VARIEGATED WORK REGIMES: A COMPARATIVE ANALYSIS OF CHINESE COMPANIES IN ETHIOPIA

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DEDICATION

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ABSTRACT

The dissertation investigates the variegated work regimes in multiple sectors of Chinese investment in Ethiopia. The bourgeoning literature on Africa-China relations has contributed both policy-level analyses of China's strategic agenda in Africa and field-based studies on everyday Chinese practices in specific African countries. However, scholars have yet to unpack the nexus of state, firms, and employees that collectively shape the micro-power geometries in Chinese workplaces in Africa. To address this gap, comparative case studies were conducted with three Chinese companies in construction, telecommunication, and auto assembly, respectively, as well as a group of manufacturers in the Chinese Eastern Industrial Zone, to uncover the everyday geographies of Chinese capital and labor engagements in Ethiopia.

The dissertation problematizes the stereotypical groupings of Chinese investments into state and private capitals by identifying the complex contractual, competitive, and complementary networks developed among Chinese firms – implied by their varied capacities and constraints – to engage in transnational production. It also examines the promising and challenging elements of employee agency and the effectiveness of

government intervention. Rather than presuming a nationality-based management structure in Chinese companies, the dissertation argues that power is articulated along multiple lines of social locations and economic positions, resulting in empowerment and marginalization for both Chinese and Ethiopian employees. It thus adds to the efforts of "situating agency" by explicating how Chinese and Ethiopians navigate multiple circumstances for their own economic and professional benefit through work. By revealing how states, firms, places and individuals are mobilized to pursue diverse and highly flexible globalization trajectories, the dissertation contributes to a comparative-relational understanding of the everyday politics of work-life encounters under shifting global power dynamics of South-South cooperation.

The dissertation has three main parts. Part I sets the scene for the dissertation research. Chapter 1 reviews the key strands of literature on the politics of production, labor agency, and Africa-China relations that the dissertation draws upon and contributes to. Chapter 2 provides a critical examination of Ethiopia-China relations in terms of the historical, ideological, and political economic foundations of contemporary cooperation; characteristics of the bilateral relations in areas of trade, aid, and investment; and the historical development of local labor regimes in Ethiopia. The chapter also presents the mechanics of dissertation fieldwork and the case study companies. Part II goes into the specifics of the cases studies, with each chapter devoted to one particular sector of Ethiopia-China cooperation. Chapters 3, 4, and 5 each covers one case-study company in sectors of infrastructure construction, information and communication technology, and auto assembly, respectively. Each chapter discusses the various aspects of the company's globalization trajectory and local operation including their ownership background, investment scale, financing mode, management strategy, market opportunity, government/client relations, and employee agency. Chapter 6 examines an emerging mode of business operation – the development of economic zones, drawing upon experiences of a group of Chinese manufacturers in the Eastern Industrial Zone. Collectively, the cases studies in Part II revealed the varied capacities, interests and constrains of Chinese companies in organizing transnational and local businesses and engaging with expatriate and local employees. Employees are therefore differently empowered and excluded at geographically specific workplaces. Their exercises of agency are contingent upon the structural-material conditions and socio-economic positions in the companies. Part III summarizes the major findings of the dissertation under the notion of "variegated work regimes" and emphasizes the nexus of state, capital, and labor in forging diverse, dynamic, and contingent relations in Chinese workplaces.

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STATES, FIRMS AND WORKERS

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The first two decades of the 21st century have witnessed an accelerated pace of China's rise to an important global power. China has taken the lead on various inter-regional cooperation forums and financial institutions.[1] The "One Belt, One Road" strategy, recently proposed by the current President Xi Jinping, presents a new imagination of international cooperation that is rooted in Chinese histories and cultures (Summers 2016). This promotion of China-led international development signifies a new era of China's globalization since the initiation of "Going Global" strategy in the late 1990s. If the early years of "Going Global" were marked by China's gradual participation in the existing world order, the "One Belt, One Road" strategy not only reflects the country's deep integration into the global economy, but also its proactive moves toward promoting new norms and values of globalization with Chinese characteristics (Alden and Alves 2017; Alden and Large 2015).

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[1] Some examples of such initiatives include the China–Latin America and the Caribbean Forum, the Boao Forum for Asia, the Forum on China–Africa Cooperation, the Asian Infrastructure Investment Bank, the Silk Road Fund, and the China-Africa Development Fund.

As most participants of China-led development initiatives are countries from the so-called Global South, “South-South Cooperation” has re-emerged as a solid feature of Chinese foreign policy discourse (Quadir 2013). Key principles of this relationship – non-interference into other country’s domestic affairs, equality, and reciprocity – were developed during the first Asian-African Conference in Bandung in 1955 (Strauss 2009). According Mao Zedong, the founding chairman of the People's Republic of China, the shared colonial histories and modern development initiatives laid the foundations for greater solidarity among countries in Asia, Africa, and Latin America to resist the imperial North (Wang 2012).

Following the spirit of Mao, Chinese leadership has become increasingly adept at asserting China’s deep-rooted affiliation with its Third World allies. Official discourse of friendship and commonality helps construct an imagined international community in which China is a genuine and responsible player – a different kind of superpower from the traditional powers (Alden and Alves 2008). Given the remarkable consistency of contemporary diplomatic rhetoric with that of the post-World War II era, scholars of international relations have repeatedly commented upon the geopolitical and ideological agenda behind China’s engagements with countries in the Global South (Breslin 2013). Particularly in Africa, the Chinese presence has mostly been associated with its competition with the Republic of China in Taiwan for international recognition as the sole legitimate government (Strauss 2009). Allies with African countries have also won China crucial votes in gaining permanent membership in the United Nations’ Security

Council and confronting western condemnations in the UN Commission on Human Rights (Power and Mohan 2010).

While geopolitical concerns remain vital today, much recent attention has been directed at the economic interests that drive China abroad. The demand for resources (energy and food in particular) and markets to sustain domestic economic growth are considered a major motivator of China's overseas activity (Mensah 2010). Increased market competition as well as labor and environmental regulations at home have forced domestic producers (with state support) to find alternative sources of profits abroad. Given that the political geographies of China's relations with the South are increasingly understood through an economic lens, some scholars argued that Chinese actors may not behave differently from their western counterparts who look abroad for a spatial fix to domestic capitalist development (Carmody and Owusu 2007). Others went further to claim China as a neocolonial power engaging exclusively in resource-diplomacy or material motivation (Larmer 2017; Tull 2006). This latter view, mostly from western commentators, is criticized for its political and ideological underpinnings, thus incapable of capturing the complex realities on the ground (Sautman and Yan 2007).

Dynamic real-world relations are clearly reflected in the case of Africa-China cooperation. Contemporary cooperation between the two sides has far exceeded that of the post-World War II era, engaging various sectors, vast territories, and diverse population. The weakening influence of Bretton Woods' institutions in Africa after the 2008 financial crisis has given China the opportunity to further strengthen its relationships with Africa (Power and Mohan 2010). Africa-China trade, for example, has enjoyed an average annual increase of 28 percent since 2000, making China the largest trading partner of Africa in 2011 (Strauss 2013). High profile deals are forged in diverse sectors such as oil, mining, infrastructure, telecommunication, and agriculture. A formal institution – the Forum on China–Africa Cooperation (FOCAC), established in 2000 – provides a base for fostering multilateral dialogues and collaborative development programs (A. Li 2007).

In a continent that has long struggled with underdevelopment, China seemingly presents an alternative model to development and strong leverage for Africa to negotiate with traditional western powers. However, Africa-China relations have been challenged by emerging controversial issues in state engagements (Aidoo and Hess 2015; Hess and Aidoo 2010), business strategies (Gu et al. 2016) and migrant behaviors (Park 2013). These studies forefront the important question of whether a rhetorical construction of Chinese exceptionalism will contribute to an African economic takeoff in a win-win scenario (Alden and Large 2011). In other words, to what extent can China introduce a promising pathway to development that is distinct from that of the western powers?

This dissertation aims to answer this question by investigating the globalization of Chinese firms, their local behavior and impacts in Ethiopia. The focus on firms enables a meso-level understanding of Africa-China relation, which connects to high-level policies of the Chinese government and national banks on one hand, and individual experiences of Chinese and African employees on the other. Through comparative case studies of different Chinese companies in Ethiopia, the dissertation unravels the development, contestation, and evolution of the varied relations among state, firms, and individuals at multiple geographic and social levels. This introductory chapter provides an overview of various strands of multi-disciplinary literature that the dissertation draws from and contributes to.

2 GLOBAL CHINA: STATES AND FIRMS

Economic globalization is often characterized by the hyper mobility of goods, capital, information and people in an increasingly integrated and interdependent world. The homogenization and universalization effects of globalization, for some writers, have created a borderless world in which nation-states and geography no longer matter (Ohmae 1994, 1995). However, a growing number of scholars have argued that mobile capital is still embedded in place and strongly regulated by nation-states (Dicken 1998; Weiss 1998). These authors see, through globalization, the territorial rootedness of particular national forms of transnational capitalism (Peck and Theodore 2007). Globalization is then considered as a gradual externalization of the national economic, political, and social logic of development at specific spatial-temporal conjunctions (Henderson, Appelbaum, and Ho 2013).

Such a path-dependent perspective of globalization has contributed crucial insights into understanding Global China. Unlike the neoliberal globalization supported by private multinationals and international financial institutions, the Chinese path to globalization is characterized by the presence of a communist party-state in terms of both direct government activities (as exemplified by initiation of "One Belt, One Road" strategy) and the overseas expansion of state-owned enterprises (SOEs) (E. Hong and Sun 2006).[2] However, neither the Chinese state nor SOEs are sufficiently coherent or coordinated to pursue a grand national strategy abroad (Breslin 2013). Recognizing the diverse interests and practices of various state actors remains a vital step to unpack Global China.

Within the government system, both horizontal and vertical disparities have been observed. Some studies have revealed internal divergence among central ministries in foreign policy decision-making and implementation. Corkin (2011), for example, uncovered the conflictual power relations between the Ministry of Foreign Affairs (MFA) on the one hand and the Ministry of Commerce (MOFCOM) and major commercial banks on the other. Breslin (2013) further identified the differential roles played by MFA, MOFCOM, and individual ministries (responsible for health, science and technology, education, agriculture, etc.) in delivering Chinese development assistance and economic

2 China's economic reform in 1978 was marked by the state-controlled gradual opening up of selected coastal regions as test grounds for foreign investment and liberal policies. By the late 1990s, China rose to the world's fastest-growing economy and became a manufacturing hub. The subsequent entry of the World Trade Organization in 2001 further intensified China's integration into the world economy. "Going Global" was then formalized as a national strategy in the Tenth Five-Year Plan (2001–2006). Fifty leading SOEs were cherry-picked at that time as national champions and received both fiscal incentives and financial inducements to expand overseas. Sharing risks with the government, these SOEs were less constrained by short-term profits and more capable of operating strategically in international markets than their western counterparts (Gonzalez-vicente 2011).

cooperation. In other studies, the devolution of central administrative and fiscal power to lower level governments, as the result of domestic reform, has also generated a central-local disparity in the government system (G. C. S. Lin 1999).[3] As empowered local governments assume more responsibility for foreign cooperation, their "para-diplomatic activities" both deepen and complicate the international presences of the Chinese state (Hess 2016). To some scholars, the development geography of China is marked by a collective of local corporate entities who constitute autonomous economic interest groups (Oi 1995). To others, the devolution of central power by no means implies the complete retreat of central government, but a re-articulation of central power in the state system (Ma 2005). Nonetheless, the "Going Global" actions of sub-state actors contribute to a multi-layered facet to China's international relations, which can either reinforce or deviate from central foreign policy agenda (Hess 2016; Tubilewicz and Jayasuriya 2014).

Together with quasi-autonomous foreign policy actors from lower-level governments, intra-SOE variation also needs critical recognition. The continued SOE reform in China has created complex ownership structures and institutional affiliations among Chinese SOEs (Y. Lin and Zhu 2001), which largely determine their capacity to obtain favorable state resources (Leutert 2016). Therefore, SOEs consist of not only those

[3] China's constitutional reform in 1982 transferred a number of development responsibilities from central to provincial and municipal governments. As a result, provinces and some municipalities have developed considerable relative autonomy. According to the World Bank, expenditures allocated to subnational governments in China account for 54.84 percent of all state expenditures, while the subnational share of the country's revenue collection is 51.48 percent (Hess 2016).

directly owned by central ministries or the People's Liberation Army, but also their provincial subsidiaries and those directly owned by local governments (J. Li, Lam, and Moy 2005). In fact, provincial and municipal capitals contributed 21.5 percent of China's accumulated outward FDI in 2007, the majority of which came from local SOEs (Henderson, Appelbaum, and Ho 2013).[4] Given the varied composition of Chinese SOEs abroad, there is unlikely to be a unified logic that guides their overseas operations.

The complex existence of state entities constitutes only part of the international presence of Global China. An increasing number of private actors are taking an active part in China's globalization process. In Africa, the number of Chinese private firms has exceeded that of SOEs; about 85 percent of all companies are of private ownership (Gu 2009). Emerging field-based studies and journalist reports also have revealed diverse motivations of these private, sometimes family-based businesses. Some are attracted by Africa's market potential; some are driven away from domestic competition in China; others are started by former SOE expatriates who have discovered entrepreneurial opportunities in Africa (Kernen 2010). It is commonly believed that unlike SOEs, private businesses receive less government support and are more reliant upon local networks and labor markets as part of their cost-minimizing strategies (Bräutigam 2003).

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[4] Local governments can support their own SOEs to go abroad for projects valued at no more than USD 3 million without obtaining higher government approval (Child and Marinova 2014). While central-owned SOEs still dominate in terms of the total value of overseas projects, local SOEs exceed in the actual numbers of overseas operations (Corkin and Kaplan 2012).

Despite the ongoing efforts to unpack the diverse composition of overseas Chinese business actors, studies have enforced an arbitrary state-private dualism in understanding Chinese firms. This assumption results in a thematic division of literature into two camps: one focuses on the geopolitical and geo-economic strategies of state and SOEs (Warmerdam and Dijk 2013; Y.-C. Xu 2014), while the other attends to the commercial activities of private businesses and individual entrepreneurs (Gu 2009; Shen 2015). However, such state-private duality can hardly be sustained by in-depth, empirical investigations into particular firms' decision-making process. As this dissertation is going to show, the state and private actors are mutually embedded in each other's decisions during day-to-day firm operations, enabling each other's activities in one occasion but constraining them in another. This is particularly evident in cases when private firms are former SOEs or quasi-SOEs (headed by party cadres) and hence maintain close links with government ministries. At the same time, SOEs and their subsidiaries may have strong incentives to pursue economic interests, leaving the state in a very ambivalent position in terms of their actual control over firm behaviors (Gonzalez-vicente 2011).

Also under-explored in the literature is the geographic rootedness of the state-capital nexus in shaping firm's globalization. Distinct regional development models in China have led to vastly different business modes in places like Guangdong, Jiangsu, Zhejiang, Beijing, and Chongqing (C. Smith and Zheng 2016). Variegated and sometimes contradictory sub-national capitalisms generate a "patterned heterogeneity" of China's offshore economies (J. Zhang and Peck 2014), and have implications for how local firms operate abroad in terms of business strategies, work organization and employment relations. Comprehending the varied forces that shape firm strategies requires a critical review of literature on the production of work regimes.

