

## Impact of Chinese Investment in Cameroon

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### Abstract

*Following the visits of the Cameroonian president and Hu Jintao in 2006 and 2007 respectively, the Cameroonian president in his speech “called for Chinese companies to come and invest in Cameroon”. Today, there is a large number of Chinese working in almost all the private sectors of Cameroon involving in activities such as road, bridges, stadia construction, agriculture and small scale businesses. However, this paper seeks to explore the contributions or impacts of Chinese investment in Cameroon as mixed blessings to the Cameroonian economy. Although there is no clear records of Chinese investment at the moment, the government is no doubt benefitting from revenue derived from tariffs and business taxes and the government is losing revenue that was to be derived from the local firms which are being closed down thus, low living standard. The population also benefits from quality health and transfer of technology and.*

**Keywords:** Cameroon-China, Investment, private sectors, Chinese firms, constructions, projects, contracts, cooperation

### 1. Introduction

The aspect of foreign investment in most developing economies nowadays has been come a pivot for discuss following it motives for poverty eradication in emerging nations. Subsequently, over the years, China's economic changes and interrogation into the world trading scheme has been dated with outstanding economic advents. And over the past decade, her economy has developed to about 10 percent annually and it is speculated to be the world's fourth largest economy over the next five years. From 1979 to 2005, its proportion in world goods trade heightened from 1% to 6.5% and the economy gained grounds of becoming the world's top exporter in the next decade as a result of expanding FDI, increased domestic savings and improvement in and 1999-2004 the annual average growth rate of African exports to China was 20% and 48% respectively. China now accounts for about 20% of the world's population. China is now a significant icon in the international economy and politics, with active participation in international institutions. Take it or not, she is displaying new and outstanding claims to the global economy and developing economies in particular she should not be under estimated by any nation. Looking at the Sub-Saharan African countries today, especially Cameroon whose economic growth boosted since 1994, after almost a decade of devastating economic crisis due to the devaluation of the CFA franc, her real GDP had a serious backdrop to an average of about 4% annually.

The cordial relationship between Cameroon and China has improved from level to level over the past decades. China's growing interest in Cameroon can be traced as far back to the colonization of African countries , she supported or assisted ideologically towards the decolonization process of African nations and after the independence of most African countries , she established strong diplomatic relations with these countries in which Cameroon is not left out .In January 1960 Cameroon established diplomatic relationship with Taiwan and on March 26, 1971, she strengthened its relationship with Taiwan to establish diplomatic links with the People's Republic of China. The Cameroon-China ties have been marked by several official visits involving top government officials from both countries through summits, conferences equality and diplomatic co-operation. To buttress these ties, numerous cooperation agreements had been signed by both nations.

However ,it is no doubt that China interest in Africa is geared towards her long term economic objectives especially her demand for natural resources and export opportunities and thus her “honey moon” is predatory .

Nevertheless, she remained Africa's number one donor and Cameroon in particular, although she received aid and investment from colonial donor like France. Numerous agreements have been signed between Cameroon and China in the era of economic, health, education and technical, cultural cooperation. Some of which clearly outlined the manner of Chinese concessional lending to Cameroon, some of the agreements signed included Agreement for the reciprocal protection and promotion of investments in 1997, Agreement for Economic and Commercial Cooperation in 2002, and several Agreements on Economic and a host of others. And owing to the poor state of the infrastructure in sub-Saharan Africa and Cameroon in particular there was urgent need for foreign aid and investment. China has been actively committed in the domain of economic, health and infrastructural sectors through effective relations. . They are involved in the construction of ports, health and energy facilities, roads and railways as well as in agriculture and trade.

## **1.2. Chinese investment**

In January 2007, the president of Cameroon during his visit to China, in a speech, called for Chinese companies or firms "to come in their numbers and invest in Cameroon in all the sectors, especially hydrocarbons, mineral exploitations and wood extraction. This however acted as an impetus for Chinese investment in the private sector in Cameroon, today, there are many Chinese involved in various activities and some working in the private sector in Cameroon especially in the domain of road construction, fishing and poultry farming, confectioneries, catering, health care, forest exploitation and running small scale businesses of a wide variety of cheap goods imported from China. Although there are no clear governmental or official records owing to amount of Chinese investments and activities in the country at this point in time. However, Chinese had and are still investing a lot in the private sector in Cameroon. One of such domain of investment is in the construction sector of the country. A lot of Chinese firms are involved in this domain to their bidding construction contracts, time accuracy. A glaring example is the China Road and Bridge Corporation (CRBC) which won the contract to construct the 13 km of road in the economic capital, Douala, for US\$18 million, defeating other bidders who were US\$30 million. The construction was very successful and completed a month ahead of the proposed time and was appreciated by both the Douala municipal authorities and the World Bank, also involved in the project.

