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Racing to the bottom? Chinese development projects and trade union involvement in Africa

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ABSTRACT

Chinese firms operating in Africa are often accused of violating international labour standards and not adhering with national labour laws. Considering China's tendency to maintain control over development projects throughout the entire implementation phase, using Chinese contractors for work performed in the recipient countries, the present paper investigates whether China impacts African labour practices in their capacity as a donor. Specifically, we use a new data material allowing for systematic quantitative analysis of Chinese development finance to investigate whether Chinese development projects affect trade union involvement. Matching geo-referenced data on the subnational allocation of Chinese development projects to Africa over the 2000–2012 period with 41,902 survey respondents across 18 African countries, our estimation strategy relies on comparing the trade union involvement of individuals who live near a site where a Chinese project is being implemented at the time of the interview to those of individuals living near a site where a Chinese project will appear in the future, but where implementation had yet to be initiated at the time of the survey. The results consistently indicate that Chinese development projects – unlike the projects of other major donors – discourage trade union involvement in the local area.

1. Introduction

In 2005 an explosion at a Chinese-owned factory in Chambishi, Zambia, killed 46 workers. The following year, riots over work conditions culminated in the shooting – allegedly by a Chinese manager – of at least five miners in the same town (Human Rights Watch, 2011). While clearly an extreme case, it illustrates that labour relations between Chinese management and African workers have been, to say the least, strained. Anecdotal evidence points to serious violations of international labour standards at Chinese investment sites in Africa (e.g. Jauch & Sakaria, 2009; Human Rights Watch, 2011; Akorsu & Cooke, 2011), and a recent study suggests a 'Shanghai Effect', whereby African countries trading with China begin to reflect comparatively low Chinese labour protection standards (Adolph, Quince, & Prakash, 2017). This paper investigates a potential alternative channel through which China may impact African labour practices, namely in their capacity as a major donor.

The global economic landscape has changed dramatically since the turn of the millennium: low and middle income countries have been driving global economic growth, new sources of development finance have emerged and the development cooperation arena has seen continued diversification of actors, instruments and delivery mechanisms (Kharas, 2012; Mawdsley & Savage, 2014). In this process, the role of traditional official development assistance (ODA) in development cooperation is becoming less dominant. According to a recent estimate, non-ODA flows – including e.g. official export credits, FDI, private grants, private remittances and other private flows at market terms – accounted for over 80% of external resources received by developing countries (OECD, 2016). In parallel, the dominance of aid from the OECD-DAC countries is declining, with recent years seeing a sharp increase in development finance from non-Western donors, with China at the forefront (see e.g. Strange, Parks, Tierney, Fuchs, & Dreher, 2015; Dreher, Nunnenkamp, & Thiele, 2011; Dreher, Fuchs, Parks, Strange, & Tierney, 2015). The changing circumstances call for a renewed focus on the implications and challenges of development cooperation in general, and for an understanding of the implications of the rise of new actors and financial flows in particular. With commercial and concessional flows being increasingly intertwined, there is a need for a broader view when analyzing the impacts of aid, incorporating questions traditionally not studied within the aid framework.

The present paper examines the impact of Chinese development projects on labour union involvement in African recipient

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countries. China is well-known for being heavily involved throughout the implementation phase of development projects, mixing commercial interests with concessional flows e.g. by conditioning their funds on the use of Chinese contractors and staff for work performed in the recipient countries (see e.g. Tull, 2006; Bräutigam, 2009; Tan-Mullins, Mohan, & Power, 2010). Given this nature of Chinese development finance, criticisms over its donor practices go beyond issues of aid allocation and aid effectiveness.[1] In particular, concerns are often raised with regard to labour rights at Chinese production sites in Africa, with reports of labour abuses, poor health and safety standards, and anti-union activities (see e.g. Jauch & Sakaria, 2009, on Namibia; Human Rights Watch, 2011, on Zambia; and Akorsu & Cooke, 2011, on Ghana). However, as pointed out by Strange et al. (2013), there is a lack of statistical evidence to corroborate these allegations on a wider scale.

Until very recently, there has indeed been little systematic empirical evidence on the effects of, and principles guiding, Chinese development assistance in general. Unlike the OECD-DAC donors, the Chinese government does not release detailed, project-level financial information about its foreign aid activities (Strange et al., 2013). This lack of transparency has made evaluation of Chinese aid notoriously difficult, and as a result, China's aid to Africa is the subject of much speculation.

We use a new comprehensive data material (Strange et al., 2015) allowing for systematic quantitative analysis of Chinese development finance to investigate whether Chinese development projects affect trade union involvement in Africa. We ask whether the Chinese choose to establish their projects in areas with weaker trade unions, and whether they, through their presence, affect the degree of trade union involvement. The results are compared with those for other major donors.

To this end, we geographically match geo-referenced data on the subnational allocation of Chinese development projects to Africa over the 2000–2012 period with 41,902 respondents from rounds 2 and 3 of the Afrobarometer survey across 18 African countries. We compare the trade union involvement of individuals who live near a site where a Chinese project is being implemented at the time of the interview to those of individuals living near a site where a Chinese project will appear in the future, but where implementation had yet to be initiated once the Afrobarometer covered that particular area. This will control for unobservable time-invariant characteristics that may influence the selection of project sites.