3 The Spatial Production of Work Regimes

Various scholars have investigated the formation of work regimes at multiple scales as a result of the variegated, evolving, and often conflictual nature of capitalist development (Lipietz 1988). World-systems theory situates national work regimes in the international division of labor in the capitalist production process (Amin 1972). It identifies a hierarchical and dependent relationship between countries in the industrialized Global North and the less-developed South due to different technology- and production-capacities (Wallerstein 1973). This asymmetrical global power structure is often reinforced by extra-economic mechanisms deployed by developed nations, resulting in national work regimes in the Global South being subject to powerful international forces such as colonial domination and neoliberal globalization (Chase-Dunn 1998).

The over-reliance on inter-state relations and co-opted national institutions to interpret national work regimes in the Global South is questioned by scholars who observed the rise of Japan, South Korea and Taiwan in the 1970s. Successful economic transformations in these places have been attributed to the capacity of a state to gauge its international and domestic circumstances and to engage different social classes in a collective developmental project (Johnson 1999). While recognizing state autonomy, developmental state theory features the national work regime as an authoritarian state control over a cheap, politically-suppressed labor force – a structure pursued to cater to the interests of transnational capital (Woo-Cumings 1999).

Industrial sociologists have taken into account both international political economic forces and state intervention when studying the labor process and the apparatuses of production on the shop floor (Lee 1998b; Peck 1996). An important contribution to this literature is made by Michael Burawoy (1972, 1979, 2009) who prominently unpacked diverse determinants of factory regimes – organization of work, firm relations to the state and the market, and modes of labor reproduction – particularly in times of economic transformations. Two major types of factory regimes are delineated based on the dynamics of capital-labor and labor-labor relations. Under despotic regimes, workers are subjected to coercive control (by factory, state, or international forces) and are reliant upon selling their labor power for social reproduction. Under hegemonic regimes, shop-floor relations are marked by the consent of workers rather than coercion due to state regulations of industrial relations. Neoliberal globalization has led to a regime of hegemonic despotism, under which transnational capital undermines national labor regulation and extracts concessions from place-bound workers.

While Burawoy argued that globalization results in the annihilation of geographic space and distance, geographers have revealed that the spatial and social environment in place is both a condition for and the result of local work regimes (Massey 1995; Peck 1996; N. Smith 1991). In particular, economic geographers interrogated the notion of mobile transnational capital in rendering place-based production dynamics irrelevant (Peck 2008). Jonas (1996), for example, distinguished the tendency of *capital-in-general* to find low-cost regions and the interests of *capital-in-particular* to develop locality-based work regimes for sustained accumulation. Dickens (1998) further identified the dual tendencies of transnational corporations for *globalizing* to increase competitiveness and efficiencies, and for *localizing* to ensure autonomy and responsiveness. Subsequent research has highlighted the dialectic relations between firms and places, and specified ways that they mutually embed in and produce each other (Peck and Yeung 2003). The spatial production of work regime is an intricate process of embedding in the historical, social, political, and economic specificities of home and host countries (Dicken and Malmberg 2001). It involves historically-contingent and territorially-embedded mechanisms of labor control to create reciprocal relations between production, reproduction, and consumption (Jonas 1996, 2009). For example, scholars have examined the geographically variable work regimes in Southeast Asian countries which incorporate a wide range of local actors and transnational networks, as well as informal, personalized and familial means of labor control (Coe and Kelly 2002; Kelly 2001, 2002).

In the meantime, feminist-inspired studies on work regimes further reveal the gendered, racialized, ethnicized, and culture-bound relations that shape production relations in place (McDowell 2008; A Ong 1987; Pun 2005). For example, Cravey (1998) demonstrated how neoliberal factory regimes in Mexico capitalized on female subjectivity to reduce labor costs and ensure flexible production. Lee's (1998a) comparative studies of Chinese factories in Shenzhen and Hong Kong illustrated how two different regimes (i.e. “familial hegemony” and “localistic despotism”) emerged out of specific local histories and political economic contexts, in which workers’ different identities were exploited to achieve managerial control. Her work suggested that gender, class and urban-rural disparity are mutually constitutive bases of power in Chinese factories, and continually being reproduced during work and in the local labor markets.

To tackle the politics of work regimes, different strands of literature have highlighted the functions of global and local capitals as well as the deployment of control mechanisms at various scales based on multiple axes of difference. They are, however, criticized for prioritizing the power of capital (or state) while not attending to the capacity of workers to shape their individual and collective circumstances (Herod 1997). Despite focusing on the micro- and macro- structures that labor exist “despite itself,” this literature fails to view labor as an economic, political, and social agent “for itself” (Jonas 2009). A more direct perspective toward labor is therefore necessary to articulate not only how interweaving forces shape the politics of production but also how they are negotiated and transformed at particular workplaces.

4 Placing Labor Agency

While recognizing labor struggles as intrinsic to capitalist development, early scholarship has taken trade unions as the principal representative of workers’ resistance to authority control. The decade of World War II was marked by mounting intellectual and political significance of class-based union movements in industrialized countries and their colonies (Freund 1988; Oberst 1988). However, confidence in trade union's revolutionary capacity soon faded away with the global expansion of neoliberal precepts and restructuring programs (Silver 2003). The subsequent rise of the flexible production regime has undermined both workers' *associational power* (exercised through collective labor organizations) and *structural power* (due to worker's position in labor markets or production relations) worldwide (Silver and Arrighi 2001).

The overall passivity toward labor on political and academic fronts has preceded two counter-movements in labor scholarship since the late 1980s. On the one hand, poststructuralist scholars have resorted to micro-histories, representation, and discourse analysis to reveal the individualized strategies of workers (Isaacman 1990; McDowell 2009). Their research has extended the traditional focus on male industrial workers in an urban setting to diverse working subjects (e.g. women, migrant, and peasants) and varied forms of economic activities (e.g. household production, service work, and informal sectors). A keen emphasis is placed on non-coercive means of labor resistance, such as false compliance, sabotage, and different forms of cultural expressions, all of which are considered as individual's embodied negation of work relations (Isaacman 1996; A Ong 1987). These actions, while minor in scope, are persistent and durable "weapons of the relatively powerless groups" (Scott 1985, p.29), having the potential to nurture the material preconditions for systematic and overt resistance movements.

On the other hand, Marxist scholars have (re)asserted the autonomous agency of workers to shape production relations according to their own economic interests and needs of social reproduction (Herod 2003). From *labor geography* to *new social movement* and *new working-class studies,* interdisciplinary efforts have stressed workers' capacity to occupy critical spaces or build strategic alliances across various social and territorial scales (Herod 2001; Savage 2006; Silvey 2004). In particular, studies have demonstrated workers' ability to upgrade work-related issues to wider societal concerns through community coalition-building (Herod 2001; Jordhus-Lier 2013) or transnational consumer advocacy (Silvey 2004).

Pro-labor research emphasizes the capacity of workers – individually and collectively – to play a direct role in capitalist production (Jordhus-Lier 2013). However, the undue optimism about labor autonomy has been challenged by its failure to account for the actual meaning of agency or the conditions for its deployment (Burawoy 2010; Castree 2007; Lier 2007). The notion of labor agency is constructed by cherry-picking successful cases in which workers were structurally well-positioned or materially supported to pressure companies. To what extent these cases are analytically significant and politically transferrable to other situations is debatable (Lambert and Gillan 2007).

Emerging research has begun to examine the institutional and material conditions that workers live in or struggle with (Mitchell 2011). Coe and Jordhus-lier (2010), for example, fleshed out an embedded notion of agency that encompasses workers' revolutionary movements, adaptive strategies, and individual, non-coercive resistance.

Chan (2014) substantiated the concept of “constrained agency” by studying the gradually-empowering yet still highly-regulated activism among Chinese migrant workers. Others have reinserted “labor” as an active agent into existing pro-capital or pro-state frameworks, such as global value chains (Coe and Hess 2013), state and public institutions (Jordhus-Lier 2012), and labor markets (Carswell and Neve 2012).

Despite the importance of an embedded approach to labor agency, a majority of the studies produced are based on western contexts of capitalist development. Although a number of empirical cases focus on countries in the Global South (specifically China), they are either confined to their national boundaries or assume a superiority of western modalities that are not only accepted but also are internalized by societies in the Global South (Jackson et al. 2014). With the emerging Global China, it is necessary to examine the construction of Chinese overseas work regimes and unravel the complexities of capital-labor and labor-labor relations being developed in regions like Africa. The diverse forms of sub-national Chinese capitalisms further problematize any simplistic readings of Chinese work systems on a national scale (Jackson, Louw, and Zhao 2013). More needs to be understood regarding the extent to which Chinese companies reproduce their domestic modes of operations in host societies and in what ways workers exert influences on the development of local work regimes (C. Smith and Zheng 2016).

5 CHINESE WORK REGIMES IN AFRICA

Ostensibly, the most contentious issue of Africa-China relation is the labor strategy of overseas Chinese companies. One distinguishable feature of the strategy is to employ expatriate Chinese as managers, contract technicians, or service workers in Africa, which is in sharp contrast to western multinationals' appeal to African cheap labor (Jackson 2014). The heavy reliance on expatriation is justified as a way to cope with the lack of skills among African workers, to ameliorate potential conflicts with the unfamiliar local culture and customs, and to take advantage of Chinese workers' dedication and efficiency (Corkin 2007; Corkin and Kaplan 2012). In addition, Chinese and African officials also take expatriate Chinese as agents for skills and technology transfer, which will eventually contribute to Africa's human resource development and economic take-off (King 2013).

Despite official and corporate justifications for expatriation, criticisms of Chinese labor practices in Africa feature prominently in scholarly and media publications. Some writers express concerns over the impacts on local employment opportunities and workers' welfare (Gadzala 2010b), while others blame Chinese companies for replicating colonial rule in Africa (Larmer 2017; Ovadia 2013). The most-focused criticisms were found in a Human Rights Watch report (HRW, 2011) about Zambia's copper mine workers and in a ten-country survey of Chinese labor management published by the African Labor Research Network (Baah and Jauch 2009). Both pieces enlist the irresponsible aspects of Chinese labor practices – e.g. precarious employment, poor working conditions, occasional abuses, and absence of work-related benefits, which generated widespread resentments across the continent. The efficacy of skills transfer is also questioned for the fact that the majority of Chinese expatriates live in gated compounds and so maintain very limited social interactions with local workers (Gadzala 2010b; Power 2012).

Criticisms over informal employment, working conditions, and social segregation have invited a spike of scholarly responses. Yan and Sautman (2012) voiced a detailed critique of the HRW study for its empirical inaccuracy and methodological flaws of biased sampling.[5] To them and others, criticisms of Chinese labor practices overlook the equally problematic behavior of western firms and lack structural understandings of local labor conditions in African countries (Akorsu and Cooke 2011; Rounds and Huang 2017). The negative discourses about China are considered as politically, ideologically and racially motivated, rather than rooted in robust, empirical investigations (Yan and Sautman 2012). Subsequent studies have made conscious efforts to unravel the variations in Chinese labor practices, which is influenced by the nature of industries, local labor market conditions, and company's long-term strategy in Africa (Lee 2009; Tang 2010).

Despite a growing number of critical investigations into the issues of labor, existing studies tend to hold a sectorial preference for extractive and construction

[5] Biased sampling is seen from the exclusive selection of interviewees who were dismissed from Chinese companies, a group who most possibly held negative sentiments toward Chinese employers. In addition, by only interviewing African workers, the perspectives of Chinese employers and workers are un-represented in the study (Sautman and Yan 2012).

industries. They lack a comparative lens into the heterogeneous composition of Chinese business actors who engage in different industrial sectors and socio-geographic contexts. Also missing is an in-depth company-specific analysis that takes into account various firm characteristics such as scale of operation, financing mode, corporate structure, market conditions in forming particular forms of capital-labor and labor-labor relations. Similarly, current studies have paid scant attention to the changing behavior of a particular company over time in response to market changes, government regulation, or employee agency. Scholars have highlighted the "flexigemony" of China's approach to Africa (i.e. being flexible and adaptive in geo-political and economic strategies) in specific subnational or local contexts (Carmody and Taylor 2010). However, few efforts have been made to substantiate the concept of "flexigemony" in actual firm behavior and adaptions to host country environments over time.

In addition, existing studies largely approach labor issues through a race- or nationality-based framework, drawing from anecdotal or media reports rather than systematically-collected empirical data. This results in a hasty treatment of labor relations in Chinese companies, presuming conflict between Chinese employers and African workers. This racialization of Africa-China encounters, while providing a convenient caricature of the encounter, is rooted in western intellectual traditions and so fails to capture the markedly different ideology of work in Chinese contexts (Sautman and Yan 2016). It obscures the interplay of multiple identities and positions that shape the micro-structures of power in Chinese companies (Lee 2009). For example, as Yan (2003) thoroughly discussed in her paper, the Chinese evaluation of workers' ability often rests upon a concept of *sushi* that denotes characters of discipline, honesty, industriousness and skillfulness, implying not simply racialized but also classed, gendered, ethnicized, and localistic assessment of employee characteristics.

Moreover, while much has been said about companies' employment rationale, few voices are heard from individual Chinese and Africans who make their livelihoods in Chinese companies. The Chinese expatriates, despite being abstracted as exploitative capitalists in work relations, are themselves migrants subject to various political-social vulnerabilities in their home country and abroad (Driessen 2015; Giese and Thiel 2012). In fact, recruiting Chinese technicians is not a recent phenomenon, but a typical way to implement China's assistance projects in Africa since the socialist era (Monson 2013). Nonetheless, expatriate technicians at that time were guided by Maoist ideologies and tightly controlled by the socialist government. This is in stark contrast to the much-diversified incentives and obligations that drive Chinese abroad in contemporary times. These Chinese may hold very different values and worldviews from their western counterparts or African co-workers, whose situated capacities and weaknesses need better examination in scholarly research.

Also, there is an overall shortage of coherent studies on African employees' experiences and strategies. Rather than recognizing diverse forms of labor agency, existing debates constantly oversimplified African workers as incapable subjects to Chinese management (Mohan and Lampert 2012). A few studies have recognized local responses to Chinese management in the form of organized demonstrations and strikes (Baah and Jauch 2009) or individualized theft and false compliance (Giese and Thiel 2012; Warmerdam and Dijk 2013). However, the ability of local workers to induce changes to Chinese management is highly uneven. As discussed by Lee (2009), successful resistance by Zambian copper miners was attributed to collective efforts of workers, political opposition groups, and the wider society in the midst of national election, which is hardly transferrable to other contexts.[6] Systematic studies of this kind are needed to examine different forms of local agency, its opportunities and constraints in engendering changes to particular Chinese workplaces.

