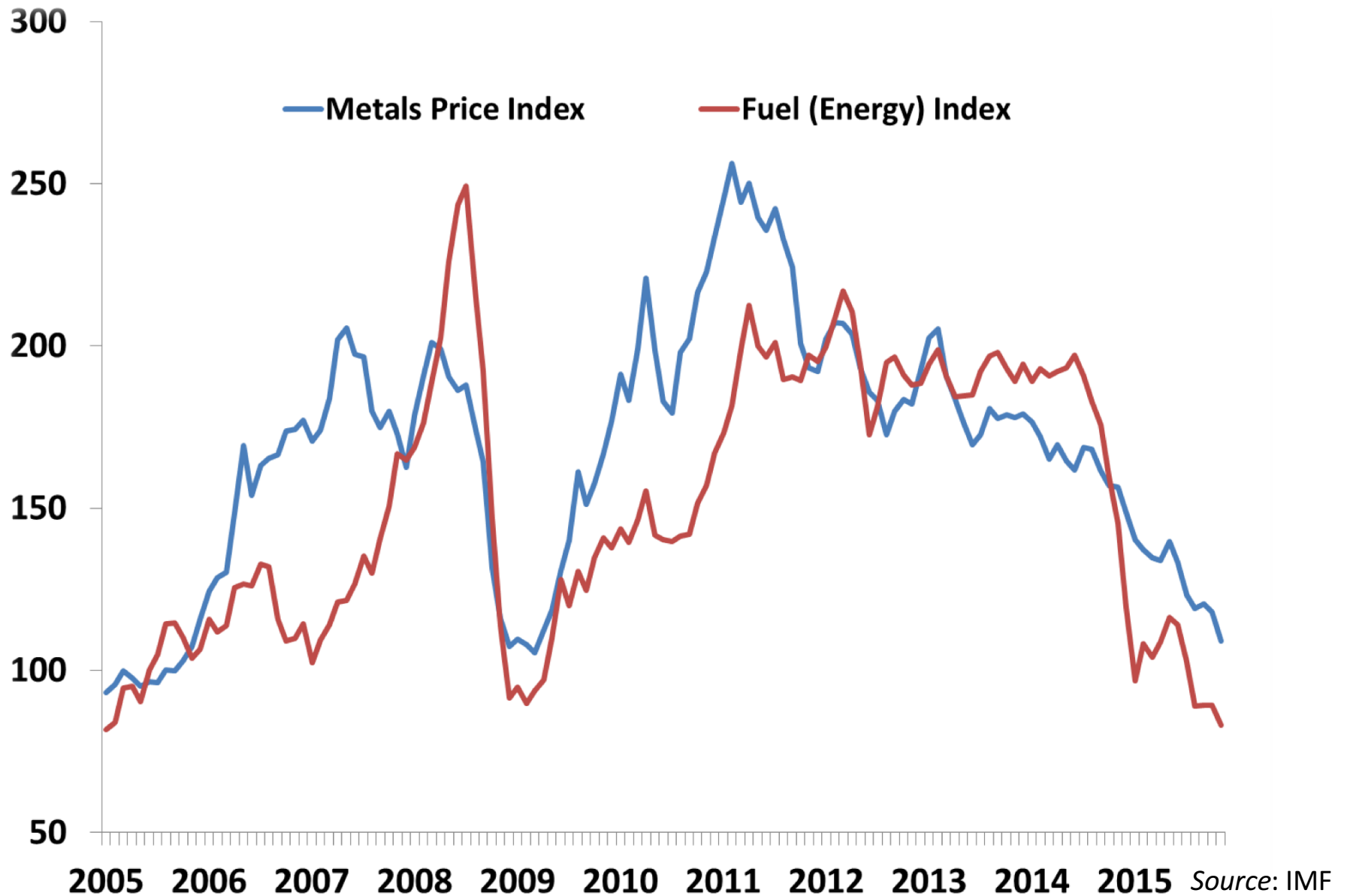


Source: IMF

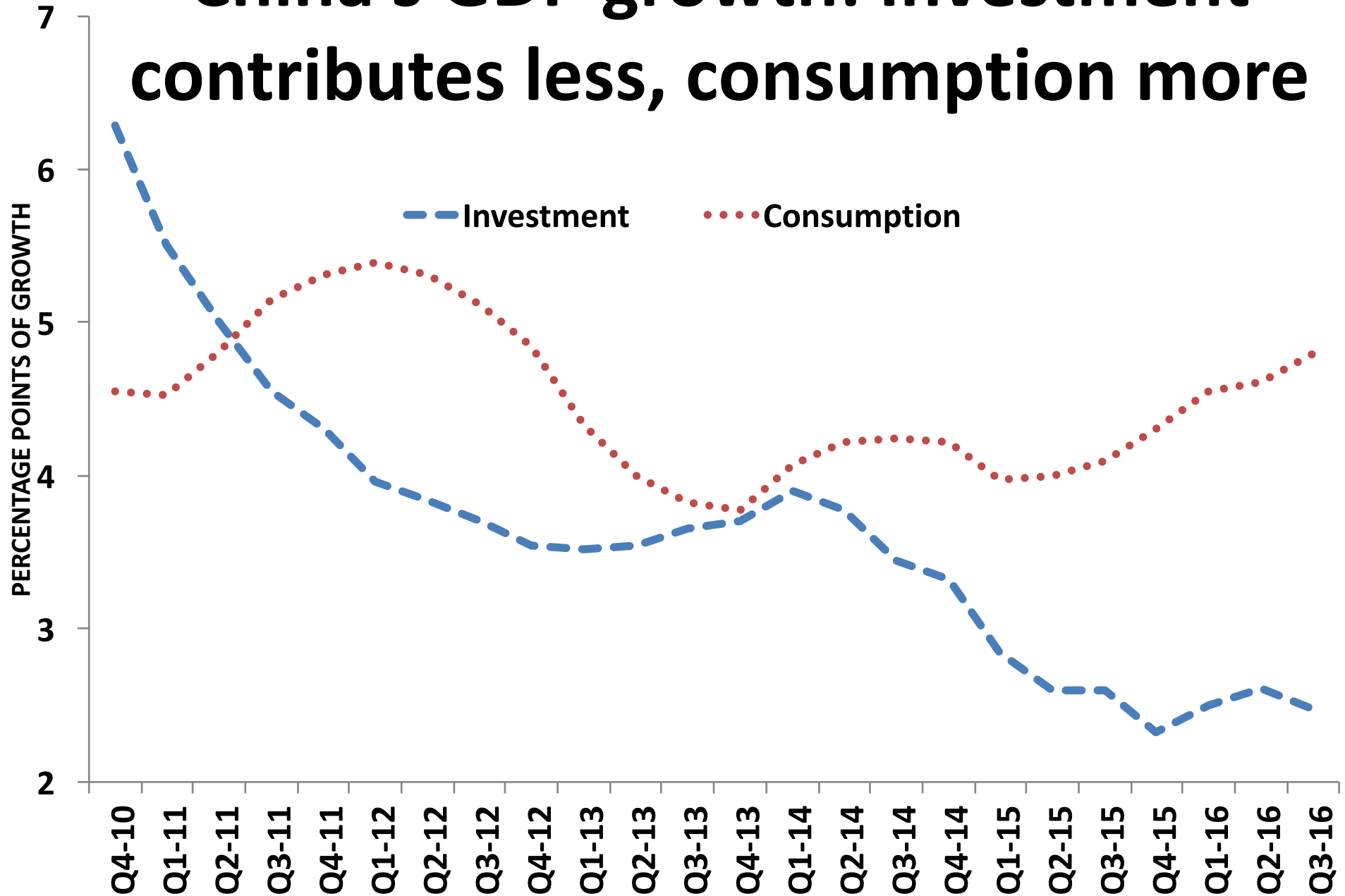
# GDP growth rate of Uganda is higher than that of Sub-Saharan Africa