In 1973, the Lagdo Hydroelectric dam and the Yaounde Conference Centre were also constructed by Chinese construction firms. It should be noted that, all the projects sponsored by Chinese aid to the country are executed by these firms which are selected by Chinese government.

Also, Chinese private investment is so much interested in the oil subsectors, forestry and fishing sectors in the country. Other sectors attracting Chinese private investment is the fishing, forestry and oil subsectors. The locality of Douala, Limbe, Kribi are witnessing a large number of Chinese firms, groups of a few individuals involved in fishing. They use more sophisticated fishing materials than the indigenes.

They are also seriously involved in forest exploitation, with about two or three small firms as of now. It is however speculated to increase as wood exportation to China is on an increase.

In the domain of oil, two Chinese firms are actively involved in oil exploration in the Gulf of Guinea, and Chinese investment in the mining sector is expected to increase following the plight of the Cameroonian president.

Chinese are also interested in agricultural sector of the country. They are so much interested in projects like rice cultivation, cassava and the rearing of ostrich. In 2006, a US\$60.5 million was invested in projects connected to rice cultivation, cassava and ostrich farming by the Chinese Shanxi State Farms after a far reaching agreement with Cameroon to invest in such projects. It should be noted that, these projects are financed by loans from the EXIM Bank. And so far, Shanxi State Farms is operating in Nanga-EBook in the Centre Province and has already involved in activities covering close to 150 hectares of rice cultivation. The project is financed by a loan from EXIM Bank China. Added to this, the Chinese are also interested in the educational sector as a means to spread their language and culture. The Chinese Zhejiang University and the International Relations Institute of Cameroon (IRIC) are jointly managing a Language Teaching Centre that was created in Yaoundé in 1997. It has attracted host of students from the Central African Countries and involved in training diplomats and professionals. The centre in 2004 commenced a Chinese language competition each year and in which the winners benefit a trip to China. And in September 2005, following cooperation between the education ministries in Cameroon and China , a Cameroon National Ballet with the assistance of two dance instructors from China.

In recent times, a large number of Chinese are actively involved in petite trades in Cameroon owned and managed by their families with their retail shops spotted on almost every street in big cities in the country. They are involved in activities such as retailing of relatively cheap goods imported from China like electronic appliances, textiles, travel goods, footwear, clothing, etc.

Another sector in which the Chinese are so much attracted to is the health sector in Cameroon. Chinese traditional medicine, hospitals and clinics are becoming so famous and influential in Cameroon. Millions of clinics specialized Chinese traditional medical practices like acupuncture massage etc. They provide medical services, supply of Chinese-based drugs needed. The strategy of the Chinese government of late has been to forge joint venture projects between Chinese firms and private sector partners in Cameroon. The Chinese government in 2006 invested FCFA 1.8billion to rehabilitate and equipped the Buena Annex Regional Hospital. Furthermore, to curb infant mortality rate, the Gyneaco- obstetric and pediatric hospital was constructed in Douala and Yaounde.

Moreover, the governments of Cameroon and China have been involved in several joint venture projects sponsored by the EXIM bank and SNI. These projects are mostly between Chinese firms and private sector partners in Cameroon. In 1997, the EXIM bank loaned out US\$14 million to be managed by SNI to finance two joint venture projects between Cameroonian and Chinese business men. These projects involved the production of tractors and recycling of tires in Kirby though it was unsuccessful due to lack of raw materials eventually led to the shutdown of the companies.