Recent studies have begun to reveal diverse relationships between Chinese expatriates/migrants and local Africans. For example, studies have discovered mixed feelings among local workers toward Chinese retailers (Dobler 2009; Hanisch 2013). In Africa's rapidly-growing high-tech sectors, a more convivial relation has been found, where local technicians actively take advantage of Chinese investment and training opportunities (Lampert and Mohan 2014). While presenting a countrywide survey of Chinese-African encounters, these studies are short of nuanced, comparative investigation into the dynamic relations between skilled, semi-skilled, and un-skilled employees at the firm level and among different types of Chinese investment. Toward

[6] In a comparative case, Lee (2009) shows that Chinese textile companies, operating with private capital and at thin profit margins, receive minimum restrictions from the Chinese government. They can easily relocate when the local environments became less friendly to businesses.

this end, a refined conceptual framework is imperative to situate labor encounters in particular company contexts and critically examine the sources of empowering and disempowering mechanisms for both Chinese and African employees.

6 A New Integrated Framework

Global China is a composite of heterogeneous actors who engage with each other in contractual, competitive, or complementary relations. Recognizing the variegated and contested nature of Chinese globalization, this dissertation aims to unpack the micro-constructions of Chinese work regimes in Africa, particularly how firms and individuals survive and thrive locally and how intertwined relations are developed among them. It contends that Chinese companies demonstrate varied capacities, interests and constraints that underpin different work outcomes for expatriate and local employees.

To unpack the geographies of capital-labor and labor-labor relations under Chinese work regimes in Africa, this dissertation adopts a *comparative-relational* framework in two main ways. First, comparative case studies are conducted with Chinese companies in different sectors, representing various socio-geographic contexts of work encounters. Second, instead of presuming a unidirectional Africa-China attention to management-labor relations, the dissertation approaches the dynamic relations of management strategies and labor agency through a relational lens. Within this comparative-relational framework, two interconnected analytical components are emphasized (Figure 1.1). First, analyses focus on the particularities of Chinese capitals and actors – their financial and political resources, institutional and regional embeddedness, operational logic and interests, and regulatory mechanisms – in forging locally specific work regimes in Africa. Second, emphasis is placed on the situated circumstances of workers – their structural and material histories of subordination and resistance, perceived opportunities and challenges in Chinese companies, and the workings of intersectioned identities – in initiating various forms of agency. By so doing, the dissertation moves beyond a deterministic reading of labor vulnerability or a voluntarist belief in workers' capacity to a contextualized understanding of the dynamic interrelationships between state, firms, and labor.

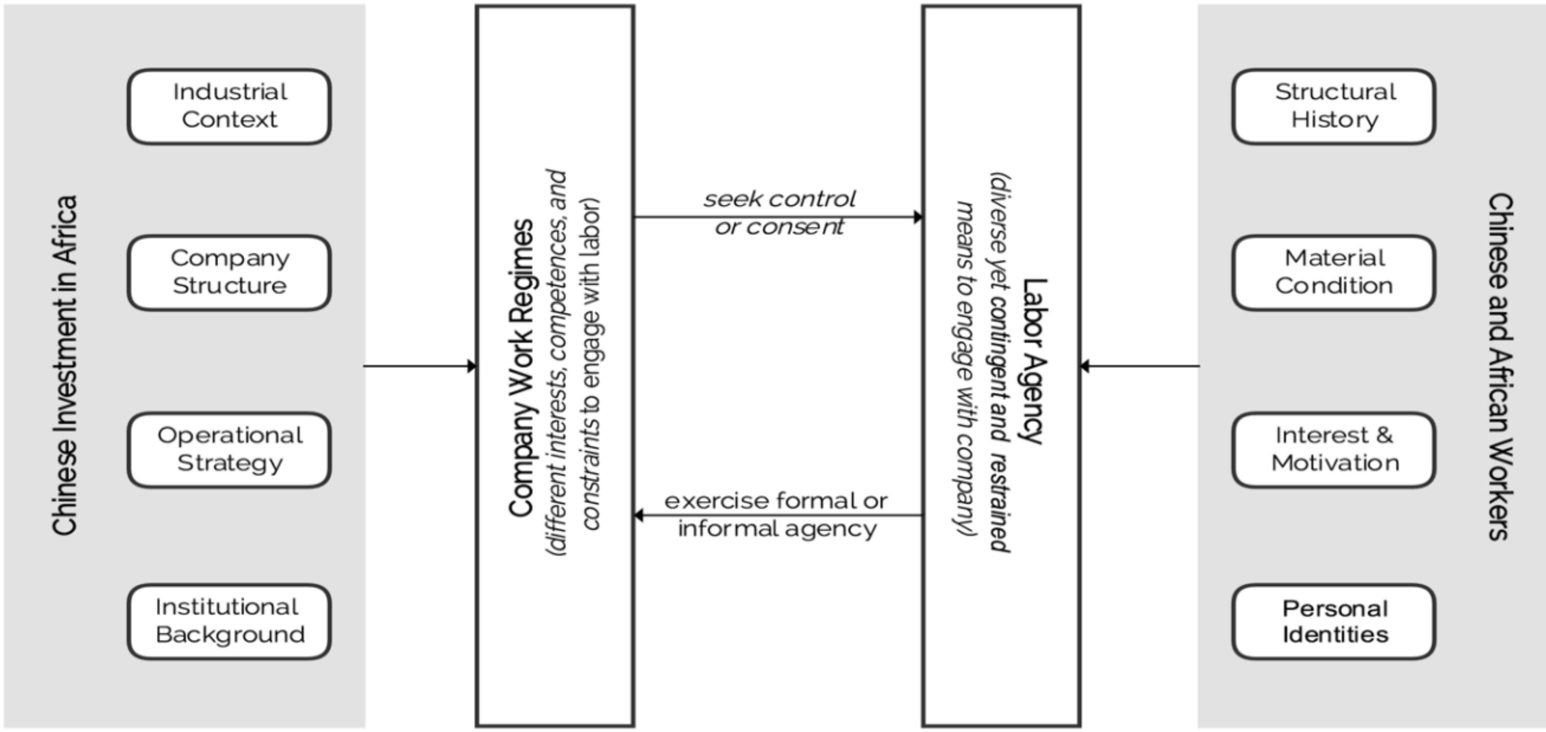

Figure 1.1 Dissertation Scheme

Figure made by the author

Through the comparative-relational framework, the dissertation contributes a geographic understanding of capital-labor and labor-labor relations under Africa-China cooperation in two aspects. First, it facilitates a depolarization of the ongoing media portrayal of "China in Africa" as a development driver or a neocolonial power by revealing prevalent contradictions, complexities and contingencies on the ground as manifested in capital-labor and labor-labor relations. It adds to the ongoing scholarly commitment to re-conceptualize Global South in knowledge/theory production. By revealing how places and populations are mobilized to pursue diverse-yet-distinctive and highly flexible internationalization trajectories, the dissertation intends to develop an innovative means to conceptualize and analyze the shifting global power dynamics marked by the rejuvenated development paradigm of South-South cooperation.

Second, a comparative-relational perspective into the Ethiopia-China encounter extends the western-oriented scholarship on the politics of production and labor agency to diverse historio-geographic, sociocultural, and political economic configurations of capital accumulation and worker struggles. Focusing on a relational perspective, the dissertation unpacks the evolving dynamics of management schemes and workers' (pro)activities that constantly reshape the power structure of local workplace regimes. By so doing, it grounds the geo-political and geo-economic debates of China's "flexigemony" in the specific work contexts of different economic sectors.

CHAPTER TWO ETHIOPIA-CHINA RELATIONS:

A MODEL OF SOUTH-SOUTH COOPERATION?

1 INTRODUCTION

> The China-Ethiopia relationship has been at the vanguard of that between China and all African countries, and serves as a distinguished example of unity among developing countries. *Xi Jinping, current President of China* (Xinhua 2015).

> It has now been proved the development paradigm in China has its own specific advantages … Chinese transformation disproved the pessimistic attitude that was, "if you are poor once, you are likely to be poor forever." *Meles Zenawi*, Prime Minister of Ethiopia between 1995 and 2012 (Adem 2012a).

The shared optimism toward bilateral relations between Chinese and Ethiopian elites and the official commitment to promoting this relationship as an exemplar of South-South cooperation have driven an intensive and extensive growth of Chinese economic engagements in Ethiopia over the past decades (Adem 2012a). This chapter examines the scope and significance of Ethiopia-China cooperation along the officially emphasized four pillars of government-to-government, party-to-party, business-to-business and people-to-people relations, so as to set the scene for the empirical case studies in the subsequent chapters.

By uncovering the diversity and complexity of Chinese engagement in Ethiopia, this chapter problematizes the attempts to promoting a coherent model of South-South cooperation. While the "Chinese model" comes with no intrinsic values in real world practices, it contends that a critical comprehension of how the model was constructed and for what purposes is important to examine the historical, geopolitical, and ideological specificities of contemporary relations. The concept of “model” is understood, following Fourie (2015), as the “mental schemata by which policymakers necessarily simplify and abstract reality in order to transfer aspects of this reality to a foreign setting” (293:294). The process of modeling, therefore, often implies purposive, voluntary, and proactive behaviors of the “recipient” countries through discourse on lesson drawing or emulation, which is different from the hierarchical process of policy diffusion or policy transfer.

The rest of the chapter unfolds as follows. Section 2 reviews the foundations of contemporary Ethiopia-China relations particularly with regard to the two pillars of government-to-government and party-to-party contacts. It highlights the political, ideological, and economic interests that have driven the development of bilateral cooperation. Section 3 examines the volume and distribution of Chinese economic activities in Ethiopia in areas of trade, aid, and investments, which can be considered as a nexus of government-to-government and business-to-business relations. Section 4 focuses on historic and contemporary labor regimes in Ethiopia, to situate people-to-people encounters in workplace contexts. Section 5 concludes the chapter with an introduction of the empirical cases studied in the dissertation.

2 Foundations of Ethiopia-China Relations

While formal diplomatic relations were established in 1970, bilateral connections remained weak in the initial years between socialist China (1949-1978) and Ethiopia under the imperialist regime of Haile Selassie (1915-1974). The Emperor's support of the Western Bloc during the Cold War had distanced Ethiopia from China in the 1950s and 60s (Adem 2012b). After the Ethiopian revolution in 1974, the Derg (known as the Provisional Military Administrative Council) took control of the government and ruled the country under a Marxist-Leninist ideology. Despite the ideological affiliations in state socialism, the Derg allied with the Soviet Union in the midst of the Soviet-China split, hence distancing itself from the Communist Party of China (CPC).[7] The military regime's brutality toward opponent groups, the problem-laden projects of nationalization, enduring domestic challenges of ethnic fragmentation, border warfare and social inequality, together with the decrease in external assistance following the dissolution of the Soviet Union, ultimately undermined Derg rule in the late 1980s (Zewde 2001).

The political coalition of the Ethiopian People's Revolutionary Democratic Front (EPRDF), dominated by the Tigrayan People's Liberation Front (TPLF), took power in 1991 and ran the country first by a transitional government and then through an ethnic-based multi-party federation – the Federal Democratic Republic of Ethiopia (FDRE).

[7] Nonetheless, in 1988, the two governments signed the China-Ethiopia Agreement for Economic and Technology Cooperation. China subsequently offered a loan of USD 15 million to build a national stadium and a ring road in Ethiopia's capital city, Addis Ababa (Adem 2012a).

This new government, under Prime Minister Meles Zenawi, adopted pro-Western economic policies following the guidance of the World Bank and the International Monetary Fund (Marcus 1994). An annual GDP growth rate of 4 percent was achieved during the 1991-2003 period, a major rise from 2.8 percent under the Derg regime (Adejumobi 2007). However, reports of human rights violations and election disputes in the subsequent years strained Ethiopia's relations with western donors, pushing Meles to look elsewhere for external resources (Clapham 2006).

Foundations for contemporary Ethiopia-China relations were consolidated after Meles visited China in 1995. During the visit, Meles encouraged Chinese investors to explore investment opportunities in Ethiopia and promised the provision of all necessary incentives (Cheru 2016). The Chinese President of that time, Jiang Zemin, visited Ethiopia in 1997. Since then, high-profile visits between government officials of the two sides became routine (Table 2.1 and 2.2). A Joint Ethiopia–China Commission (JECC) was subsequently established in 1998 by Ethiopia's Ministry of Finance and Economic Development (MoFED) and China's Ministry of Finance and Commerce (MOFCOM). JECC meets every two years in Beijing and Addis Ababa alternatively to discuss economic and technical cooperation programs (Davies et al. 2008).

Table 2.1 Chinese Official Visits to Ethiopia (post-1995)

Time	**Name**	**Position during visits**
May, 1996	Jiang Zemin	President
Oct, 1997	Ismail Amat	State Councilor and Chairman of State Ethnic Affairs Commission
Feb, 2000	Dai Bingguo	State Councilor and Director of Foreign Affairs Leadership Group of CPC Central Committee
Jan, 2002	Tang Jiaxuan	Foreign Minister
Jun, 2002	Xu Jialu	Vice Chairman of the Standing Committee of the National People's Congress
Dec, 2003	Wen Jiabao	Premier
Jun, 2004	Li Meng	Vice Chairperson of the Chinese People's Political Consultative Conference
Apr, 2006	He Luli	Vice Chairperson of the Standing Committee of the National People's Congress
Jan, 2008	Yang Jielu	Foreign Minister
Nov, 2008	Wu Bangguo	Chairman and Party Secretary of the Standing Committee of the National People's Congress
Apr, 2010	Yan Junqi	Vice Chairperson of the Standing Committee of the National People's Congress
Jul, 2010	Dai Bingguo	State Councilor
Jan, 2012	Jia Qinglin	Chairperson of the Chinese People's Political Consultative Conference
Nov, 2012	Chen Zhili	Vice Chairperson of the Standing Committee of the National People's Congress
Sept, 2013	Hui Liangyu	Vice Premier
Nov, 2013	Liu Yandong	Vice Premier
May, 2013	Wang Yang	Vice Premier
Jan, 2014	Wang Yi	Foreign Minister
May, 2014	Li Keqiang	Premier
Jul, 2014	Guo Jinlong	Member of Politburo Standing Committee of the Communist Party of China, Party Secretary of Beijing
Jan, 2016	Zhang Ming	Vice Foreign Minister
Nov, 2016	Li Yuanchao	Vice President
Mar, 2017	Yang Jiechi	State Councilor
Jun, 2017	Wang Yi	Foreign Minister

This list of visits, which may not be complete, was compiled from information on the website of the Ministry of Foreign Affairs of China (MFA 2017).

Table 2.2 Ethiopian Official Visits to China (post-1995)

Time	Name	Position during visits
Oct, 1995	Meles Zenawi	Prime Minister
May, 1998	Kassu Ilala	Deputy Prime Minister
Oct, 2000	Seyoum Mesfin Gebredingel	Foreign Minister
May, 2002	Kassu Ilala	Minister of State for Infrastructure
Apr, 2003	Mulatu Teshome	Speaker of the House of Federation
May, 2004	Addisu Legesse	Deputy Prime Minister, Minister of Agriculture and Rural Development
Jul, 2004	Dawit Yohannes	Speakers of the House of Peoples' Representatives
Nov, 2004	Meles Zenawi	Prime Minister
Dec, 2004	Mulatu Teshome	Speaker of the House of Federation
Nov, 2005	Seyoum Mesfin Gebredingel	Foreign Minister
Nov, 2006	Meles Zenawi	Prime Minister
Jul, 2008	Teshome Toga Chanaka	Speakers of the House of Peoples' Representatives
Jun, 2010	Seyoum Mesfin Gebredingel	Foreign Minister
Aug, 2011	Meles Zenawi	Prime Minister
Jul, 2012	Hailemariam Desalegn	Deputy Prime Minister, Foreign Minister
May, 2013	Demeke Mekonnen	Deputy Prime Minister, Minister of Education
Jun, 2013	Hailemariam Desalegn	Prime Minister
Oct, 2014	Abadula Gemeda	Speaker of the House of Peoples' Representatives
Nov, 2014	Hailemariam Desalegn	Prime Minister
Jul, 2014	Mulatu Teshome	President
Apr, 2015	Kasa Teklebirhan	Speakers of the House of Federation
Sept, 2015	Hailemariam Desalegn	Prime Minister
May, 2017	Hailemariam Desalegn	Prime Minister

This list of visits, which may not be complete, was compiled from information on the website of the Ministry of Foreign Affairs of China (MFA 2017).

