

# The Impact of Foreign Direct Investment: Example of Chinese Investment in Republic of Congo-Brazzaville

*Roscelin Serge Carrel Mourou*

*(School of Economics, Shanghai University, Baoshan Campus, China)*

**Abstract:** This paper focuses on how Chinese trade and investment might impact communities in the Republic of Congo. The paper uses a detailed Center of Research and Prospective Studies survey data collected in 2013 in Brazzaville to analyze the factors that explain the choice of an economic activity for Chinese migrant using legit model. We found that four main determinants play a major role regarding this choice, namely: relational networks, province of origin, sex, and primary level.

**Key words:** foreign direct investment; impact; Chinese FDI; The Republic of Congo

**JEL codes:** D02, D53, D57, E22, E25, E3, E4, F1, F3, F4, G2, G3

## 1. Introduction

One of the most impressive economic statistics related to China's role in Africa is the level of foreign direct investment (FDI). The vast majority of Chinese FDI inflows to Africa over the past decade have been concentrated in extractive industries. In recent years, China has begun to diversify its investment into other sectors creating a greater demand for African employment. The volume of Chinese FDI in Africa has grown rapidly. In 2005, Chinese FDI in Africa amounted to \$1.3 billion USD; a small amount compared to EU and US levels of FDI in Africa. However, as noted above, by 2008, the level of FDI grew to almost \$6 billion USD. The rate of growth of Chinese FDI is both remarkable and controversial. Even more remarkable is that Africa currently accounts for only 2% of all Chinese FDI stock and 5% of China's total FDI.

In this thesis paper, our goal is to identify the Chinese foreign direct investment, its characteristics and performance in the ROC economic growth on the one hand and we will record expenditure on Chinese foreign direct investment, specifically in terms of poverty reduction on the other hand.

The work will be organized in two parts: the first part that is the chapter one will be devoted to foreign direct investment overview, and in the second chapter will be analyze and the data collection, the impact of Chinese direct investment in the Republic of Congo will be discussed in the third part of the work as well the analysis of Chinese direct investment in ROC. This part will show up if Chinese direct investment could be a way to reduce poverty in ROC?

---

Roscelin Serge Carrel Mourou, Ph.D. Student in Finances, School of Economics, Shanghai University; research areas/interests: finances. E-mail: [rosecarmourou@yahoo.fr](mailto:rosecarmourou@yahoo.fr), [1067770298@qq.com](mailto:1067770298@qq.com).

## 2. Foreign Direct Investment Statistics

Congo's economy relies primarily on exploitation of natural resources rather than industrial production. Hence, foreign direct investment (FDI) is concentrated in the oil and forestry sectors, and increasingly in the mining sector. The government has increased its activity to attract investments in the telecommunications and banking sectors, and consequently investments in both sectors have risen. While FDI inflows have increased, outflows remain minimal.

**Table 1 FDI Statistics**

Year	FDI Stocks (US\$)	FDI Inflows (US\$)*	% GDP
2010	11,083,000,000	2,483,000,000	100.2
2011	13,167,000,000	2,083,000,000	132.2
2012	15,983,000,000	2,816,000,000	137.7

Source: United Nations Conference on Trade and Development Congo Fact Sheet (2013)

\* NB: FDI Inflow does not include figures for intra-CEMAC movement

## 3. Method of Analysis: Sampling Plan and Data Collection

Our study focused on Brazzaville. This city has experienced a large influx of Chinese migrants. Data for this study are taken from the Centre for Research and Prospective Studies Survey, 2013. This Centre conducted in May-June 2013 a survey of 250 Chinese migrants in the age group of 20-60 years. The age of the entrepreneur can be considered as a measure of knowledge of the world. In the survey, respondents were asked to indicate their age group (5 years intervals). The age variable takes the value for the average of age interval, divided by 10. In data processing 23 records with noisy data were discarded which reduces the database to 227. 121 people are women migrants and 106 men migrants.

The questionnaire contains identification variables (age, marital status, province of origin, length of residence in Brazzaville), that is variables that capture the level of integration in education and family characteristics. In addition, 50 interviews were conducted with experts and privileged observers of this Centre. Their characteristics were as follows: 1) Individuals acting personally; 2) People who are legally resident in the Congo Brazzaville and whose age varies between 25 and 60 years.

## 4. Impact of Chinese Direct Investment in the Republic of Congo

### 4.1 Investments

Investment from China to Congo is essentially two forms of state aid and loans. The works are made of Chinese companies whose tendency is to import Chinese raw materials and inputs for project implementation and also a large part of the workforce. It is observed that skilled workers are mainly Chinese and local workforce consists mainly of unskilled and often poorly paid workers. During the period 1995 to 2005, China's investment in Congo amounted to \$ 114.6 million.

The energy sector in particular electrical energy is the main sector where investments are concentrated in China. Data from the previous table show that Chinese investment in Congo focus in this sector and amounted to 68.01 million from \$ 59.32 or % of total financing in China. We can also say that China is the country most involved in consideration of the amount of oriented sector investments.

**Table 2 Structure of Chinese Investment in Congo from 2005 to 2010**

Sectors	Amount	percentage
Energy	68.8	59.32
Construction and civil engineering	20.9	18.28
Health	11.5	10.7
Industry	6.0	5.26
Telecommunications	4.8	4.21
Education	1.4	1.22
Agriculture	0.06	0.06
Various	1.8	1.58
Total	114.6	100.00

Source: data from the Ministry of Planning.