# Chinese demand boosted prices of metals and energy through 2014

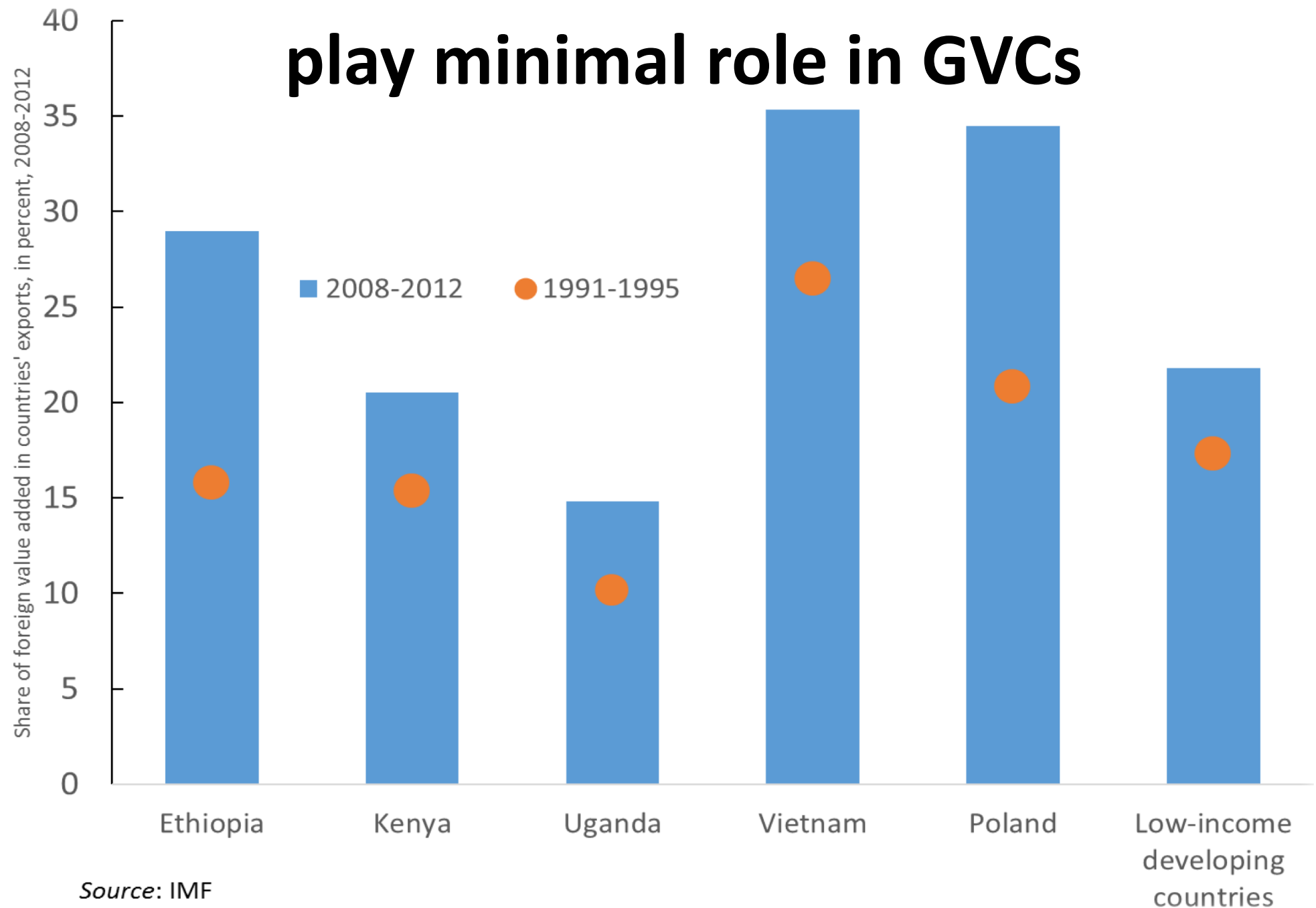


# China's GDP growth: Investment contributes less, consumption more



Source: NBS

# African economies play minimal role in GVCs

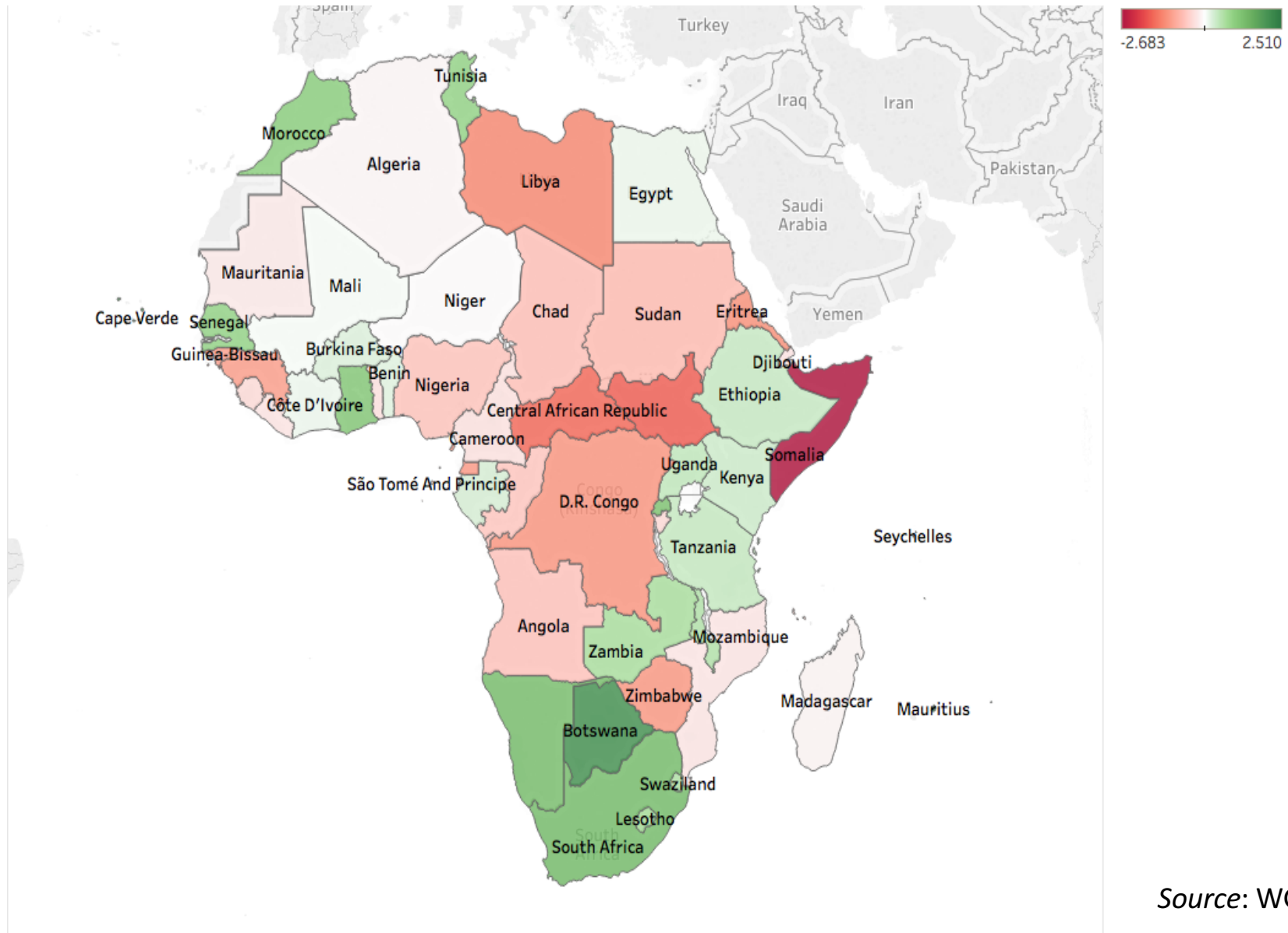


# Investment and lending

- China's overseas direct investment (ODI) is less than 5% of total FDI in Africa; attraction to natural resources is same as FDI
- ODI uncorrelated with property rights/rule of law index
- In Uganda in 2011, ODI was about 2% of total FDI stock
- But ODI rising rapidly: in 2014-15, ODI made up as much as half of total FDI flows, according to Ugandan Investment Authority