Bilateral relations were further strengthened after 2005, when Ethiopia's democratic elections ended with the government crackdown on the opposition groups. Major cut backs in development assistance from western donors followed, pushing Meles to look for alternative resources not only to sustain domestic development but also to legitimize the regime. Seeing "Washington consensus" as a "dead end," Meles' idea of economic development was to shift emphasis to strong statehood and government-led industrialization (Clapham 2017). China came into sight as an example of achieving development under a regime of mixed authoritarianism and economic liberalism (Fourie 2015). The economic miracle in China since the 1978 presented Meles with the feasibility of single party dominance and modern development without societal and political breakdown (Fourie 2015). Engaging in a development partnership with China, therefore, entailed not only economic opportunities, but also political legitimacy.

Such emergent political and ideological imperatives have strengthened the already close party-to-party affiliation between CCP and TPLF[8] – a distinguishing feature of Ethiopia-China relations compared to China's relations with other multi-party African countries. As a result, the number of official visits to China by Ethiopian ministers doubled annually from 2000 to 2010; around 200 Ethiopian officials from regional and national governments traveled to China for training every year (Fourie 2015). The current

[8] Both TPLF and CCP are rooted in Marxism and following the Leninist principle of "democratic centralism" as the organizational principle. Both parties rose from rural-based, peasant-oriented revolutions and describe their party as the "vanguard" party (Fourie 2015; Marcus 1994).

Ethiopian President, Mulatu Teshome, was himself trained in and graduated from China's Peking University.

It is however worth noting that despite TPLF's affiliation with CCP, China was not the only "model" with which Ethiopia sought to establish development linkages. Ethiopia's Foreign Affairs and National Security Strategy (2002) states that the country seeks both constructive engagement with traditional western powers and new development partnerships with the South (Cheru 2016). Meles had particularly favored the paradigm of the East Asian developmental state as exemplified by the post-war rise of Japan, South Korea, and Taiwan (Clapham 2017). In his own writing, Meles explored the Japanese Kaizen philosophy – a notion of incremental and continuous improvements – and viewed it as a guide to Ethiopian industrial transformation (Zenawi 2006). Also, the country's National Export Coordination Committee (NECC), established in 2003, was modeled on parallel institutions in South Korea (Fourie 2015).

Modeled on the examples of China and other East Asian developmental states, various economic institutions have been developed in Ethiopia. In a recent publication, Brautigam, Weis, and Tang (2015), explained the internal structure of the Ethiopian federal government in industrial policy design and implementation.

> The main driver behind Ethiopia's industrial policy is the prime minister's office (PMO), consisting of the prime minister, and a number of senior policy advisers with the rank of minister, who take lead roles in designing the country's development plans. Similarly, the implementation of industrial policy is coordinated from within the PMO, both through cabinet and through an increasing number of standing committees on different issues – export promotion, business

> diplomacy, infrastructure – that meet monthly under the chairmanship of the prime minister.[…] Although Ethiopia has not followed the East Asian model of entrusting overall policy coordination to a central pilot agency, a semi-autonomous National Planning Commission was created within the Ministry of Finance and Economic Development (MoFED) in 2012.(2015: 3)

Under the lead of PMO, MoFED is the major government institution to design and publish national development plans. In light of the United Nations' Millennium Development Goals (MDG), MoFED published two medium term development plans: the Sustainable Development and Poverty Reduction Strategy (SDPRP, 2002-2005) and the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2005-2010). The latter, in particular, specified the objective of achieving an average annual GDP growth of 7.3 percent during the planned period (MoFED 2005: 55). MoFED subsequently issued its first Growth and Transformation Plan (GTP I, 2010-2015) with the goal of doubling GDP from 2010 to 2015. The GTP II (2015-2020) further laid out an agenda for "pursuing aggressive measures toward rapid industrialization…[and] becoming a lower middle-income country by 2025" (16).

The Ethiopian economy has grown substantially since PASDEP was published; making the country one of the fastest growing economies in the world, with an average of 10.9 percent GDP increase between 2004 and 2014. The country's intensified economic engagements with China have played an important role in this rapid growth. The next section examines the bilateral economic relations in areas of trade, aid, and contract and investment projects.

3 Diversifying Economic Relations

This section traces the expansive growth of Ethiopia-China economic cooperation in the areas of trade, aid, and contract and investment projects. It identifies a diverse group of government and business actors engaged in this cooperation and reveals the distinctive characteristics and patterns of Chinese development assistance.

Bilateral Trade

Africa-China trade has grown exponentially during the 2000s with China replacing the U.S. in 2011 to become Africa's largest trade partner. Ethiopia, however, is neither a leading source for Chinese imports from Africa nor a major destination of Chinese exports to the continent. The country ranks 22nd among all African nations for Chinese imports from Africa between 1995 and 2016, and 14th for Chinese exports to Africa during the same period.[9] Nonetheless, the composition of bilateral trade between China and Ethiopia shows both conforming and distinguishing features. These features become evident through comparative analysis with other African countries. This sub-section examines China's trade relations with Ethiopia compared to that with three additional countries – Angola, Tanzania, and Kenya. The selection of three comparative countries was based on the national GDP ranking in 2015, in which Angola (USD 81.5 billion) is

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[9] South Africa, Angola and South Sudan are the top three contributors to China's imports from Africa between 1995 and 2016. South Africa, Nigeria and Egypt are the top three destinations of China's exports to Africa during the same time period.

placed before Ethiopia (USD 67.4 billion); and Tanzania (USD 64.7 billion) and Kenya (USD 45.9 billion) are afterward.

With regard to the accumulated value of imports from China, Kenya is the highest (USD 32.59 billion), followed by Tanzania (USD 32.58 billion), Angola (USD 23.97 billion), and Ethiopia (USD 19.82 billion). The composition of imported goods shows similar patterns among the four countries (Figure 2.1A-D). The major import categories for all four countries are machinery and manufactured products, with small differences in the value between the two categories for Angola, Kenya and Tanzania. For Ethiopia, the import value for machinery is about twice of that of manufactured products. In addition, imports of other goods – chemicals, raw materials, food, miscellaneous, etc. – take up 28-36 percent of the total imports in the other three countries, but they only account for 20 percent of imports in Ethiopia.

In terms of the countries' exports to China, Angola with a total value of USD 252.93 billion is significantly higher than the other three countries (Figure 2.1 E-H). Tanzania and Ethiopia have similar values at USD 3.95 and 3.11 billion respectively. Kenya's export is the lowest among the four countries with a value of only USD 0.66 billion. In contrast to the diversity of imports from China, the four countries' exports to China have concentrated on one or a few products. As an agriculture-based economy, Ethiopia's exports to China are dominated by oilseeds. In the extreme case of Angola, almost all exports are petroleum. In Tanzania and Kenya, exports are primarily metal ores, but show a slightly more diversity than those in Angola and Ethiopia.

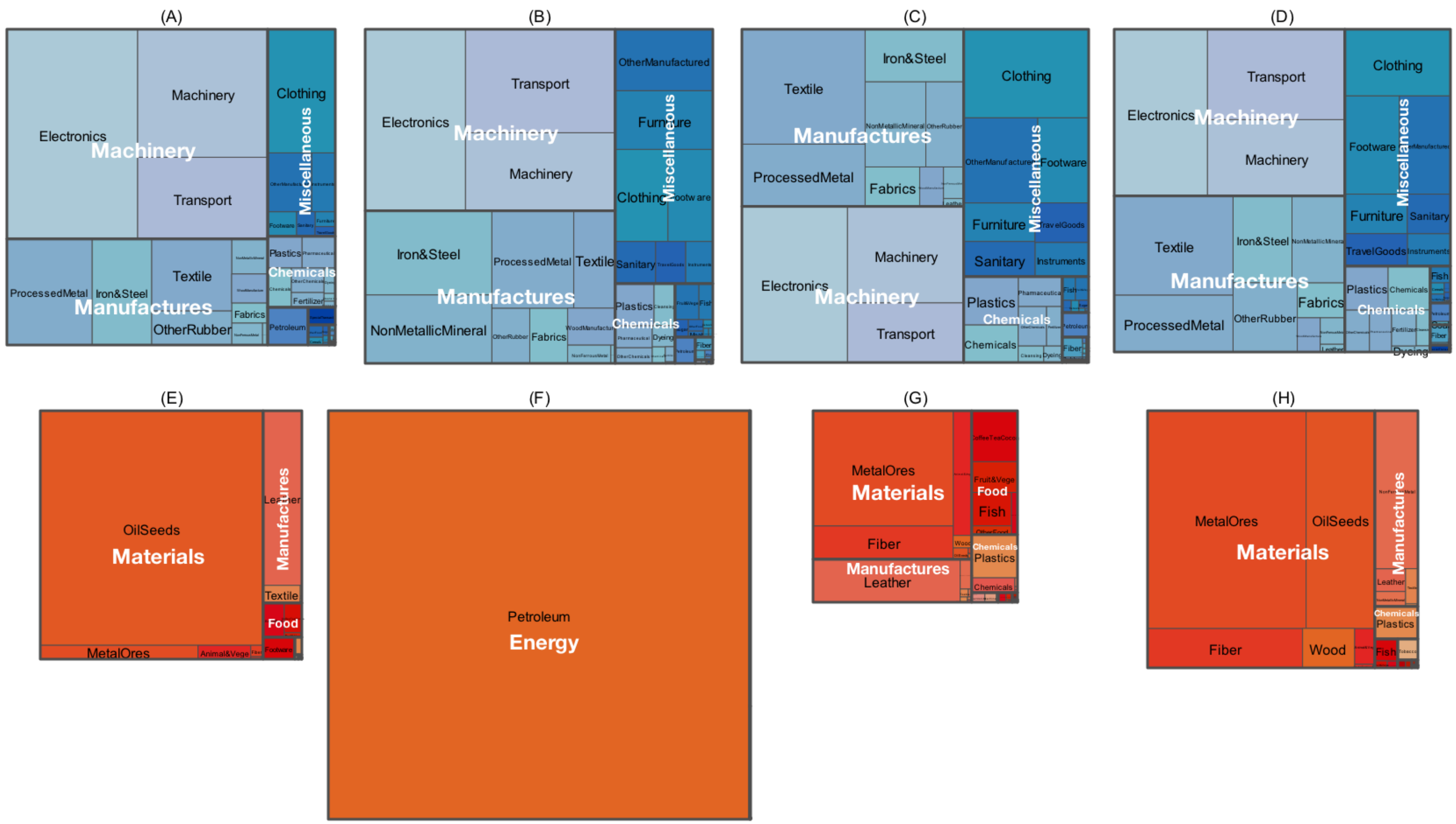

Figure 2.1 Composition of Imported Chinese Goods in (A) Ethiopia, (B) Angola, (C) Kenya and (D) Tanzania in Comparison to These Countries' Exported Goods to China (E-Ethiopia, F-Angola, G-Kenya, and H-Tanzania), 2000-2016

Sizes of the figures are made exponentially proportional to the actual amount of trade. Trade data obtained from the UN COMTRADE database based on the Standard International Trade Classification (SITC), figure made by the author.

Although bilateral trade relations between Ethiopia and China started in 1956 (Alemayehu Geda and Meskel 2008), it was only after 2005 that the volume of trade increased dramatically. The value of imports from China to Ethiopia grew by 8.76 times between 2005 and 2016, reaching USD 6 billion in 2016. This accounted for 32 percent of Ethiopia's total imports in that year. A dissection of the composition of imported goods shows the major categories being capital goods, industrial supplies and consumption goods (Figure 2.2), respectively taking up 32.9 percent, 30.3 percent, and 26.7 percent of total imports in 2016. Although consumption goods do not constitute a significant aspect of Ethiopian imports from China (occupying less than 10 percent of total imports in 2010 and 2013), they have increased dramatically in recent years. At the same time, industrial supplies were a top import category in the early 2000s, accounting for over 40 percent of total imports in 2001. Imports of transport equipment and parts remained at around 10 percent of total imports for most of the years, with an exceptional rise to 21 percent in 2013. Imports of food and beverages are minimal, accounting for less than 0.5 percent of total imports. Among the imported food and beverage category, 99 percent consists of processed goods for industrial or household consumption.

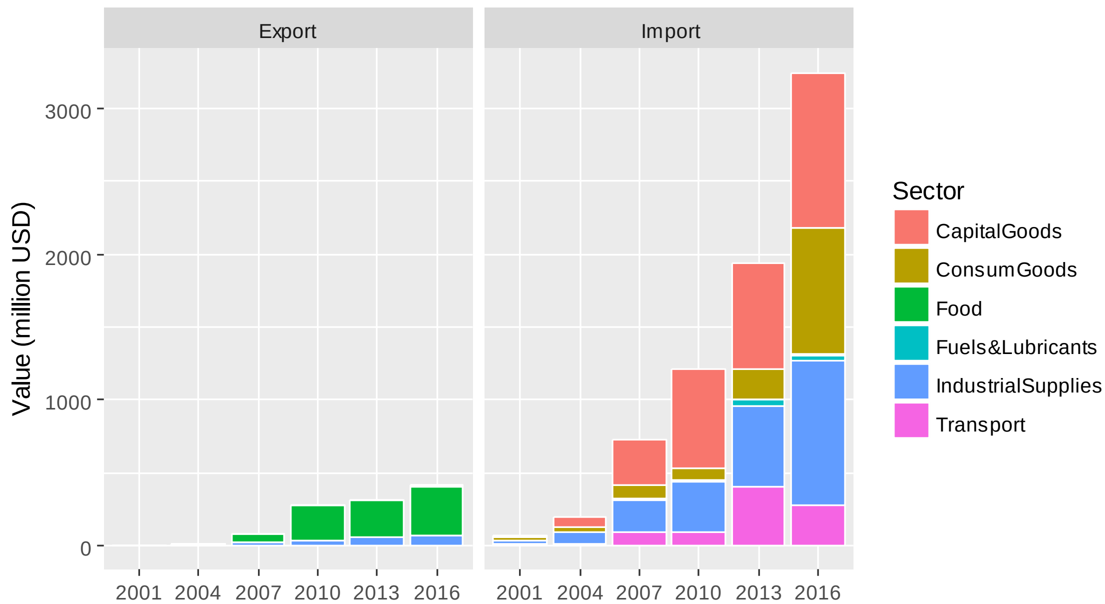

Figure 2.2 Ethiopia's Trade Relations with China

Figure made by the author

In contrast to the rapid increase in different kinds of imports from China, Ethiopia's exports have experienced very slow growth relative to imports. While the total value of exports in 2016 was 238 times of that in 2001, it was only 1.3 times of that in 2013. The composition of exports is less varied than its imports from China with 80 percent found in food and beverages, of which 99.9 percent is primary rather than processed products. Export of industrial supplies increased to USD 69 million, but was nowhere comparable to the USD 984 million worth of imported industrial supplies from China in 2016. Therefore, bilateral trade has been heavily tilted in favor of China. This trade imbalance is not merely a feature of Ethiopia-China trade relations, but commonly observed between China and other African countries (Eisenman 2012).