**Table 3 Chinese Investments in the Public Investment of Congo from 2005 to 201 in Millions of Dollars**

Sectors	Chinese Investments in the ROC	Total of Publics investment	% of China
Energy	38	179	21.17
civil engineering	21	424	4.95
Health	10	96	10.38
Industry	4	7	54.88
Telecommunications	4	6	66.16
Education	1.4	28	5.03
Agriculture	0.06	39	0.15

Source: data from the Ministry of Planning.

## 5. Determinants of Economic Activity Choices: Chinese Migrant in Brazzaville Congo

Since the early 1990s, migration from China to Africa in general and to Congo in particular took an unprecedented scale. In this connection, two new phenomena have emerged.

In this study, we are not interested in income from these activities but rather in the process that takes place upstream: the integration into the labor market. We analyze the factors that motivate Chinese migrants to choose any economic activity. We seek to answer the following research question: What are the determinants of Chinese migrants' choice of economic activities in Brazzaville?

The objective of this study is to analyze the factors that explain the choice of economic activities for Chinese migrants in Congo Brazzaville, namely the extent to which the choices of the type of activities depends on the migrant's individual characteristics.

The various activities performed by Chinese migrants are shown in the table below.

**Table 4 Economic Activities of Chinese Migrant**

Economic activities	Number	%
Trade/restaurant/hotel	90	39.65
Building/crafts	52	22.91
Others activities	40	17.62
Without activity	45	19.82
Total	227	100

Source: Survey CREP, Brazzaville, May-June 2013.

The intersection of economic activities by migrants with the gender variable yields the following result:

**Table 5 Gender and Migrant's Economic Activities**

Economic activities	Sex		Total
	Female	Male	
Trade/restaurant/hotel	65	25	90
Building/crafts	6	46	52
Others activities	20	20	40
Without activity	30	15	45

Source: Survey CREP, Brazzaville, May-June 2013.

## 6. Conclusion and Recommendations

### 6.1 Conclusion: Benefits and Costs

The main policy conclusion that can be drawn from the study is that the economic benefits of FDI are real, but they do not accrue automatically. To reap the maximum benefits from foreign corporate presence a healthy enabling environment for business is paramount, which encourages domestic as well as Chinese investment, provides incentives for innovation and improvements of skills and contributes to a competitive corporate climate.

### 6.2 Policy Recommendations

Policies matter for reaping the full benefits of FDI. Chinese investors are influenced by three broad groups of factors: the expected profitability of individual projects; the ease with which subsidiaries' operations in a given country can be integrated in the investor's global strategies; and the overall quality of the host country's enabling environment. Some important parameters that may limit expected profitability (e.g., local market size and geographical location) are largely outside the influence of policy makers. Moreover, in many cases the profitability of individual investment projects in developing countries may be at least as high as elsewhere. Conversely, developed economies retain clear advantages in the second and third factors mentioned above, which should induce less advanced economies to undertake policy action to catch up. Important factors such as the host country's infrastructure, its integration into the world trade systems and the availability of relevant national competences are all priority areas.

## References

- Amemiya Takeshi (1985). *Advanced Econometrics*, Cambridge, MA: Harvard University Press.
- Andall Jacqueline (2003). "Hierarchy and interdependence: The emergence of a service cast in Europe", in: Andall Jacqueline (Ed.), *Gender and Ethnicity in Contemporary Europe*, Oxford and New York: Berg, pp. 39-60.
- Anthias Floya and Lazaridis Gabriela (2000). *Gender and Migration in Southern Europe*, Oxford and New York: Berg, p. 263.
- Berkson Joseph (1953). "A statistical precise and relatively simple method of estimating the bio-assay with quantal response: Based on the logistic function", *Journal of American Statistical Association*, 48, pp. 565-599.
- Bouoiyour Jamal (2013). "Transferts de fonds, éducation et travail des enfants au Maroc: Une analyse par score de propension", Munich Personal RePEc Archive.
- Daniel L. McFadden (1984). "Econometric analysis of qualitative response models", in: Zvi Griliches & Michel D. Intriligator, *Handbook of Econometrics*, Vol. 2, Amsterdam: North-Holland, pp. 1396-1457.
- Deble et Hugon (1982). *Vivre et survivre dans les villes africaines*, Paris, IEDES-PUF.
- Koffi A (1986). "Les expulsés du Nigeria de retour dans le Sud-Est Togo", in: E. Lebris et al., *Migrations togolaises: bilan et perspectives*, URD, UB, Lomé, pp. 235-254.
- Findley Sally E (1989). "Choosing between African and French destinations: The role of family and community factors in migration from the Senegal River Valley", Boston University, African Studies Center, Working Papers in African Studies 142.

- Giuliano Paola and M. Ruiz-Arranz (2009). "Remittances, financial development, and growth", *Journal of Development Economics*, Vol. 90, No. 1, pp. 144-152.
- Glytsos N. P. (2005). "The Role of migrant remittances in development: Evidence from Mediterranean countries", *International Migration*, Vol. 40, No. 1, pp. 5-26.
- Gningido Gaye K. Julien (1992). *Croissance urbaine, migrations et population au Bénin. Les études du CEPED n°5*, Paris, p. 114.