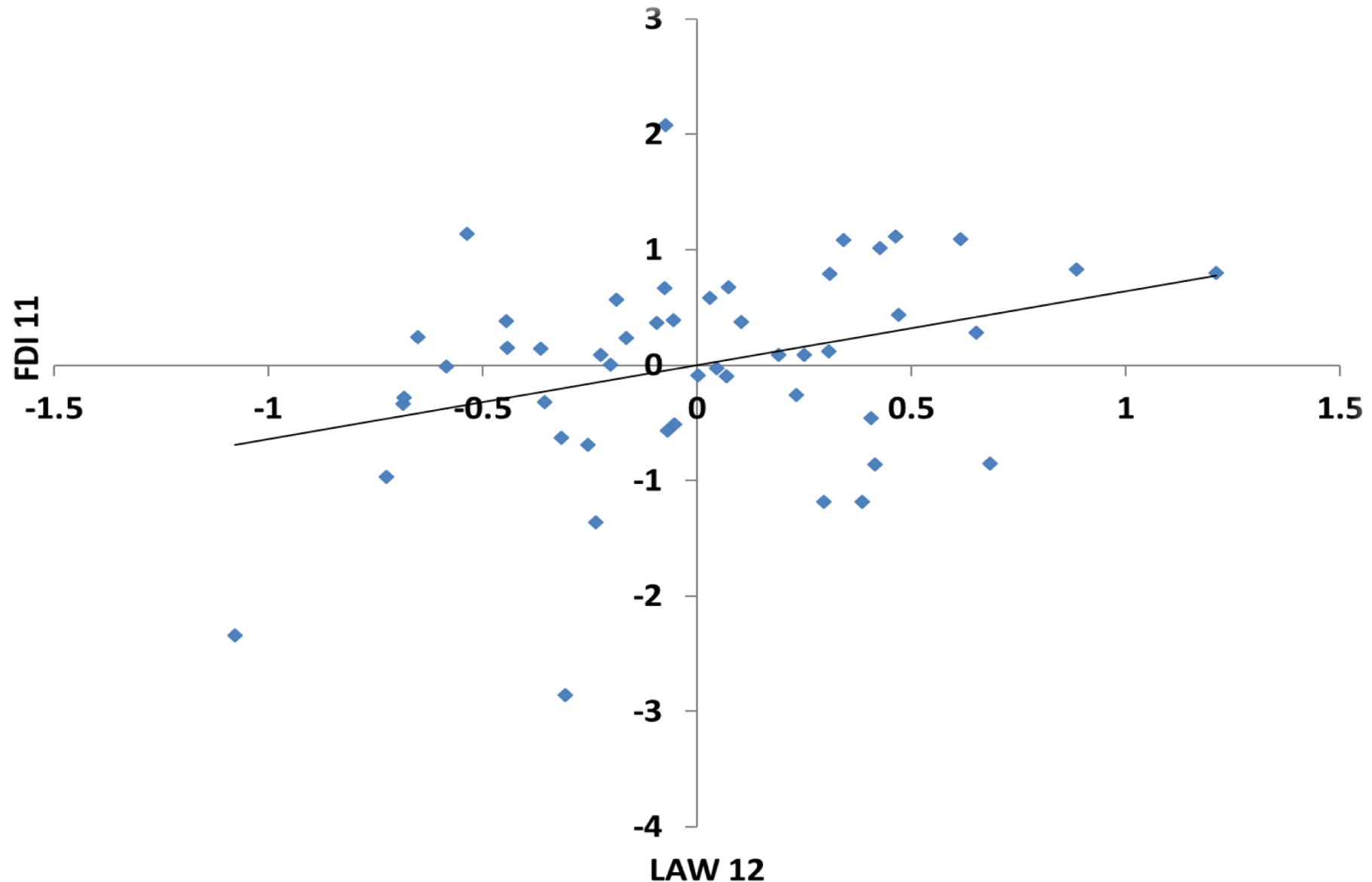


# “Rule of Law Index” values vary across the continent, 2014



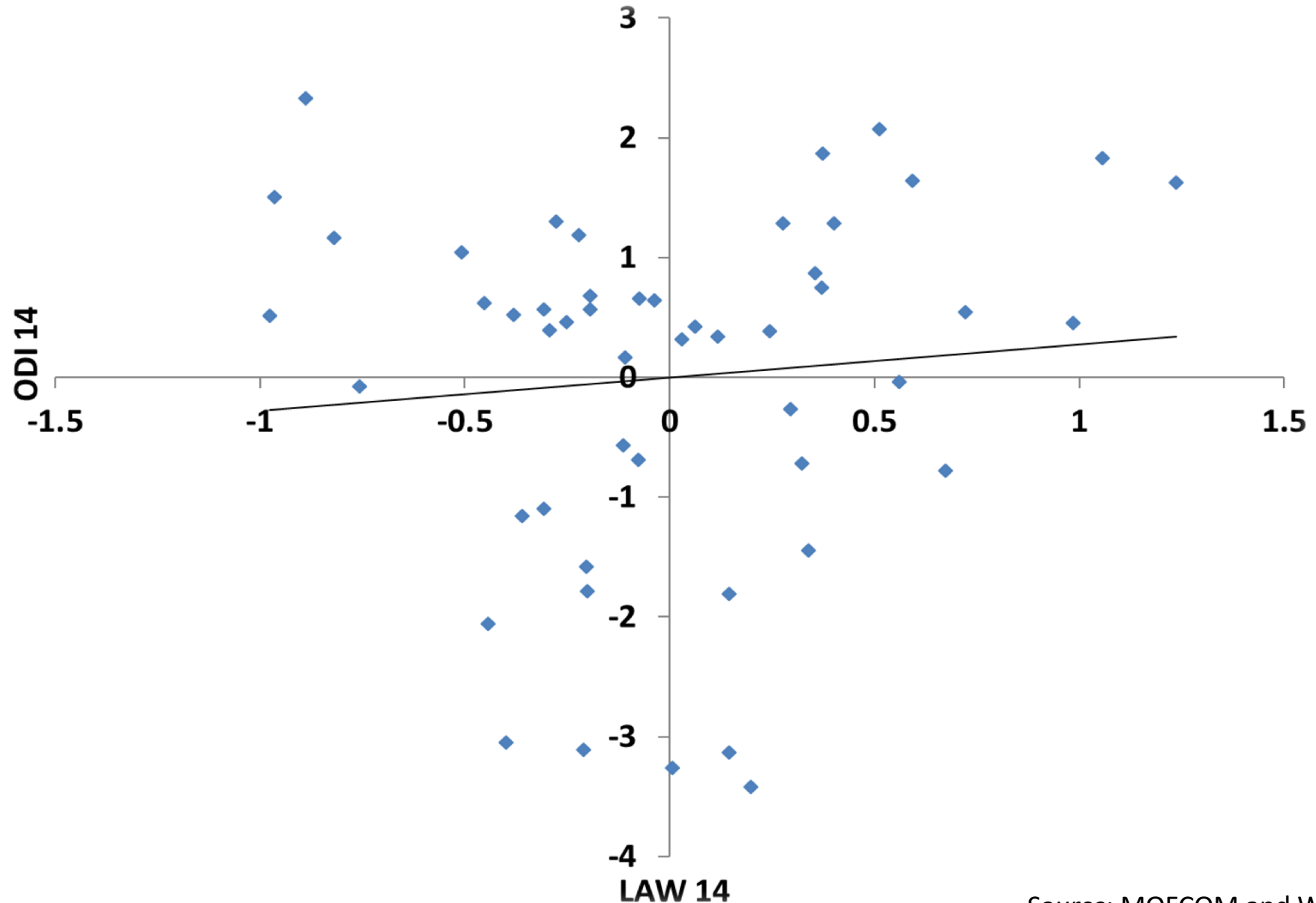
Source: WGI

# Global FDI favors African countries with better rule of law, 2012



Source: Chen, Dollar, and Tang (2015)

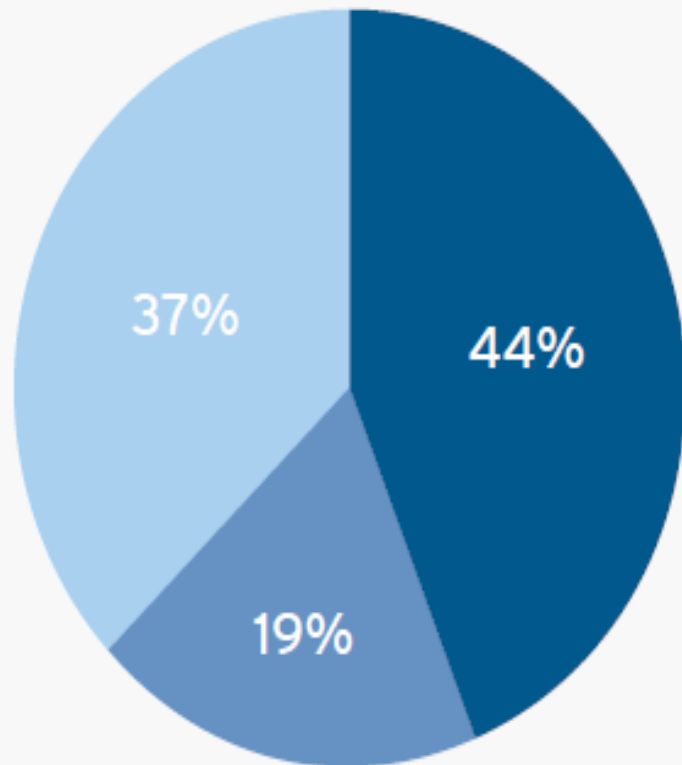
# Chinese ODI is uncorrelated with rule of law, 2014