A number of policy initiatives have been implemented on a regional, bilateral basis over the past years to address this trade deficit. During the second meeting of the Forum on China-Africa Cooperation (FOCAC) in 2003, Chinese officials agreed to remove import tariffs on 1,990 goods from 29 African countries (Adem 2012a). In 2009, 440 goods from Ethiopia were granted duty-free status by the Chinese government (Hackenesch 2013). From the Ethiopian side, in addition to NECC – now known as the National Export Council (NEC), which was chaired by the prime minister – a Public-Private Consultative Forum (EPPCF) was established in 2010, led by both the Ministry of Trade and the Ethiopian Chamber of Commerce (Bräutigam, Weis, and Tang 2015). A foreign exchange retention scheme and various policy incentives were subsequently put forward to promote exports from Ethiopia. Despite these efforts, patterns of trade in the recent years, as presented earlier, do not show signs of significant improvement. In fact, various government agencies have not been developed into a well-coordinated platform for export coordination. Meetings held by the NEC remained an internal government activity[10], rather than a multilateral cooperation among government, firms, industrial associations, banks, and research institutions – as seen in its Korean counterpart.

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[10] The NEC comprises the National Bank of Ethiopia, the Ethiopian Revenue and Customs Authority, the Ministry of Trade and the Ministry of Industry. The Council is chaired by the prime minister and includes leading officials of major state-owned enterprises and public institutions, such as the Ethiopian Railways Corporation, the Industrial Parks Development Corporation, and the Ethiopian Airlines (Bekele 2017).

Straddled with an under-performing export sector, the Ethiopian government is determined to reform existing institutions. It is reported that six export committees are planning to be established in NEC, each covering one primary export good of the country: coffee, oil seeds, minerals, leather, horticulture and meat (Bekele 2017). Major export companies in the country will have better representation on the committees, particularly those from the private sector. Meetings will be arranged for the committee to gather timely feedback form various parties and to make policy adjustments. While such a planned reform shows some promise of a more engaged multilateral cooperation to promote the export sector, it requires future research to evaluate its effectiveness.

Overseas Assistance

Categorizing Chinese economic cooperation with Ethiopia is a challenging task for three reasons. First, the Chinese government does not produce comprehensive and timely databases on its overseas capital flows. Second, the limited data that the government publicizes does not differentiate aid from other types of capital flows. Third, "aid" from China is a confusing term as it does not conform with the definition of official development assistance (ODA) under the Organization for Economic Cooperation Development (OECD) regime (Taylor 2009). It therefore limits the comparability of Chinese development assistance with that from traditional western donors (Bräutigam

2011a).[11] To further complicate the issue of categorization in the Ethiopian context, Ian Taylor (2009) found that Ethiopia had begun to follow a classification system similar to the Chinese one. For example, the government takes vendor financing for public enterprises as "aid" rather than foreign investment, which further blurs the aid-investment distinction in the context of Ethiopia-China cooperation.

Since the ODA/non-ODA delineation provides a limited approach to understanding aid in the Chinese context, this sub-section will use the term of "overseas assistance" from the While Paper on Overseas Assistance published by the State Council of China. The White Paper specifies three major modes of financing to channel Chinese "aid": grants, interest-free loans, and concessional loans (State Concil 2014). Grants are primarily used for funding social programs (e.g. school, hospital, and water facilities), human resource and technical cooperation, material goods and humanitarian aid.[12] This type of assistance is poorly documented in official statistics, but more commonly found in media reports and official speeches. In Ethiopia, examples of grants are recorded by AidData (Table 2.3), a collaborative online platform to track the flow of Chinese development finance to Africa.

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[11] China also does not follow the same definition of aid as OECD. Chinese "aid" activities that fall within the ODA category is very small in number, while those considered aid in Chinese official documents do not necessarily meet the ODA criteria (Tan-Mullins, Mohan, and Power 2010). For example, debt write-offs, a type of ODA, are not considered aid in the Chinese context. Cooperation and joint-venture funds, while not considered as ODA, are kinds of aid that China provides (Taylor 2009).

[12] Chinese official grants worldwide were valued at RMB 32.32 billion between 2012 and 2014, which accounts for 36.2 percent of all foreign assistance (State Concil 2014).

Table 2.3 Examples of Chinese Grants to Ethiopia (2000-2013)

Title	Year	Amount	Currency
Aid for drought	2000	200,000	USD
Donation of office equipment	2000	200,000	RMB
Donation of de-mining equipment	2001	100,000	USD
Agricultural training	2002	7,000,000	RMB
Construction of Ethio-China polytechnic college	2003	12,000,000	USD
Donation to Ministry of Foreign Affairs	2005	23,000	USD
Demarcation of Ethiopia-Sudan border	2005	150,000	USD
Teaching services	2006	NA	
Training in textile and urban planning	2006	NA	
Emergency food aid	2007	250,000	USD
Development projects	2007	20,000,000	RMB
Donation of anti-malaria medicine	2008	3,000,000	RMB
Donation to Ministry of Foreign Affairs	2008	NA	
Grant for agricultural and government administration projects	2008	4,000,000	USD
Construction of anti-malaria center	2008	NA	
Construction of agricultural technology demonstration center	2008	40,000,000	RMB
Construction of Tirunesh-Beijing Hospital	2009	NA	
Dispatch of technical volunteers	2009	NA	
Donation of vehicles for state guests	2011	108,400,000	ETB
Donation to primary school	2011	100,000	ETB
Drought emergency food aid	2011	150,000,000	RMB
Bio-gas appliances, installation, and training	2012	100,000,000	RMB
Grants to support AU Activities	2012	100,000,000	USD
Scholarship program	2013	NA	

Data was compiled from China AidData and only includes projects that have been completed or are under implementation.

Table 2.4 Examples of Chinese Loans to Ethiopia (2000-2013)

Title	Year	Amount	Currency	Type
Textile factory expansion	2001	3,400,000	USD	Interest-free
Addis Ababa ring road phase I	2001	12,000,000	USD	Interest-free
Debt relief	2001	122,560,000	USD	
Addis Ababa ring road phase II	2005	15,000,000	USD	Interest-free
Debt relief	2007	18,500,000	USD	
Power line extension	2007	1,190,000,000	ETB	Unknown
Eastern Industrial Zone	2008	690,000,000	RMB	Unknown
Addis Adama expressway	2009	350,000,000	USD	Concessional
Adama wind farm	2009	99,450,000	USD	Concessional
Expansion of electric substations	2009	2,380,000,000	ETB	Unknown
Messabo Harrena wind farm	2009	NA		Unknown
Halele Werabesa dam	2009	680,000,000	USD	Concessional
Gibe III hydroelectric dam	2010	270,000,000	USD	Unknown
Procurement of customs equipment	2010	25,100,000	USD	Concessional
Loan for unspecified purposes	2010	30,000,000	RMB	Interest-free
Water well project phase I	2011	500,000,000	ETB	Unknown
Sugar manufacturing and refining	2011	123,000,000	USD	Concessional
Addis Ababa water project	2011	635,000,000	RMB	Concessional
Second Adama wind farm	2012	293,300,000	USD	Unknown
Power lines	2012	1,020,000,000	USD	Unknown
Addis Ababa expressway and ring roads	2013	320,000,000	USD	Concessional
Expansion of Bole international airport	2013	250,000,000	USD	Unknown
Transmission line	2013	1,020,000,000	USD	Unknown
Expansion of Tirunesh Dibaba Beijing hospital	2013	NA		Interest-free

Data was compiled by the author based on information from China AidData.

Two other means of financing for Chinese overseas assistance are interest-free loans and concessional loans.[13] The former is typically implemented within a 20-year timeframe, with repayment starting at the 11th year. It primarily funds public projects, especially large-scale infrastructural turnkey projects. The latter is implemented on a 15-20-year schedule with repayment starting between the 5th or 7th year and an interest rate of 2-3 percent. It is reported that 61 percent of this type of loan goes to productive projects (e.g. transport, communication and infrastructure), while 8.9 percent goes to the development of mineral and energy resources (Davies et al. 2008). Official statistics on loans however are limited, and it remains unclear whether particular loans are interest-free or concessional. Data compiled by AidData for Ethiopia, while informative, still lack important details of the loan agreements (Table 2.4).

Chinese loans to Africa have been summarized by scholars as an "infrastructure-for-resources" strategy or the "Angola model" (Hensengerth 2013; Kopi, Polus, and Taylor 2011; Power 2012). The strategy solves issues of capital shortage and low creditworthiness of the borrowing country by locking infrastructural loans to the sale of natural resources – oil, minerals, or agricultural products.[14] It is reported that between 2003 and 2011, 56 percent of Chinese loans to Africa – a total of USD 29.6 billion – were arranged to be repaid by commodity sales (Huang 2016). A bulk of the resource-backed

[13] Chinese interest-free loans worldwide were valued at RMB 7.26 billion between 2012 and 2014, taking up 8.1 percent of foreign assistance. Concessional loans, accumulated to RMB 49.76 billion, account for 55.7 percent of foreign assistance (State Concil 2014).

[14] It is worth noting that resource-backed financing is by no means a Chinese invention. It was developed by western private banking institutions to mitigate the risk of lending to resource-rich African countries. China itself also used a similar financial model to secure loans from Japan in the 1970s (Alves 2013b)

loans is offered by the Export–Import Bank (EXIM) of China[15] as concessional loans, which accounted for 92 percent of China's infrastructural lending to Africa between 2001 and 2007 (Alves 2013a).

Unlike traditional western donors who attach requirements of institutional reform to ODA, Chinese overseas assistance is known to have no conditions. Nonetheless, these projects are often economically tied in contract terms that require work to be undertaken by Chinese enterprises – primarily large- or medium-sized Chinese state-owned enterprises (SOEs) (Tan-Mullins, Mohan, and Power 2010). Instead of channeling loans directly to the borrowing countries, funds are often administered through the borrower's account with the EXIM, and paid directly to Chinese contractors (Alves 2013a).

In addition, as part of the loan agreement, it is often required that at least 50 percent of the project procurement must be sourced from China. This often includes the purchase of "mechanical and electronic products, complete sets of equipment, high tech product, services and materials" (Bosshard 2007, p.4). Given that Chinese infrastructure lending to Africa is working toward the benefits of Chinese SOEs and material exports, tied loans are criticized for their failure to promote local input and create backward linkages in the host country (Bosshard 2007).[16] These loans are therefore considered as a conscious Chinese state venture to facilitate the expansion of Chinese companies in

[15] Considered as China's foreign policy instrument, EXIM Bank provides institutionalized funding source for SOEs' overseas activities.

[16] While these loans do not usually specify the extent of African input, Corkin (2013) revealed that the Angola government was able to negotiate an agreement of 30 percent local content to be included in a Chinese EXIM Bank loan.

Africa and to secure China's access to African resources at low prices. As Alves (2013a, p.213-4) summarized:

> [T]he loan is extended by Chinese state banks, the services providers are Chinese construction SOEs, materials and equipment are sourced from state enterprises back in China, and Chinese national resource companies retain the off-taker rights, being the proceeds from each sale used to service the loan.

However, resource-backed loans are by no means the only financial arrangement that fuels Chinese economic activities in Africa. Chinese banks also provide commercial loans, especially through vendor financing, as illustrated by the case study company in Chapter Four. Under such a scheme, the vendor (i.e. the seller or contractor) acts as the guarantor for loans from Chinese banks to enable the borrower to purchase from the vendor's products and services. Moreover, EXIM provides financing support to Chinese construction companies engaging in non-Chinese-funded projects overseas. To qualify for this type of support, the contracted project must exceed USD 1 million, and the contractor has to provide a down payment that equals 15 percent of the contract value (Corkin and Kaplan 2012). Requirements for procurement from China are lower in this type of financing – no less than 15 percent. In addition to EXIM Bank loans, Chinese companies can also obtain funds for payment in-advance and performance bonds from their headquarters in China, or get loans at flexible rates from other Chinese financial institutions[17] (Burke 2007).

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[17] The China-Africa Development Fund, an equity-funding organization established by the China Development Bank, has engaged in equity investment in Chinese companies working on infrastructure development, industrial parks, and construction materials manufacturing in Africa

Other than domestic sources of financing, Chinese contractors are also strong competitors for projects funded by other international development banks, African governments, and local private clients, as the case study in Chapter Three will show. Chinese firms have the highest percentage of successful bidding for World Bank projects. Between 2007 and 2015, 30.3 percent of World Bank infrastructure projects in Africa were obtained by Chinese companies (Farrell 2016). A survey of Chinese construction companies in Africa by Chen et al. (2007) also revealed nearly 50 percent of companies working on projects financed by traditional, non-Chinese, and multilateral agencies. In Ethiopia, Chinese contractors have been successful bidders for projects financed by World Bank, Africa Development Bank, European Commission, etc. (Adem 2012a).

CONTRACT AND INVESTMENT PROJECTS

The diverse forms of overseas assistance and availability of multiple financial arrangements have fueled a rapid increase and tremendous success of Chinese contractors in Africa. Other than the preferable access to state-financing, three additional advantages for Chinese contractors have been identified. First is their low-price bidding strategy particularly for their first project to enter the African market (Corkin and Kaplan 2012). Studies have revealed a 10-15 percent profit margin for Chinese companies, compared to 30-50 percent for European or South African companies (Alves 2013a). Other studies reported even lower profit margins for Chinese companies – 5 percent for a company based in Tanzania and 3 percent for one based in Ethiopia (Burke 2007). Second, Chinese

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(Y.-C. Xu 2014). For example, it has worked with Chinese SOEs investing in a glass plant and a cement factory in Ethiopia, and a polyethylene pipe plant in Angola (CDB 2015).

contractors have the advantage of developing a supply chain of materials and machinery from China and in the host country at a competitive price. Third, the unique management styles and relatively low-cost labor[18] also increase workforce productivity and achieve efficient cost savings for Chinese companies.

