Analysis of Chinese Investment In the ECOWAS Region: Trends, Impact, and Future Implications

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Abstract

The development landscape in ECOWAS is changing, with the emergence of partners from the South or the BRICS as they have become widely known. China has emerged as a salient source of investment in ECOWAS region, but questions remain on the impact and implications of that investment for growth and structural change in ECOWAS countries. This paper discusses trends in Chinese investment in the ECOWAS region, and analyzes its impact on trade, infrastructure, growth and structural change in member countries. It also reviews the investment policies of ECOWAS countries toward Chinese investors, and proposes mechanisms by which member countries can take full advantage of Chinese investment. The growing trade and investments in ECOWAS are often supported by grants or concessional loans from the Chinese government, as part of the country’s “Going Global” strategy. This strongly enhanced engagement is partly the outcome of the increased economic role and power of China on the global stage, and partly the result of China’s interest in Africa’s robust natural resource base to fuel its surging economy.

The proposed paper is important because there is an ongoing debate on the impact of Chinese investment in Africa in general, and ECOWAS in particular. Some scholars argue that much of Chinese investment in Africa is directed toward energy and minerals. These are sectors with little or no linkages with the rest of the economy. Other analysts contend that Chinese investment in large-scale infrastructural projects such as roads, dams, and power plants helps spur growth and structural change. Chinese investment is also believed to be an important source of technology and skills transfer for Africa. The paper hopes to contribute to the ongoing debate on Chinese investment in ECOWAS by using data-driven evidence, as well as fixed-effects panel regressions. Moreover, China’s impact on African economies and indeed ECOWAS has started to reach beyond narrow infrastructure for-resources deals and now touches upon a wide array of sectors and development issues. For example, the creation of Chinese-operated Special Economic Zones in several ECOWAS countries has the potential to provide a remarkable boost to the manufacturing capacity of many ECOWAS countries. In this context, it is timely to take stock of China-ECOWAS relations and discuss in detail the opportunities and challenges for both sides.