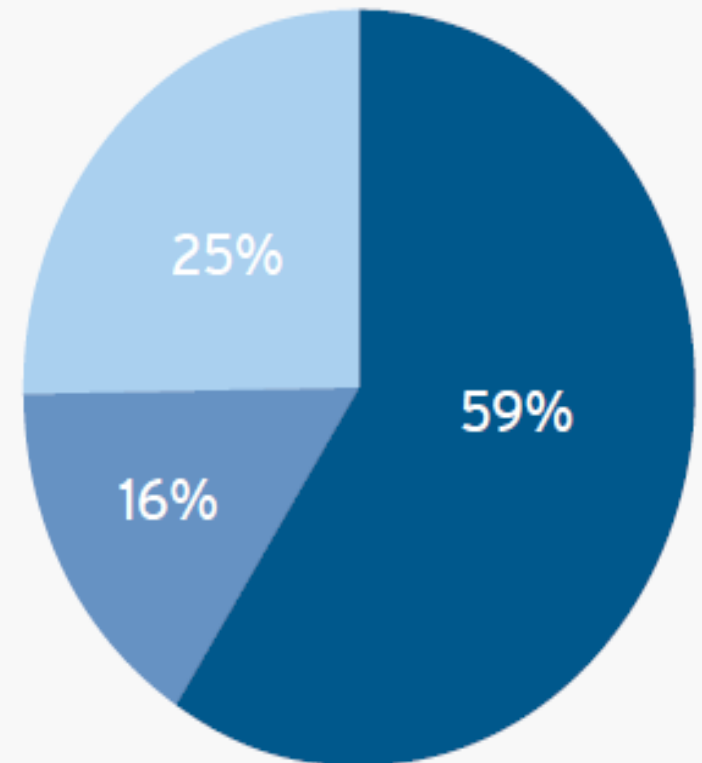
Source: MOFCOM and WDI

# ODI is indifferent to governance environment

CHINESE ODI, 2014

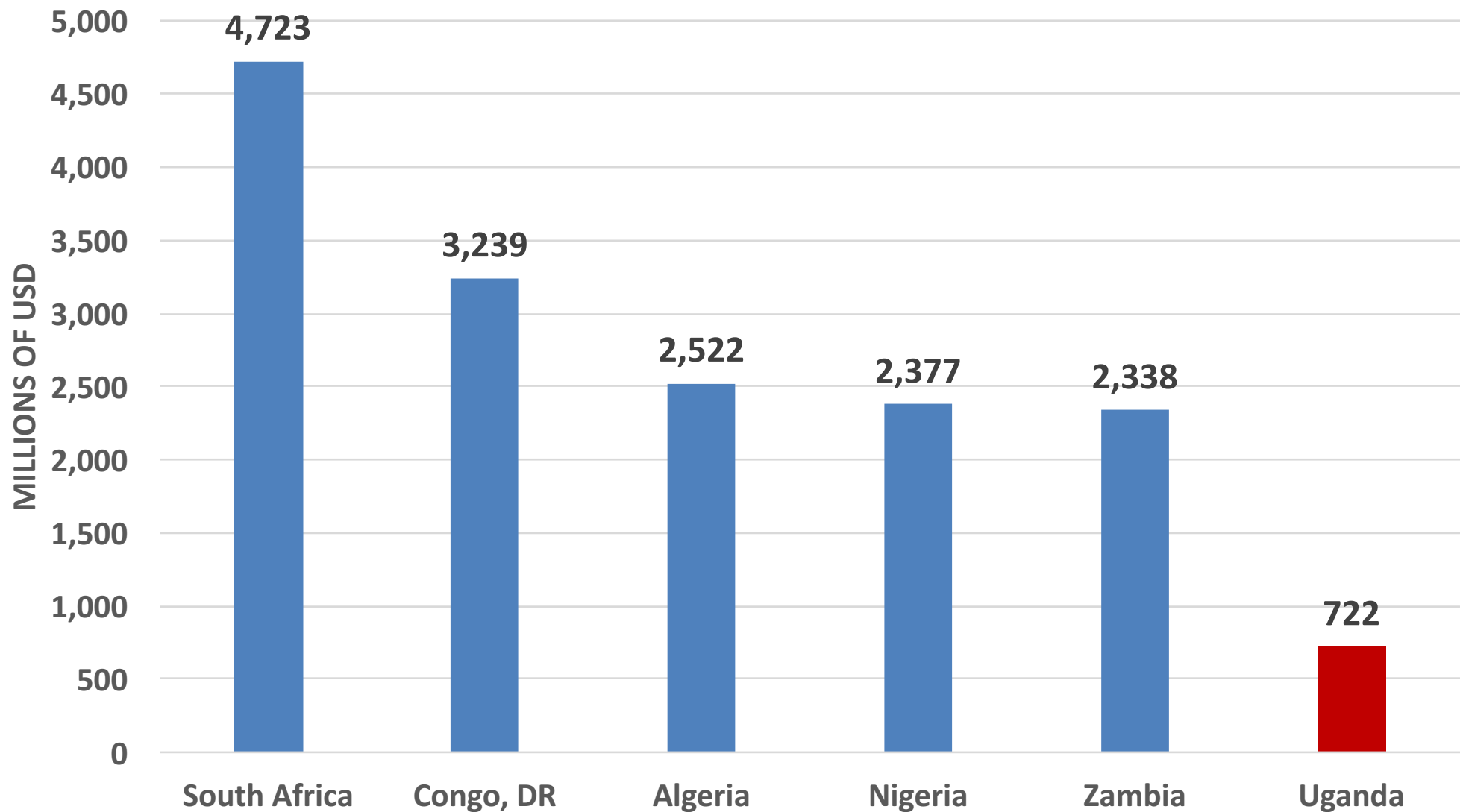


WORLD FDI, 2011



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

# Largest recipients of Chinese ODI, end-2015 stock

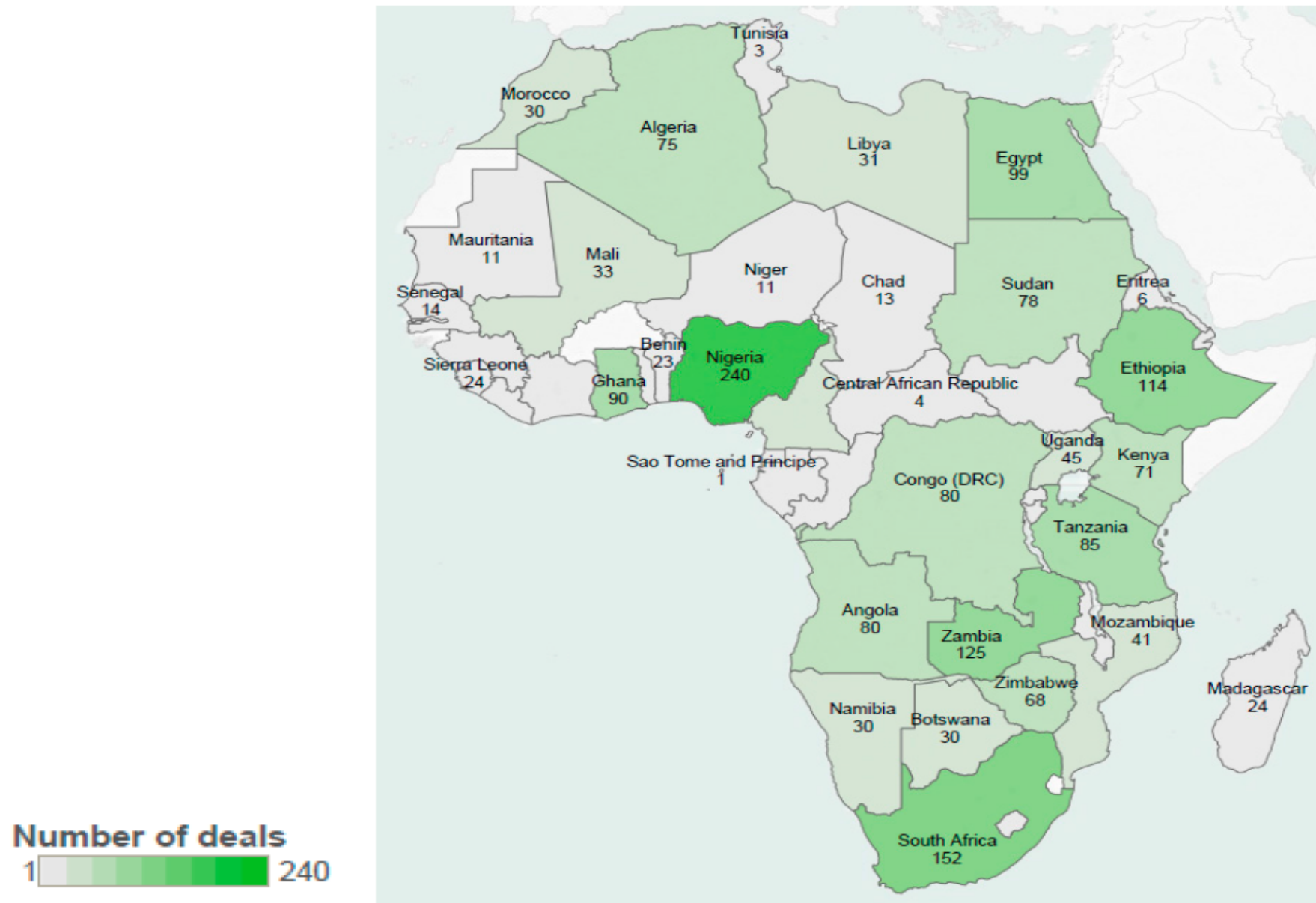


Source: NBS China

# Investment and lending

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