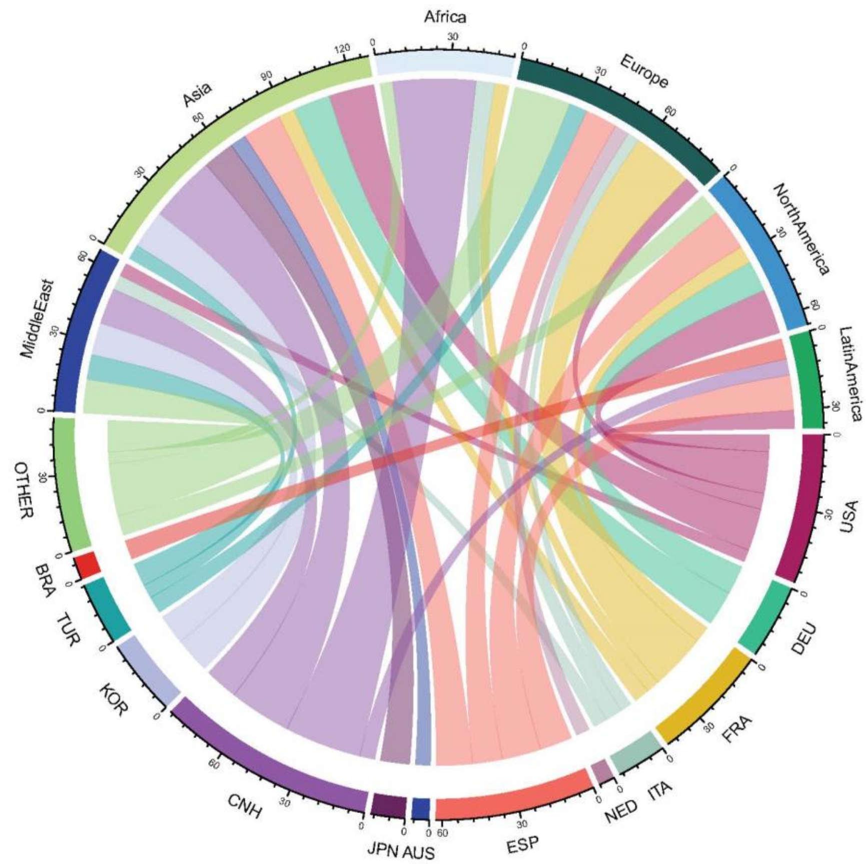

Figure 2.3 Distribution of Market Share of the Top 250 Global Contractors by Country of Origin and Contract Destination, 2015 (unit: million USD)

Data obtained from the Engineering News Record, figure made by the author.[19]

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[18] According to Chen et al. (2007), Chinese managers in Ethiopia typically earn USD 700 per month, compared to American managers who earn USD 10,000 per month.

[19] The lower half of the outer circle indicates the countries of origin of the Top 250 Global Contractors, while the upper half shows the regions of destination of the contracted projects. Each segment of the outer circle color represents a country or region (e.g. China in purple and Europe in dark green). Thickness of flows is proportional to the total amount of contract value; and the

The importance of China in the African contract market is evident from the large amount of turnover obtained by Chinese contractors. In 2015, a group of 65 Chinese companies, listed in the Top 250 Global Contractors, obtained an accumulated turnover of USD 35.92 billion in Africa (ENR 2015). This amount equals 40 percent of the total overseas turnover of these companies and 50 percent of Africa's contract market, making China the top contract partner of Africa (Figure 2.3).

Official data from the China Statistics Yearbook further reveals the leading position of Ethiopia on China's African contract market. The turnover of Chinese contracted projects[20] in Ethiopia increased dramatically between 2005 and 2015 (Figure 2.4), accumulating to USD 25.21 billion. In 2015, Ethiopia ranked second on China's African contract market, contributing 10.8 percent of the total turnover.

Compared to the large amount of contract turnover, Chinese overseas foreign direct investment (OFDI) to Ethiopia is much smaller in scale.[21] China's OFDI flow to Ethiopia increased by 35 times from 2005 to 2015, reaching USD 175 million in the year

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direction of flows is toward the regions of destination. Flows less than USD 5 million were omitted for visualization purposes.

[20] Official definitions of overseas contracted projects are activities of contracting overseas construction projects by Chinese enterprises through a bidding process. They include overseas construction projects financed by foreign investors; overseas projects financed by the Chinese government through its foreign aid programs; construction projects of Chinese diplomatic missions, trade offices and other institutions stationed abroad; and sub-contracted projects to be taken by Chinese contractors through a joint umbrella project with foreign contractor(s), etc. (Yearbook 2016).

[21] Official definitions of the OFDI are investment made by domestic enterprises and organizations in forms of cash, physical investment and intangible assets, and the economic activities centering on operation and management of those enterprises under the control of domestic investors (Yearbook 2016).

2015. Yet, the growth rate has been uneven between years. During the 2005-2015 period, there were four years when OFDI flow decreased from the previous year. Significant increase only happened between 2005 and 2006 (by 3.85 times) and between 2008 and 2009 (by 6.65 times). Overall, the accumulated OFDI volume between 2005 and 2015 was USD 4.8 billion, taking up 2.9 percent of China's total OFDI volume to Africa.

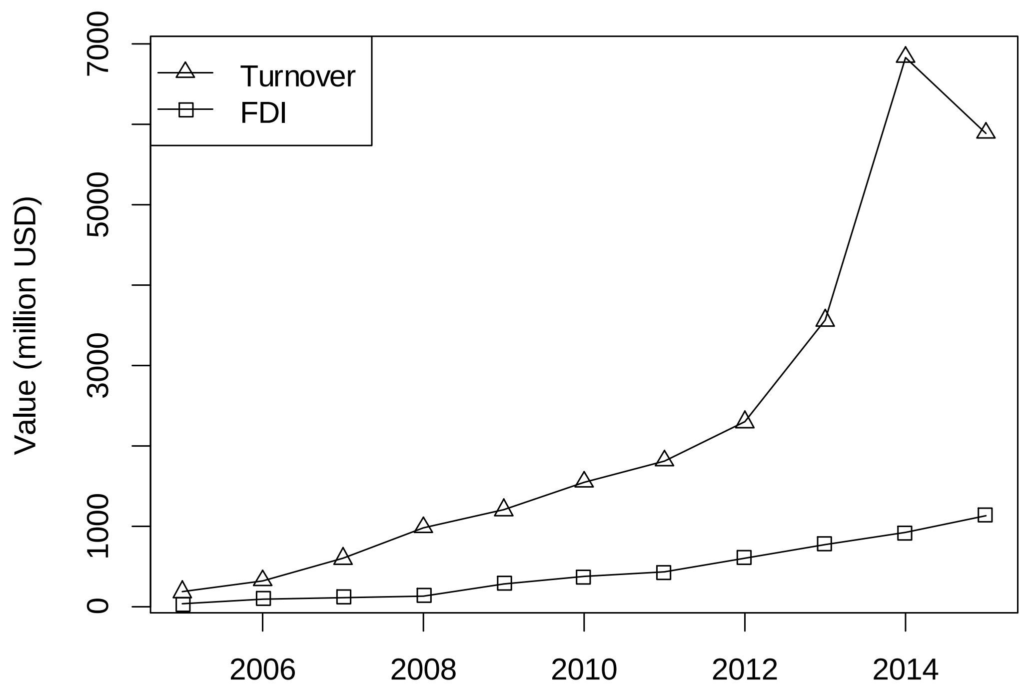
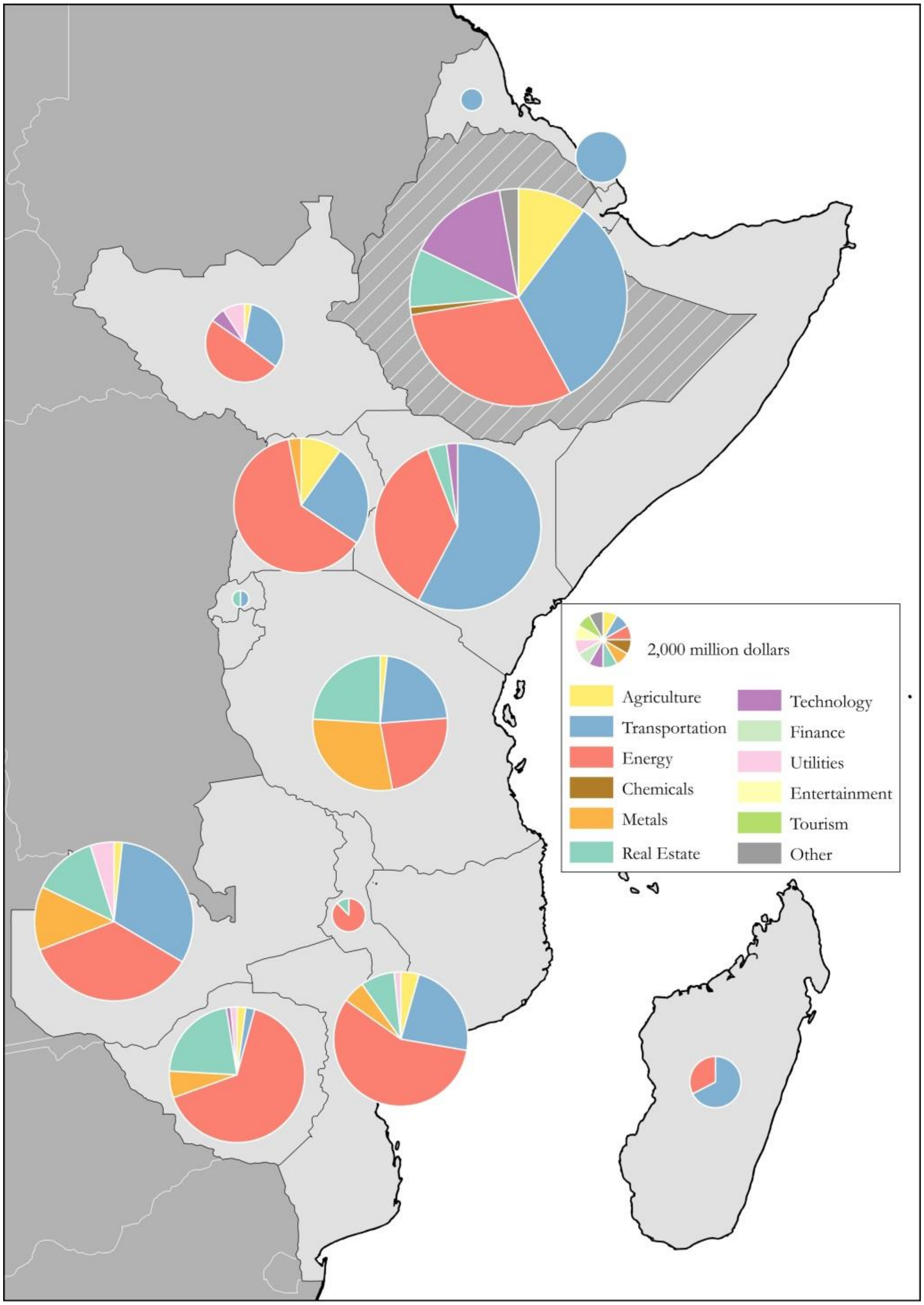


Figure 2.4 Turnover of Chinese Overseas Contracted Projects and Foreign Direct Investment in Ethiopia (2005-2015)

Figure made by the author



Map 2.1 Sectorial Distribution of Large-scale Chinese Projects in East Africa

Figure made by the author

While official statistics offer insights into the patterns of Chinese economic engagement with Ethiopia, they reveal little about the sectorial distribution of Chinese contract and investment projects. Research done by the American Enterprise Institute and Heritage Foundation, to some extent complement the official data by tracking the specific deals of China's large-scale investment and contract projects (i.e. those valued over $100 million USD per project) worldwide. In Ethiopia, it is estimated that a total deal of USD 21.52 billion was made between 2005 and 2016, which is the third highest among all African countries (China Global Investment Tracker 2016). In terms of sectorial distributions, Chinese large-scale projects spread across a number of key areas, including transportation (31.6 percent), energy (30.2 percent), technology (14.9 percent), agriculture (10.2 percent), and real estate (8.6 percent) (Map 2.1). It presents a somewhat balanced distribution in contrast to the top recipients of Chinese large-scale projects – Nigeria and Algeria – where projects predominantly concentrate in transportation (55.4 percent in Nigeria and 64.2 percent in Algeria).

Moreover, neither official statistics nor datasets on large-scale deals can adequately capture the composition and characteristics of Chinese companies who participated in investment activities in Ethiopia. Business registration records published by the Ethiopian Investment Commission (EIC) may contribute some insights in this regard.[22] According to the EIC, China ranks first in total number of locally-registered

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[22] Given that investors are required to renew their business license every year in Ethiopia, the number of projects does not reflect the actual number of Chinese companies. For example, a company that has operated in Ethiopia since 2005 may be counted multiple times in EIC records. Also, if a company works in Ethiopia but does not register locally, it will not be captured in the

foreign investment projects between August 1992 and July 2016. Among all the 5,344 projects registered by foreign investors, 1,098 have Chinese affiliation, followed by 536 projects by Indian investors and 499 by American investors.[23] A further dissection of these registered Chinese projects reveals rapid diversification and growth after 2005 (Table 2.5). There were only 2 Chinese investors registered before 2000. The number increased to 83 between 2000 and 2005, 377 during 2006–2010, and 636 during 2011–2016. In the first half of 2016 alone, 69 Chinese firms were registered in EIC.

Despite the large number of investors, an uneven geography of Chinese investment exists in Ethiopia. Chinese companies concentrate in the capital city of Addis Ababa (657) and its surrounding region of Oromia (348), which together take up 91.5 percent of all Chinese investment projects in the country. Some of the poorest regions, such as Gambella, Benishangul-Gumuz and Somali, host very few Chinese (or other foreign) investors. While other multi-ethnic African countries' try to downplay ethnic divisions for a collective national identity, Ethiopia pursues an ethnicity-based political system as a way to promote ethnic autonomy in the management of local affairs (Samatar 2004). As the viability of the system has been under criticism over the decades (Abbink 2006), the influx of Chinese investors may further reinforce the existing disparity among ethnic regions.

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dataset. The numbers presented here also do not differentiate investment projects that are under operation, pre-implementation or implementation at the time of registration.

[23] Some investors however are counted multiple times in cases of Chinese/Indian, Chinese/American, or Chinese/Indian/American partnership firms.

Table 2.5 Registered Chinese Investors in Ethiopia (1992-2016)

Year Started	**Count**
Prior to 2000	2
2000 - 2005	83
2006 – 2010	377
2011 - 2016	636

Geographic Region	**Count**
Addis Ababa	657
Afar	2
Amhara	22
Benishangul – Gumuz	1
Dire Dawa	9
Gambella	2
Oromia	348
SNNP	8
Somali	2
Tigray	6
Multiregional	41

Ownership	**Count**
Sole Proprietor	930
Local Partnership	141
North American/European Partnership	15
Other Partnership[24]	12

Data compiled from information provided by the Ethiopian Investment Commission.

In addition, 84.7 percent of Chinese investors operate as sole proprietors in Ethiopia – a total of 930 projects. A small percentage of the investors engages in partnerships with western or non-western companies. It is worth noting that 141 Chinese investment projects are implemented through local partnerships.[25] The Ethiopian government has restrictions on foreign investors who engage in sectors such as wholesale, retail, and services (US Department of State 2015). To invest in these sectors,

[24] Examples of partnerships in this category include investors from South Africa, Sudan, Tanzania, Saudi Arabia, India, and Singapore.

[25] Among these firms, 11 also engage with western and non-western investors. Since they have local participation, I counted them as local partnerships.