The results consistently indicate that Chinese development projects discourage trade union involvement in the surrounding areas. These results do not translate to other forms of participation not directly connected to the workplace, seemingly indicating that the lower unionization rates observed near ongoing as compared to future Chinese project sites stem from direct anti-union policies rather than from more general institutional change. China clearly diverges from other donors in this respect.

Investigating the effect of Chinese development projects on labour union involvement – a central aspect of labour relations– our paper relates to several strands of literature. First, it clearly has bearing on the large literature exploring the impact of globalization on countries' regulatory standards in terms of e.g. labour protection. Recent contributions to this literature tend to emphasize the importance of with whom international relationships are established, as opposed to the level of international interconnectedness. Rather than trade resulting in regulatory races to the bottom, several studies propose a 'California effect' (Vogel, 1995) whereby the main export destinations – traditionally rich Western countries – project their high regulatory standards on less developed export partners (see e.g. Prakash & Potoski, 2006; Greenhill, Mosley, & Prakash, 2009; Cao, Greenhill, & Prakash, 2013). With the rise of China as a major player in Africa, however, this perspective may need rethinking. As noted, a recent study (Adolph et al., 2017) suggests a less optimistic 'Shanghai Effect', whereby African countries trading with China begin to reflect comparatively low Chinese labour protection standards.

Second, seeing that labour union involvement is a form of civic engagement, which Western donors have traditionally sought to encourage in partner countries, the paper relates to the literature on the impact of foreign aid on political institutions and governance (see e.g. Svensson, 2000; Alesina and Weder, 2002; Bräutigam & Knack, 2004; Djankov, Montalvo, & Reynal-Querol, 2008; Jones & Tarp, 2015). This strand of literature is wide in scope,[2] discussing both intended and unintended consequences of aid, and has, just as the aid effectiveness literature more broadly, had difficulties reaching a consensus. A reason for the inconclusive results is likely that the terms 'institutions' and 'governance' are used to refer to a broad range of factors,[3] coupled with the tendency to use cross-national data. Comparing across countries it is of course difficult to separate the impact of aid from the effects of problems that are common in aid receiving countries (see the discussion in Bräutigam & Knack, 2004). Considering the multitude of factors that could affect country level institutions over time, a better option is arguably to focus on the local effects of sub-national variation in aid disbursements. While aid may have important effects in targeted areas, these effects may not be sufficiently large (or may be obscured by omitted variable bias) to be measurable at the country level (see the reasoning on aid and regional growth in Dreher & Lohmann, 2015). Arguably, the aid vs. institutions literature would benefit from a more disaggregated approach, both in scope and in space. Civic engagement refers to individual or collective actions to address issues of public concern and being a member of a trade union is often considered an important aspect of civic engagement and civil society (see e.g. Skocpol and Fiorina (2004)). Nonetheless, trade union participation differs from many other types of group memberships in that it is focused on working life and the relations between employees and employers. Focusing on local effects on a specific form of civic engagement, we will not attempt to draw any broad conclusions on the effects of aid on political institutions, but will on the other hand be able to interpret donor heterogeneity in the effects of aid on a particular kind of local citizen participation.

This brings us to the third strand of literature to which the present paper contributes, namely the recently increasing number of studies using subnational geocoded aid data to examine the determinants and impacts of the allocation of foreign aid within countries.[4] Focusing on the subnational allocation of Chinese aid for a large number of recipient countries, within this category our paper

[1] While some praise China for being responsive to recipient needs and having the ability to get things done fast without placing an extensive administrative burden on the bureaucracies in partner countries, critics claim that they use their development finance to create alliances with (corrupt and undemocratic) leaders of developing countries in order to secure commercial advantages for their domestic firms and to gain access to their natural resource endowments (see the discussion in e.g. Tull, 2006; Kaplinsky, McCormick, & Morris, 2007; Naím, 2007; Pehnelt, 2007; Bräutigam, 2009; Marantidou & Glosserman, 2015; Dreher et al., 2016).

[2] For a recent overview, see Bourguignon and Gunning (2016).

[3] Consider e.g. democracy, rule of law, corruption, executive constraints, judicial independence and political terror (see the discussion in Jones & Tarp, 2015).

[4] See e.g. Kotsadam, Østby, Aas Rustad, Tollefsen, and Urdal (2017) on aid and infant mortality, Findley, Powell, Strandow, and Tanner (2011) on aid and conflict; Francken, Minten, and Swinnen (2012) on relief aid allocation in Madagascar; Nunnenkamp et al. (2012) on the distribution of World Bank aid in India; Powell and Findley (2012) on donor coordination; Dionne, Kramon, and Roberts (2013) on aid allocation in Malawi; Briggs (2014) and Jablonski (2014), both on political capture of aid in Kenya; Öhler and Nunnenkamp (2014) on factors determining the allocation of World Bank and African Development Bank aid; Briggs (2015) on the allocation of aid to richer subnational regions; Dreher and Lohmann (2015) on aid and growth at the regional level; Kelly et al. (2016), on the relationship between Chinese aid and perceptions of corruption in Tanzania; and Berlin and Bonnier (2017) on the effects of aid on gender outcomes in Malawi and Uganda.