# Chinese SMEs invest all over Africa



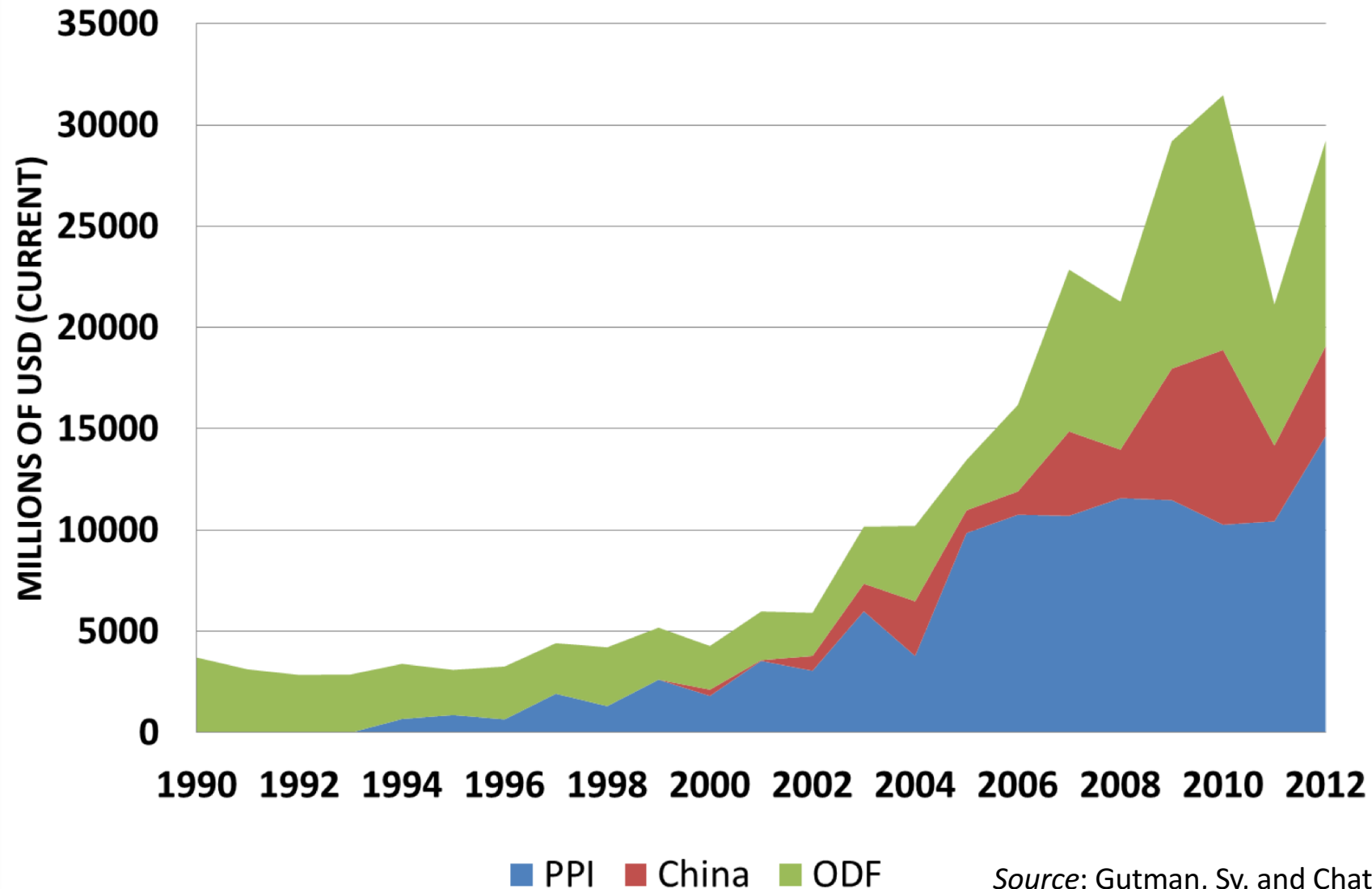
Source: Chen, Dollar, and Tang (2015)

# Investment and lending

- China's overseas direct investment (ODI) is less than 5% of total FDI in Africa; attraction to natural resources is same as FDI
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- Private SMEs invest in services, manufacturing
- EXIM, CDB fill a niche with large lending to transport and power