Chinese companies need to have a local partner. For a number of private Chinese investors, this is achieved through Ethiopian-Chinese marriage, in which a business license is obtained a through the local spouse (Cook et al. 2016). Another way to get around the restriction is to obtain license through a non-restricted part of the business and then embed the restricted component within the former. Both ways are evident from the local operations of the case study presented in Chapter Five. Nonetheless, the quasi-functional restriction on foreign investors has motivated Chinese investors to develop local partnerships, a phenomenon that may not be widely seen in other African countries.

The sectorial distribution of Chinese investors registered in the EIC demonstrates different patterns from large-scale projects (Figure 2.5). Manufacturing attracts the highest number of Chinese investment projects: 760 pieces that account for 69.2 percent of all Chinese projects. They engage in all kinds of manufacturing activities, the most common ones being textiles (12.8 percent), plastic products (12.6 percent), and non-metallic mineral products (11.4 percent). Construction is the second largest sector of investment. Although the 196 investors in the construction sector seem nowhere comparable to the scale of manufacturing investors, as Chapter Three will reveal, the number is underestimated due to the large number of subcontracting firms that are not registered locally. The third largest sector is accommodation and food, which has 49 Chinese investors running hotels and restaurants, primarily catering to the needs of an increasing Chinese population in the country.

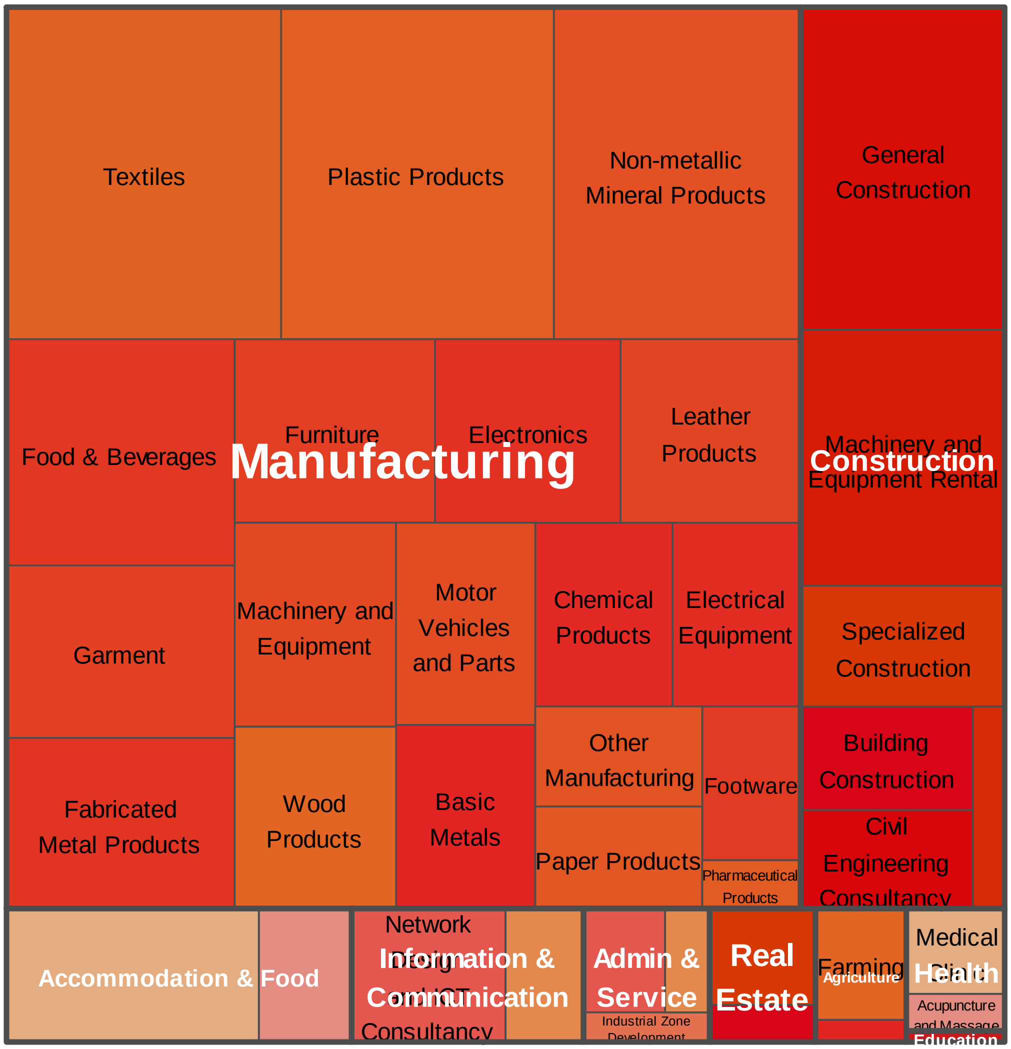

Figure 2.5 Sectorial Distribution of Chinese Investors in Ethiopia

Figure made by the author

Following after the top three sectors are information and communication (33 investment projects), administration and service (18), real estate (15), agriculture (13), health (13), and education (1). While Ethiopia is considered a major destination for Chinese agricultural investment, only a few registered investors actually engage in farming and animal husbandry activities. Nonetheless, there are 55 investors in the manufacturing sector that engage in food and beverage processing and production.

An emerging trend among Chinese manufacturers in Ethiopia is to operate in the China-financed or constructed economic zones (EZs). Considered a major contributor to China's post-reform economic growth, EZs have been adopted by the Ethiopian government to drive national industrial transformation. A pioneer of such zone-based cooperation is the Eastern Industrial Zone (EIZ), which is one of the eight official Chinese "Overseas Economic and Trade Cooperation Zones" (OETCZ) being developed in six African countries. Most of the EZs were designed by following successful Chinese models, and received a standard package of incentives from the host governments, including tax reduction, waivers on import tariffs for raw materials and machinery, secured access to local facilities at reduced costs, as well as other financial and foreign exchange benefits (MOFA 2006). EIZ, in particular, has followed the model of the Zhangjiagang Free Trade Area, offering a co-national environment for small, private Chinese companies to operate in Ethiopia (UNDP 2015). Chapter Six provides a focused study of EIZ and the operational strategies of selected resident Chinese manufacturers and the perspectives of local workers in the zone. Since neither experiences of employees nor the people-to-people contact in Chinese workplaces can be distanced from the broader socio-economic context of Ethiopia, it is important to review the historical and contemporary labor regimes in the country.

4 The Economic and Labor Regimes in Ethiopia

The last of the four pillars of Ethiopia-China cooperation is people-to-people contact, which is indicated by the expansive and intensive growth of Chinese overseas assistance and contract and investment projects in Ethiopia. The Ethiopian government's firm determination to move the nation away from a primarily agriculture-based economy may lead to a rapid proletarianization of its population. Investments and expertise from China are particularly welcomed to foster technology- and skills-transfer to the local population. It is estimated that 70,000-110,000 Chinese lived in Ethiopia in the summer of 2016.[26] These Chinese migrants – as expatriate managers, technicians, entrepreneurs, etc. – will also have an impact on local employment conditions, labor welfare, and prospects for local skills development. In light of close people-to-people encounters, any superficial optimism toward or sweeping criticisms over the prospect of skills transfer miss the nuanced relations being developed in locally-specific workplaces. A critical examination of Ethiopian-Chinese encounters in workplaces, moreover, cannot be removed from the broader economic and labor regimes in Ethiopia.

Workers across Africa have suffered from economic exploitation and political suppression under shifting political regimes from colonial domination to nationalist development to neoliberal globalization. States, multinationals, and to some extent trade unions, have adopted authoritarian controls over labor, sacrificing workers' welfare to their own political and economic interests (Burawoy 1982). The labor regime in Ethiopia resonates with this cross-continent observation, despite the fact that the country was one of the two independent nations during the colonial era. In fact, sovereign status hardly ensured economic development for the majority of the Ethiopian population, especially when European influence and domestic fragmentation constantly challenged the

[26] There is no reliable number of the actual size of the Chinese population in Ethiopia. This range is based on various estimates the author received from different informants in the field.

legitimacy of the ruling authority (Zewde 2001). Successive governments had to strategically maneuver their relations with Britain, Italy, France and later the U.S.S.R. and the U.S. in order to negotiate conditions for the regime's survival. At home, leaders were preoccupied with consolidation of power through politics and warfare. While various attempts were made to modernize the country, government programs ultimately failed to capture the impoverished majority, hence leaving the country with entrenched poverty, inequality, and underdevelopment (Keller 1981).

Under the feudal regime of Emperor Haile Selassie, a series of modernization programs were initiated. However, the emperor's pursuit of a hybrid feudal-capitalist economy under royal absolutism exacerbated social inequalities along urban-rural and ethnic lines (Marcus 1994). As a result, modes of production in the country became increasingly exploitative and insecure for workers and peasants (Balema 2014). In particular, the imperial government restricted any form of trade union movement by legal regulations or by military force. Labor organizations only existed in self-help or mutual-support associations, such as *ekub* and *edir* at the factory level until the enactment of the Labor Relations Decree in 1962 (Sisaye, 1977).[27] Although the Decree, together with the subsequent Confederation of Ethiopian Labor Unions (CELU), ensured workers the right to organize, the imperial government still retained the ultimate decision power in union affairs. Rather than a national federation of unions, CELU was a local-level association

[27] The enactment of the Decree resulted from a 1960 coup through which workers' associations "were successful in securing the support of progressive elements in the new nobility and some of their expatriate advisers" (Keller 1991, p.148).

of labor groups. Its membership remained low after a decade of establishment, and no cohesive, disciplined labor movements were organized in Ethiopia (Keller 1991).

CELU adopted a more politicized and militant role when the global economic crisis and domestic drought and famine struck the country in 1972. A conscious effort was made to establish alliances with other social groups and to emphasize political reform rather than just economic improvement. A general strike and successive wildcat strikes in 1975 were joined by public employees who at the time were not legal participants of union activities, resulting in the government quickly responded by approving salary increases (Keller 1991).

The subsequent coup in 1975 put an end to the feudal regime without establishing a viable and legitimate government (Zewde 2001). The highly authoritarian government of the Derg, under Mengistu Haile Mariam, pursued socialist central planning through programs of nationalization of industries, collective agriculture and villigization (Marcus 1994). The military regime's statist methods of "scientific socialism" failed to boost the national economy or reduce the plight of peasants and workers in any meaningful ways (Keller 1998). When the CELU pressed the government for more power, the Derg imprisoned its entire leadership and ultimately replaced the union with a new one – All Ethiopia Trade Union (AETU)[28]. The new organization was charged to "educate workers

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[28] AETU was renamed the Ethiopia Trade Union (ETU) in 1986, and again in 1987 it changed to the Confederation of Ethiopian Trade Unions.

about the need to contribute their share to national development by increasing productivity and building socialism" (Ofcansky and Berry 2004: 160).

After the political coalition of the EPRDF replaced the Derg in 1991, Meles Zenawi intensified measures of economic reform. Supported by external resources and a relatively stable (yet authoritarian) domestic environment, Ethiopia has enjoyed a rapid development pace since the beginning of the 21st century. However, compared to high growth rates, the overall political and social environment for workers and peasants demonstrates only sluggish improvement. Centralization of state power still takes precedence over the delivery of goods and services to the vast majority (Marcus 1994). No national minimum wage standard has been set. The government remains the primary employer of the relatively small, urban population as well as the sole owner of key industries and large-scale businesses across the country (Balema 2014).

In addition, the current Ethiopian constitution and law still prohibit employees in the public sector from participating in union activities. Workers remain poorly organized and tightly controlled by the centralized government (Mengisteab 1997). Labor organizations, now registered under the Confederation of Ethiopian Trade Unions (CETU), only exist at the enterprise level with limited access to industry-wide coalitions (US Department of State 2015). They remain weak organizations in terms of securing wages and welfare, forging collective bargaining, and resolving labor disputes (Bersoufekad 2003). Despite the ratification of 21 International Labor Organization (ILO) conventions, Ethiopia was criticized by the ILO Committee of Experts for discrepancies between its national legislation and the convention on Freedom of Association and Protection of the Right to Organize (Sommer 2003).

While union activity is generally suppressed in Ethiopia, the government has put forward efforts to improve education and skills-training for the local population. Officials have allegedly taken scientific progress as the "single most versatile solution to Africa's development challenges" (Fourie 2015: 308). To achieve scientific development, higher education in Ethiopia favors science and engineering over humanities, the ratio of student enrollment is set to 7:3 (Bräutigam, Weis, and Tang 2015). Since 2000, more than 20 new university campuses have been built across the country, and existing Technological and Vocational Education and Training (TVET) schools have been expanded (ibid).

The efforts of promoting education have received substantial support from China, ranging from the construction of schools, to the provision of student scholarships, to the dispatching of Chinese technical experts to Ethiopia (King 2013). Despite various cooperation programs in education and human resource training, the prevailing arena for skills- and technology- transfer is the existence of Chinese companies in Ethiopia, where locals obtain first-hand experience by participating in day-to-day production and management activities. Is the Ethiopian government putting the need for foreign investment ahead of overall improvements of workers' welfare, as depicted in the theory of "race to the bottom" (Silver and Zhang 2009)? Are Chinese capitals and the expatriates fostering local skills development or exacerbating the already-repressive labor regime? How and why do Chinese companies vary in their local management strategies and performances? These are the central questions to be answered from the case studies.

5 OVERVIEW OF DISSERTATION RESEARCH

Situated in the political and economic dynamics of Ethiopia-China cooperation, my dissertation research focuses on Chinese workplaces in Ethiopia to examine the relationships between states, firms, and individuals in shaping the local impact of Chinese investment. The methodological rational draws from the Extended Case Method (ECM) proposed by a group of Manchester social anthropologists and enriched by sociologist Michael Burawoy in his study on the politics of work regimes under economic transformation (Burawoy 1998). ECM takes factory regimes as products of broader social-political forces, while explicating the relevance (or disruption) of empirical cases to existing theories (Burawoy 2009; Tavory and Timmermans 2009).[29]

However, ECM has been criticized for its lack of comparative analyses across time (entailing a longitudinal perspective of social phenomena), over space (through multi-sited research), and across scale (connecting the local with the global) (Peck and Theodore 2012). My dissertation addresses these weaknesses by a multi-firm, multi-sited, and multi-method research strategy to reveal the micro-construction and transformation of Chinese workplaces and the diverse forms of inclusion and exclusion, empowerment

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[29] The research follows ECM rather than Ground Theory (GT) for two reasons. For one, unlike GT's attempt to locating common patterns between cases, ECM seeks to explore and explain differences among similar cases (Tavory and Timmermans 2009). For example, while all of the firms employ Chinese expatriates, differences in expatriate perspectives reveal important variation in firms' expatriation strategies. For another, while GT abstracts space and time for the purpose of generalization, ECM highlights the uniqueness of each case and situate it in the external contexts (Burawoy 2009). It enables a contextualized understanding of firm behaviors in particular industrial environments and employee strategies in the socio-spatial configurations of Chinese workplaces.

and dispossession, and familiarity and alienation associated with the local impact of Chinese global investment activities.