### **1.3. Impacts of Chinese Investment in Cameroon**

Looking at Chinese private investment in Cameroon, one cannot in any way deny that it has brought about some remarkable gains to the Cameroonian economy. It has improved on employment opportunities. Chinese firms offered mostly unskilled jobs such as assistants and translators to work in Chinese shops, construction sites and restaurants with little wages and barely any contracts and mostly on a short duration and many of whom became redundant workers as soon as the Chinese are able to speak the languages (English and French). The local labor is witnessing a great lose due to low wages and collapsed faced from Chinese firms and as if this is not enough , the Chinese firms import most of unskilled labor from China. Added to this, the economy also benefits from skills or technical knowledge as they work together with the Chinese; now lots of Cameroonian is involved in Chinese medicine holding claims to have studied in China.

Also, the presence of Chinese private investors in Cameroon has helped increased capital goods through cheap capital imported from China. Now, the economy benefits from improved production and the flow of goods and services at a lower cost.

Furthermore, the population of Cameroon is enjoying a wide variety of cheap Chinese goods and services ranging from electronics, foot wears and a host of others as everyone can purchase modern clothing. Here home manufactured goods faces competition with the Chinese goods as many people shift from consumption of these goods to consumption of Chinese cheap goods though with very low quality.

It should also be noted that, despite all the ready market and opportunities, most Chinese are unsuccessful business men especially those working in their clinics due to shallow knowledge on Chinese medicine and low quality drugs all labeled in Chinese language. But no doubt, the presence of Chinese in this sector has drastically improved the quality of health facilities in Cameroon especially in the domain of Chinese medics. As a result of this, those running private and local clinics are also facing competition from the Chinese due to their cheap medical services and with little or no laboratory experiments.

Also, the presence of Chinese in the country is a serious threat to the stakeholders as they suffer competition from the advance technology and management skills of the Chinese especially in

Sectors of health, retailing, fishing and poultry farming, construction, etc. This is so because most Chinese investment is geared towards market-oriented. The local population especially businessmen like retailers and contractors who are in the same line of business are closing down many of their shops although most of them do import from China but they cannot compete with their Chinese counterparts.

The presence of Chinese investment has benefitted Cameroonian economy through the transfer of technology due to Chinese cooperation and its principles of mutual respect and benefit sharing, china has always emphasized to strengthened ties with Africa, in the areas of applied research, technological development thus Cameroon is also benefitting from this.

Also, another victims of such competition are the local contractors who are as well facing challenges as Chinese are even winning local contracts and they cannot bid for Chinese projects and this has brought about a miserable situation as could be evident in the construction of the Douala roads as they expressed frustration when the contract was won by Chinese.

The Cameroon government is also witnessing mixed blessings from Chinese investments. The government is benefitting from revenue derived from tariffs and business taxes and the government is losing revenue that was to be derived from the local firms which are being closed down and leading to unemployment, low living standard and high crime wave in the country.

#### **1.4. Conclusion**

The cordial relationship between Cameroon and China has improved from level to level over the past decades. China's growing interest in Cameroon can be traced as far back to the colonization of African countries, she supported or assisted ideologically towards the decolonization process of African nations and after the independence of most African countries, she established strong diplomatic relations with these countries in which Cameroon is not left out. In January 1960 Cameroon established diplomatic relationship with Taiwan and on March 26, 1971, she strengthened its relationship with Taiwan to establish diplomatic links with the People's Republic of China. The Cameroon-China ties has been marked by several official visits involving top government officials from both countries, summits, equality and diplomatic co-operation to buttress these ties through the signing of cooperation agreements. However, the relationship between both countries is growing rapidly with a mixed blessings as both partners and even stakeholders in Cameroon faced challenges, thus, in order to achieve a better partnership, a device should be put forward by the authorities concerned to redress loses and raising gains rather than to depend completely on the Chinese "win-win" policy. There are many Chinese involved in various activities and some working in the private sector in Cameroon especially in the domain of road construction, fishing and poultry farming, confectioneries, catering, health care, forest exploitation and running small scale businesses of a wide variety of cheap goods imported from China. Although there are no clear governmental or official records owing to amount of Chinese investments and activities in the country at this point in time but no doubt, Chinese investment has created both skilled and unskilled job opportunities, it has brought about efficiency through competition, increased in capital goods, and the market oriented system has thus brought significant impacts on the local economy of Cameroon as contractors businessmen and labor are not gaining from Chinese competition.

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