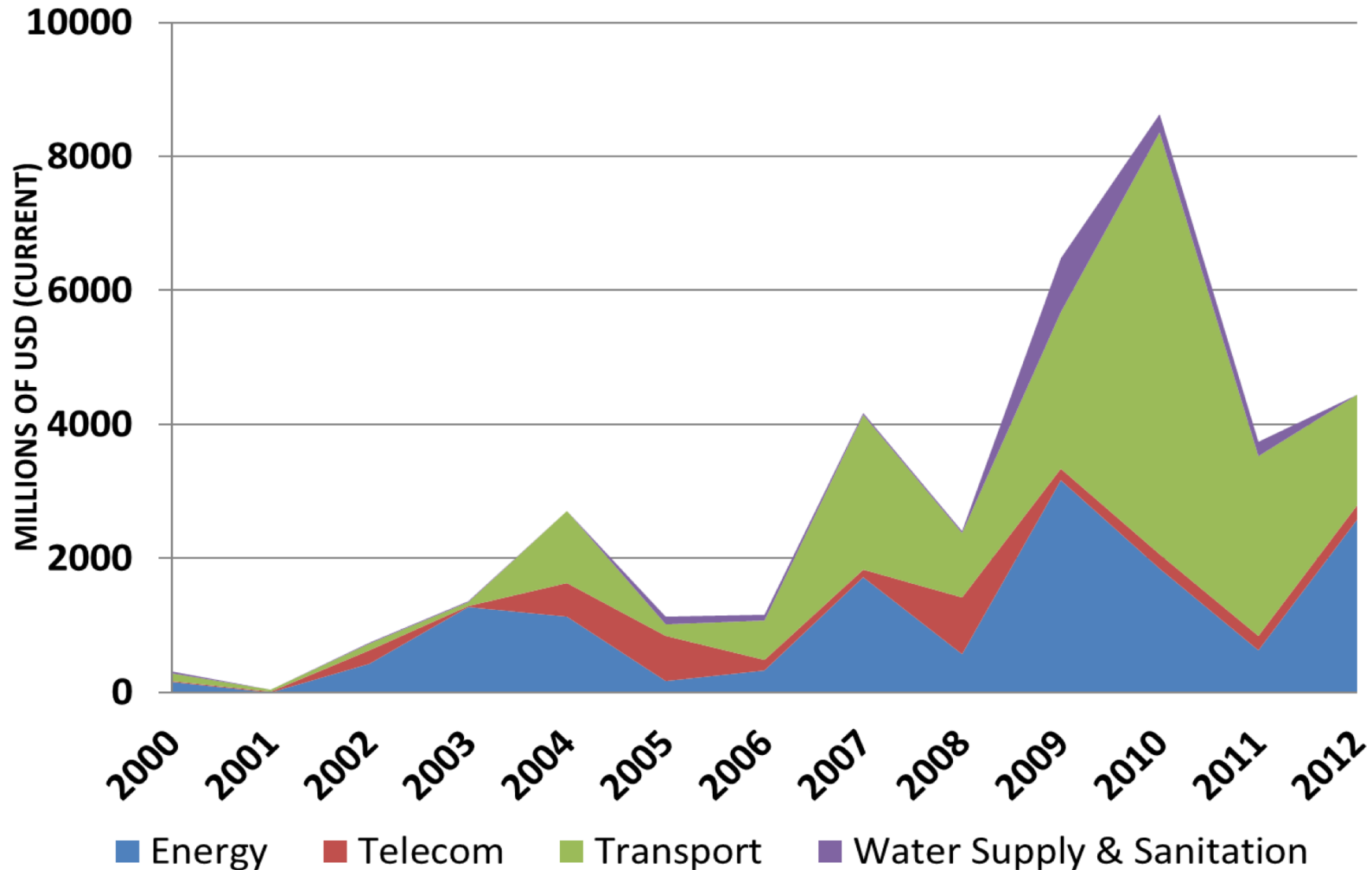


# China's share of external financing for African infrastructure is significant



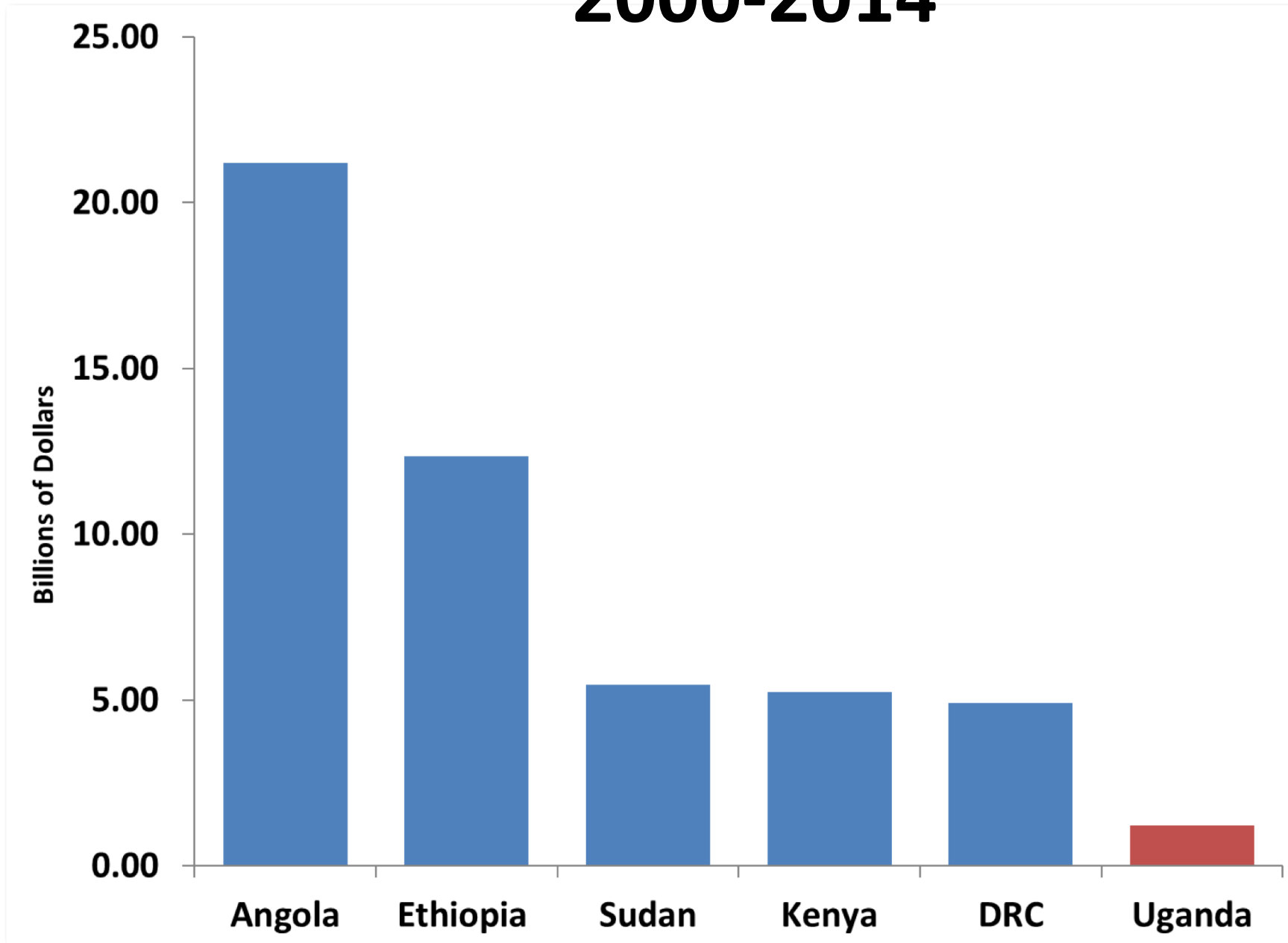
Source: Gutman, Sy, and Chattopadhyay

# Chinese financing targets transport, power



Source: Gutman, Sy, and Chattopadhyay

# Largest recipients of Chinese lending, 2000-2014



Source: CARI  
Database

# China-financed infrastructure in Uganda

- **2015:** China EXIM commits US\$1.4 billion for Karuma dam
- **2014:** EXIM commits US\$483 million for Isimba hydropower plant
- **2011:** China EXIM commits US\$350 million for Entebbe-Kampala toll road
- **2011:** China provided US\$100 million to improve road networks

# **China-financed infrastructure in Uganda:**

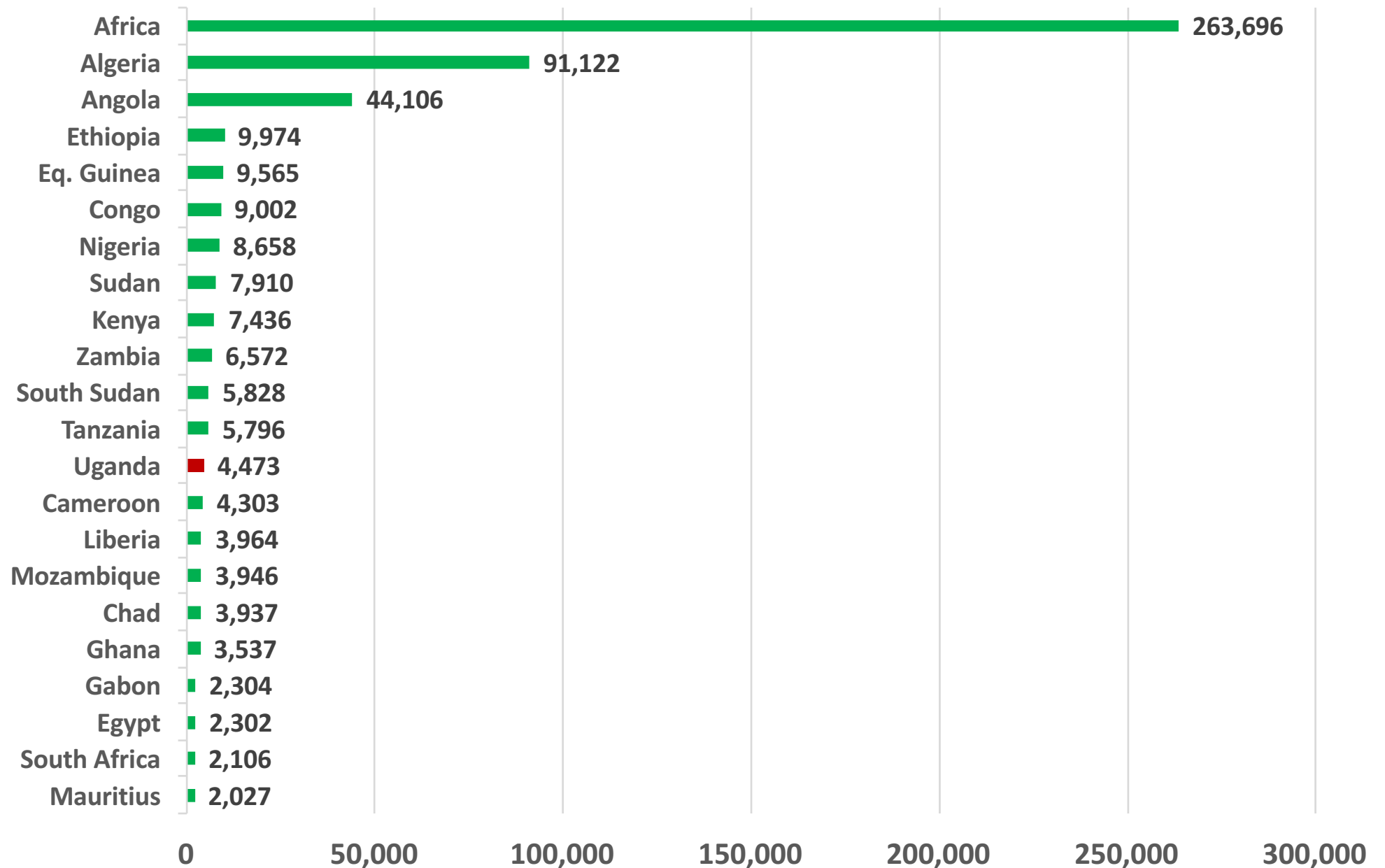
## ***Challenges***

- Sovereign debt sustainability
- Tied contracts
- Environmental and social safeguards

# Labor and migration

- Official figure on Chinese workers in Africa (end-2015): **263,696**
- Official figure on Chinese workers in Uganda (end-2015): **4,473**
- Unofficial estimates of total Chinese migration to Uganda: **10,000 – 50,000**
- Estimates of total migration to Africa reach as high as **1 million**

# Chinese workers in Africa, end-2015

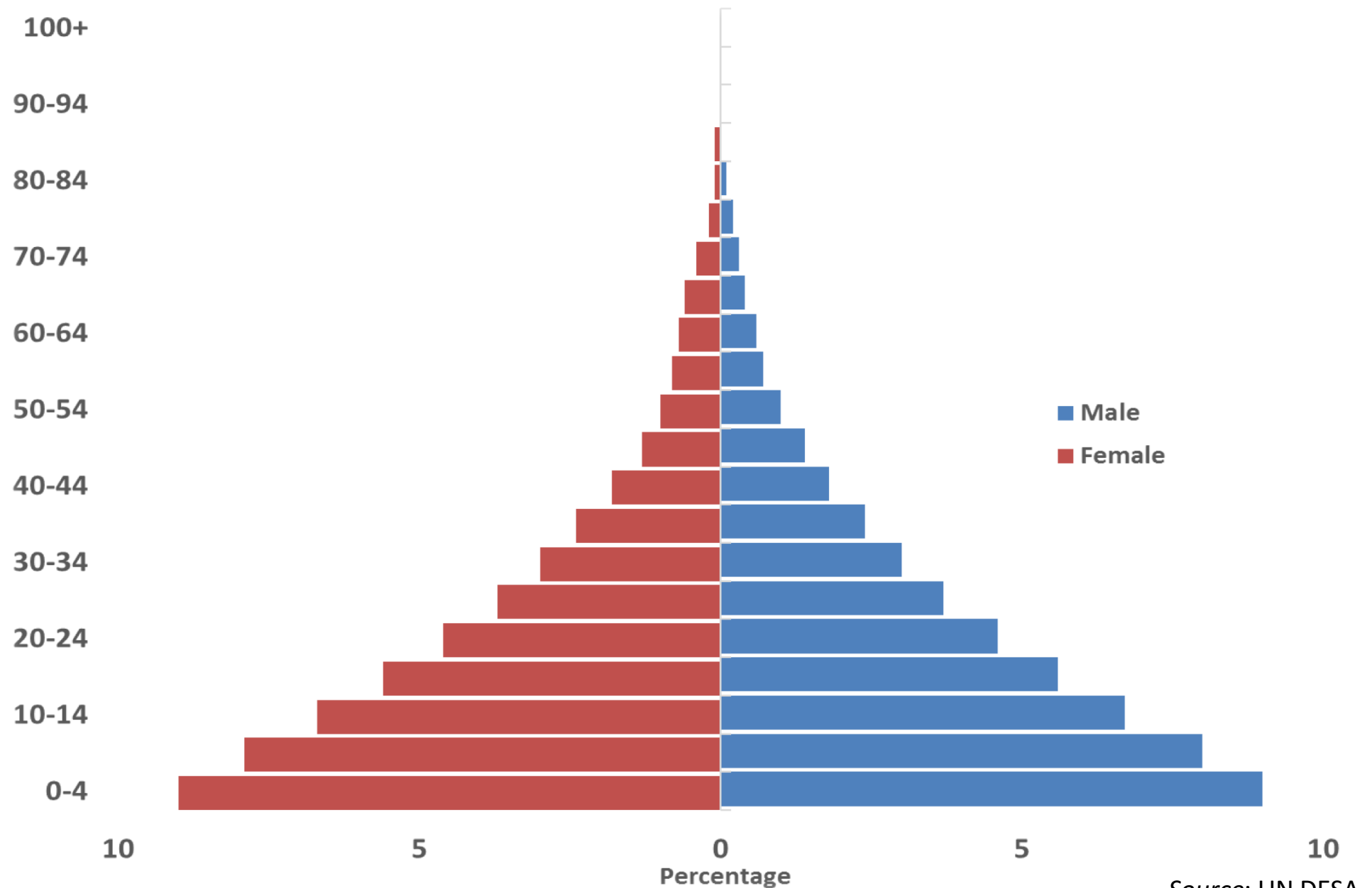


# Labor and migration

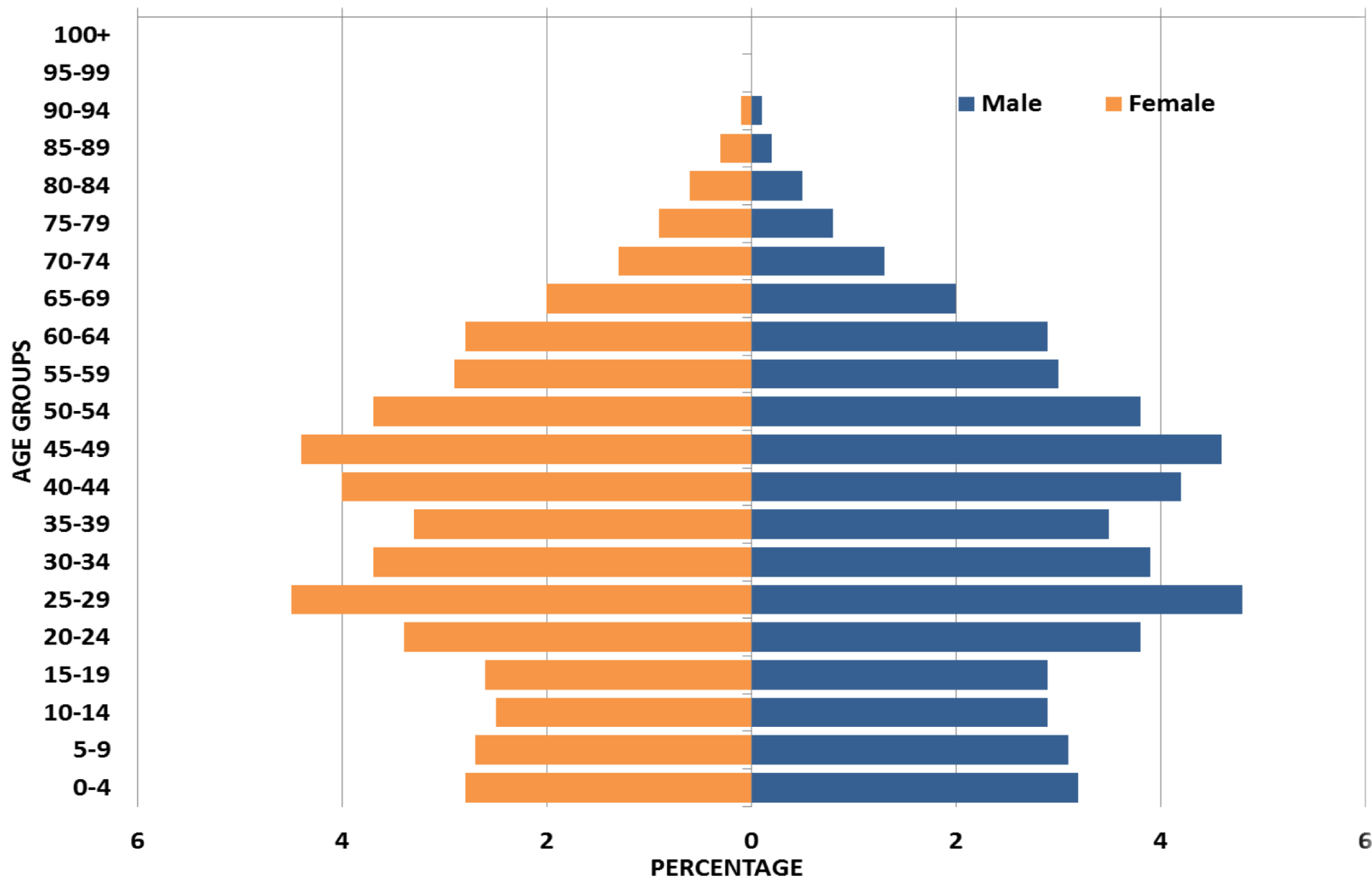
- Official figure on Chinese workers in Africa (end-2015): **263,696**
- Estimates of total migration as high as **1 million**
- More than half of Uganda's population is below the age of 20 (same for Africa as a whole)
- Africa needs to create about 20 million jobs per year (Uganda: nearly 1 million)
- China's working-age population has peaked and will decline in future decades



# Uganda's population is young, 2016

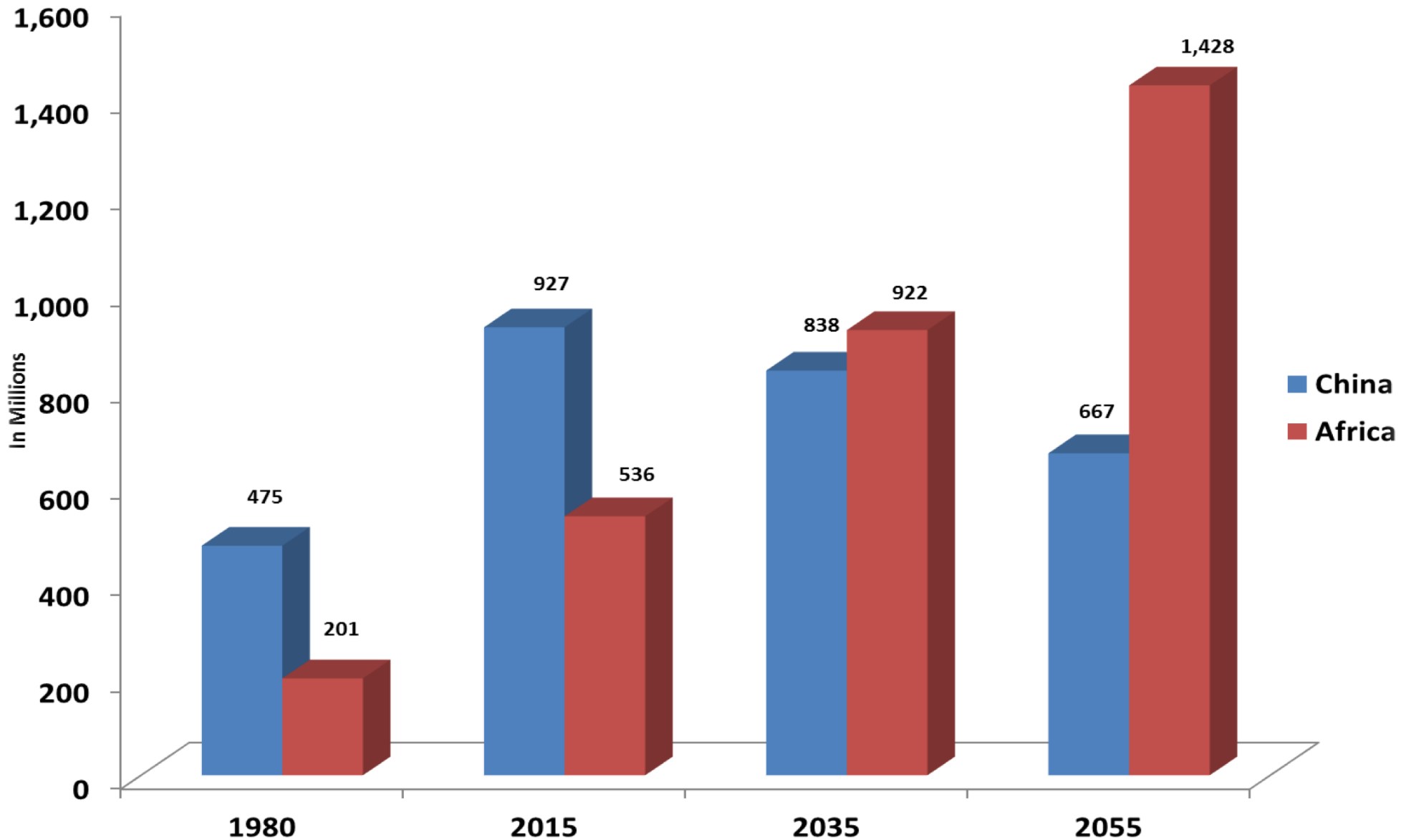


# China's "population pagoda," 2016



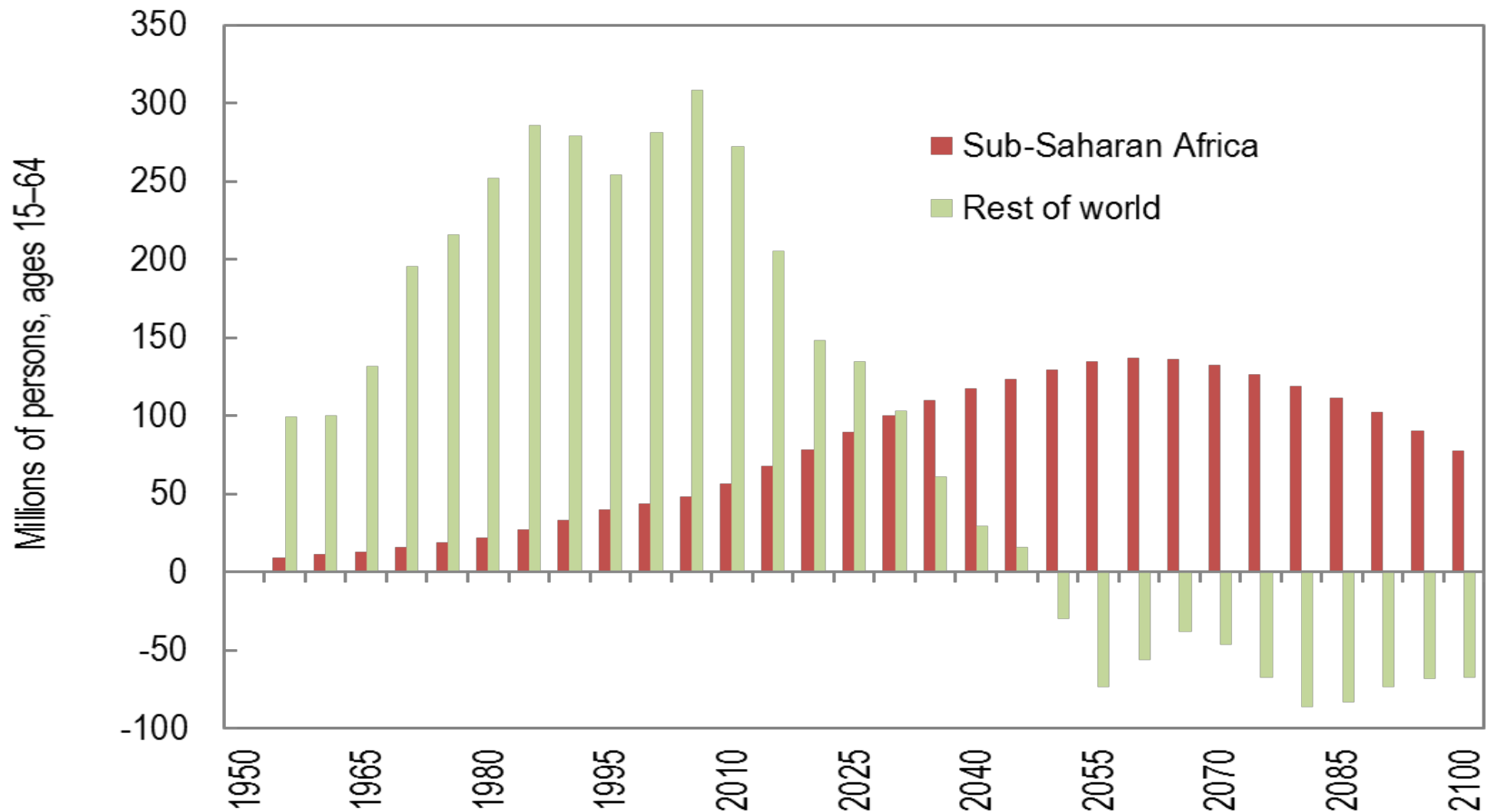
Source: UN DESA

# Africa's labor force will surge; China's will decline

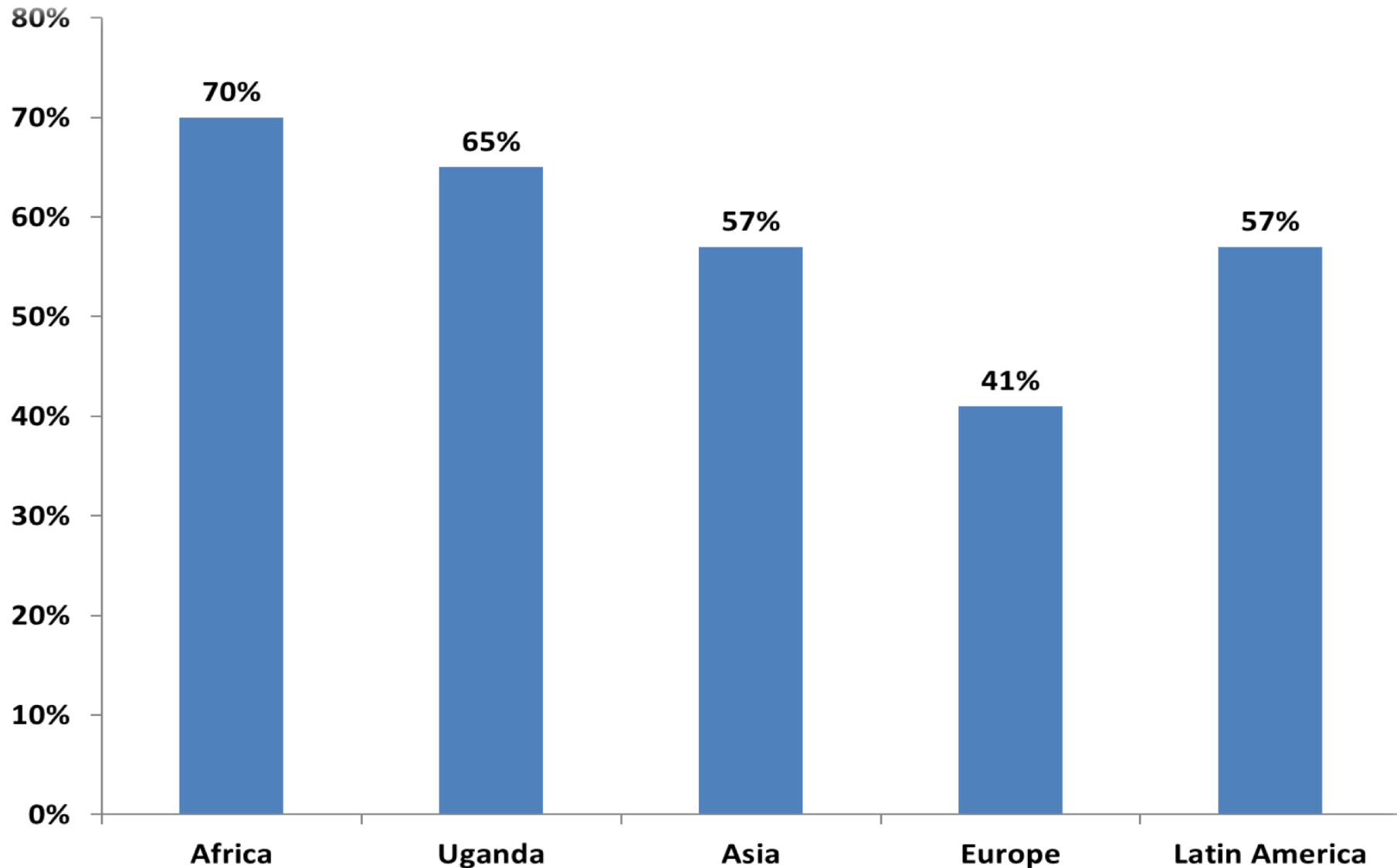


Source: UN DESA

# By mid-century, Africa will account for all global labor force growth



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



Source: Pew Global Attitudes Survey, 2015

# China's engagement with Africa

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

# **Recommendations for African governments and civil society**

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

# **Recommendations for Chinese governments and civil society**

- Rethink resource investments in poor-governance environments
- Encourage Chinese firms to hire and train African workers
- Facilitate the shift of labor-intensive GVCs from China to Africa



THANK YOU!