The dissertation fieldwork spanned the period from 2013 to 2017. Pilot field trips were made in 2013 and 2014, and the main dissertation research was conducted in 2016 and 2017. Empirical case studies were primarily conducted in the greater Addis Ababa region where the majority of Chinese companies are located. Three companies were selected for in-depth, comparative case studies, each of which constitutes a chapter in the dissertation. These three companies – under the pseudonyms of Zhonghua Construction, Huaxia Telecom, and Yuqi Autos respectively – represent Chinese capitals with various institutional backgrounds, of different sub-national rootedness, and in distinct economic sectors and socio-geographic contexts (Table 2.6). All three companies have been operating in Ethiopia for over a decade, which provides a temporal perspective into how company strategies change over the years.

Table 2.6 Company Information

	Zhonghua	**Huaxia**	**Yuqi**
Sector	Civil Engineering	Telecommunication	Auto Assembly
Headquarters	Tianjin	Guangdong	Chongqing
Ownership	State-owned	State-*controlled*	Private-owned
Local Role	Contractor	Contractor	Investor
Founded	1950s	1980s	1990s
Start Year	2002	1998	2007
Workforce (estimate)	250 Chinese; 600 Ethiopians	200 Chinese; 150 Ethiopians	8 Chinese; 150 Ethiopians
Workplaces	Work Compound	Office Building	Office, Workshop & Factory

To add to the local field research in Ethiopia, the author also interviewed managers and returnees from the three companies in Chinese domestic branches and headquarters. Information was gathered about decision-making dynamics of each company's globalization process, headquarters-subsidiary relations, and long-term strategic plans in the overseas market. This activity contributes a transnational perspective into and path-dependent articulations of Chinese companies' internationalization trajectories and the associated incentives and constraints that influence their day-to-day operations in Ethiopia.

In addition to the three focused case study companies, the dissertation also includes a study of the EIZ and a select group of Chinese manufacturers who reside in the zone. The physical structure of the EIZ and its location in a suburban context have effectively created an enclosed sphere of production and generated a sense of community among Chinese manufacturers. With EZs becoming a key strategy of Ethiopia's industrialization, the case of EIZ provides an important lens with which to scrutinize an emerging model of operations among small, private Chinese investors. The internal variations in management strategies among firms in the EIZ have also cast different impacts on the efficacy of skills transfer to local workers, which warrants scholarly investigation.

Four sets of research questions have guided the development of each case study.

1) What is the company's trajectory of overseas expansion and how is it supported by Chinese and Ethiopian governments?

2) How are local workplaces organized to shape the situated experiences of expatriate and local employees?

3) How are employees empowered or excluded in work and social relations?

4) How do employees exercise agency and why are particular strategies effective or ineffective?

To answer these questions, mixed field techniques were deployed including participant observation, interviews, and surveys.[30] First, participatory observation was made in each of the companies to capture the socio-organizational environment of the workplace, such as the organizations of work (e.g. schedule, work intensity, and division of labor), workforce characteristics (e.g. gender, nationality, and age group), management practices, and work and social interactions among workers. This activity aims for a situated understanding of work and life circumstances inside the company and the managerial context of labor relations.

Second, semi-structured interviews and small-sample surveys were conducted with both Chinese and Ethiopian employees. Questions were asked about their basic demographic and work information, day-to-day schedules of work, and their perspectives of the opportunities and challenges in the company. During these interviews, I also elicited past and ongoing experiences of work negotiations in each company, how they were (or were not) settled, and if they had generated any changes to Chinese management practices. The interviews aim at understanding the individualized perception of work and life situations at the inter- and intra-firm levels.

[30] Same techniques were used in all case studies. Discussions of the field techniques will not then be repeated in the substantive chapters.

Third, key informant interviews were conducted with multiple levels of managers in each company with regard to the recruitment processes, performance evaluation, training, headquarters-subsidiary relations, government relations, and inter-firm networks. These interviews enable investigation into the decision-making process in the Chinese companies, the competence of management, and the institutional and industrial resources or constraints in firms' business operations in Ethiopia.

In addition, a large-scale opinion survey was conducted with 208 local workers employed in the EIZ to examine their perspectives toward work arrangement, training provision, and skills development efficacy in Chinese factories. Results of the survey allow for identifications of key workforce characteristics in the EIZ and comparison of management regimes between companies and across sectors.

This multi-methods research strategy enables analyses of Chinese work regimes at four interconnected levels: 1) cross-country investigation of varied resources and pressures that motivate the globalization of Chinese companies and expatriates; 2) company-level analyses of determinants of workplace structures and labor (pro)activities; 3) group-level comparison between Chinese and Ethiopians of their opportunities and challenges in particular workplaces; and 4) individual-level investigation into employees' interests, expectations, capacities and constraints to pursue personal development under Chinese management.

However, the empirical research for this dissertation is not an ethnographic study in the usual sense due to the time and budget allocated to each of the case study companies. It is also important to note that neither the companies written in the dissertation nor the respondents interviewed or surveyed in the field constitute a representative sample of the particular sectors of Ethiopia-China cooperation. Rather than aiming for a generalizable representation of "China in Ethiopia," the dissertation focuses on concreate patterns and contingent relationships that are developed in day-to-day encounters between states, capitals, and individuals (Barnes et al. 2007).

PART II CASE STUDIES

CHAPTER THREE

CHINESE CONSTRUCTION COMPANIES IN ETHIOPIA

1 Introduction

Infrastructure construction is a key area of Africa-China cooperation. In the year of 2015, Chinese companies generated a gross revenue of USD 55 billion from infrastructure projects in Africa; 48 percent of these came from five countries: Algeria, Ethiopia, Angola, Kenya, and Nigeria (CARI 2015). Between 2005 and mid-2016, Chinese large-scale investment and contract projects (i.e. valued over $100 million USD per project) in the transportation and real estate sectors totaled to USD 146 billion (China Global Investment Tracker 2016). Among the 229 recorded projects, 155 were contracted to six state-owned enterprises (SOEs) for a total of 73.8 percent of the total project value.[31]

The presence of Chinese construction SOEs in Africa is well captured in scholarly research, particularly relating to the SOEs' access to Chinese state financing and government-funded projects to facilitate their entry in the African market (Alves 2013a; Corkin and Kaplan 2012; Marysse and Geenen 2009). However, by singling out SOEs as the major, if not the only, player in Africa's infrastructure sector, current research fails to acknowledge the existence and the significance of private Chinese companies, which are

[31] The six SOEs are the China Communications Construction, the Sinoma, the China State Construction Engineering, the China Railway Construction, the China Railway Engineering, and the Sinomach.

large in number and work closely with leading SOEs as subcontractors and material suppliers. With an exclusive attention to state financing, especially resource-backed loans, studies rarely recognize the real-world diversity of the financial arrangements for construction projects (Burke 2007; C. Chen and Orr 2009). The multiples pathways of "going global" by Chinese construction companies and their varied financial capacities require deeper analysis into Africa-China relations.

In addition, studies on the labor practices of Chinese construction firms in Africa have criticized the casualization in employment contracts and the substandard working conditions of the Chinese management regime (Baah and Jauch 2009; Jauch 2011). The widespread use of Chinese migrant workers is also blamed for its detrimental impacts on local employment opportunities and the efficacy of skills transfer (Gadzala 2010a; Human Rights Watch 2011). These sweeping criticisms reinforce the portrayal of Chinese-African relations as a manager-labor stereotype, hence ignoring the diverse sources of power and vulnerability for both groups during work and work encounters.

Moreover, while emerging studies have sought for a more comprehensive profile of Chinese construction companies in Africa, few efforts have been made to examine the operational strategies of companies or projects in a specific host country context. Instead of viewing Chinese companies as discrete, independent business entities, firm- and project-specific analyses will enable investigations into inner- and inter- firm relations in project implementation, and unpack the varieties of sub-regimes for capital-labor and labor-labor encounters.

The chapter unpacks the complex power relations inside a Chinese construction compound. It complicates the over-simplified notion of a "state-driven" globalization of Chinese construction firms by revealing a networked overseas venture by central SOEs, provincial SOEs and private companies who engage with each other in contractual and supplier relations in Africa. The empirical case study mainly draws from a central Chinese SOE, Zhonghua Construction, and its local operations of the National Stadium project in Ethiopia. Research findings reveal a hierarchical and sometimes conflictual contractor-subcontractor relationship that creates a condition for differentiation among Chinese and local employees. The multiple forms of strength and weakness experienced by employees as a result challenge the widespread assumption of an undifferentiated group of Chinese as managers and locals as subordinates.

The rest of the chapter unfolds as follows. Section 2 reviews the development of the construction sector in Ethiopia and the role of Chinese contractors. Section 3 introduces the background of the case study company, Zhonghua Construction. Drawing on the local operations of Zhonghua Construction's National Stadium project in Addis Ababa, Section 4 identifies three ways of going global used by Chinese construction companies – as contractors, subcontractors and material suppliers, respectively. The prevalent use of domestic subcontractors and suppliers challenges the prospects for local participation, an issue that will also be discussed in the section. Section 5 zooms in to the National Stadium compound, examining the spatial expressions of power and social organizations of work on the construction site. Section 6 identifies the multiple sources of power and vulnerability experienced by Chinese and Ethiopian workers as well as the exercise and effectiveness of their situated agency. Section 7 concludes the chapter.

2 Developing Ethiopia's Construction Sector

Construction is a key sector of Ethiopia's ongoing domestic reform. This sector has enjoyed double-digit growth since 2010, surpassing its regional peers.[32] During the first phase of the Growth and Transformation Plan (GTP I, 2010-2014), construction contributed 7.15 percent of Ethiopia's GDP. The second GTP (GTP II, 2015-2019) further specifics the strategic directions for the construction industry to "combat rent-seeking behavior, reduce the cost of projects by increasing the capacity, efficiency and effectiveness of contractors, implement kaizen and construction project management system as a tool for change" (National Planning Commission 2015, p.37).

Specifically, two programs are put forward in GTP II to boost the construction sector: the Construction Industry Management Reform program and the National Construction Project Management Capacity Building program (National Planning Commission 2015). The former aims at increasing the competitiveness of local contractors. Key procedures include capacitating the engineering and contraction design management system; developing skilled, educated and disciplined manpower; and enhancing the competitiveness of local contractors and consultant firms by increasing finance (p.37). The latter program is designed to integrate major players of the construction sector, including infrastructure design, technology advancement in research centers, manufacturers of construction material and machineries (p.38). Local

[32] In 2014, the construction sector in Ethiopia grew by 23.7 percent, compared to 9 percent in Kenya, 7.3 percent in Uganda, and 9.5 percent in Tanzania (AddisBiz 2014).

manufacturing of major construction material is especially prioritized, including cement, iron and steel, plastics, and construction-based chemicals.

Table 3.1 Registered Chinese Construction Companies in Ethiopia

Ownership	**Count**
Local Partnership	19
North American/European Partnership	2
Other Partnership	1
Sole Proprietorship	174
Region	**Count**
Addis Ababa	168
Dire Dawa	1
Multiregional	8
Oromia	12
SNNP	4
Tigray	3
Subsectors	**Count**
Building Construction	19
Civil Engineering Consultancy	18
General Construction	70
Machinery and Equipment Rental	56
Road Construction	7
Specialized Construction	26

Data obtained from the Ethiopian Investment Commission

However, despite the above-listed well-meaning initiatives, the local construction sector is still dominated by foreign contractors, particularly those from China. With an accumulated turnover of USD 26 billion between 1998 and 2015, Ethiopia ranked fourth on China's African market for contracted projects. Between 1999 and the first half of 2016, 196 Chinese construction companies were registered in Ethiopia (Table 3.1). Most of these companies operate as independent contractors and only 19 engage in local partnership. These companies are largely based in the capital of Addis Ababa. Yet, this by no means indicates that they only work on capital-based projects. Rather, Chinese companies tend to have a central office in the capital city and send project teams to regional sites for construction work.

In addition, 70 of the 196 registered companies work on general construction and all of them are Grade One contractors – the highest-ranked contractors in Ethiopia. There are 56 companies, primarily engaging in machinery and equipment rental to Chinese contractors, a sign of inter-company linkage in the local operation. The rest are engaged in building construction, road construction, and specialized construction (e.g. water, special foundation), and consultancy.

Despite the large numbers, the data presented in Table 3.1 likely underestimates the actual number of Chinese construction companies in Ethiopia due to the existence of Chinese subcontractors who may not register locally as independent companies. Rather, the subcontractors engage in a dependent relationship with one or a few Chinese contractors and so have minimum local recognition. Holding-off from registering locally is also true for large Chinese contractors, as exemplified by the case study company that had operated in Ethiopia for years before registering a local subsidiary in 2016.

3 The Case Study: Zhonghua Construction

The case study is primarily based on one Chinese SOE – the Ethiopian branch of Zhonghua Construction – and its ongoing project of building the National Stadium in Addis Ababa. In addition, three other companies – under pseudonyms of the Jitie Railway Corporation, the Chuantie Railway Corporation, and the Changzhi Grid

Corporation – are also included in the discussion (Table 3.2). The former two are subsidiaries of the China Railway Group (CRG) and have engaged in light rail, highway, and railway construction in Ethiopia. The latter is a provincial subsidiary of the China State Grid Corporation (CSGC) and has worked on several local projects on the development of national grid systems. All three companies, together with the Ethiopian branch of Zhonghua Construction, are subsidiaries of major Chinese SOEs. Their different subsectors contribute a comparative perspective into various aspects of the local operations of Chinese construction companies. The rest of the section introduces the background of Zhonghua Construction, its institutional affiliations and globalization trajectory, and then proceeds with the company's local projects in Ethiopia.

Table 3.2 Companies and Projects Involved in the Case Study

	Zhonghua	**Jitie**	**Chuantie**	**Changzhi**
Home Province	Tianjin	Anhui	Sichuan	Jilin
Primary Sector	Building	Railway	Railway	Grid
Parent Company	Zhonghua Group	CRG	CRG	CSGC
Example Project	Addis Ababa National Stadium	Yabelo-Mega Highway	Addis Ababa Light Rail	GDHA 500 KV Power Project
Local Roles	Contractor	Contractor/ Subcontractor	Contractor	Subcontractor

Background of Zhonghua Construction

The Ethiopian branch of Zhonghua Construction is a subsidiary of the Zhonghua Group – one of the four centrally-owned construction SOEs in China. Headquartered in Beijing, the Zhonghua Group was formed in 1982 from the former State Construction and Engineering Bureau (SCEB). It has developed into a large conglomerate with over fifty bureaus, branches and subsidiaries across China. As the first generation of Chinese construction multinationals, the Zhonghua Group globalized in the 1980s by first outsourcing labor to European and Japanese companies working in the Middle East. With tremendous government support, the Group later became a prominent global contractor and remained top on the international construction market. It ranked 17th of the Top 250 Global Contractors, obtaining USD 7.24 billion overseas turnover in 2015 (ENR 2015). As of 2016, the Group has completed over 6,000 projects in 116 countries and regions, and grown from a construction contractor to a general contractor that engages in diverse contract modes such as Design-Build (DB), Engineering-Procurement-Construction (EPC), and Public-Private Partnerships (PPP).[33]

[33] Different contract modes vary in the extent to which service providers are integrated and the amount of control that clients have over project implementation. For example, clients will have the greatest control when different parts of the project (e.g. design, procurement, and construction) are contracted to various companies. However, it also means less integration of project implementation and possibly poor optimization of budget and timeline (MIT 2016).

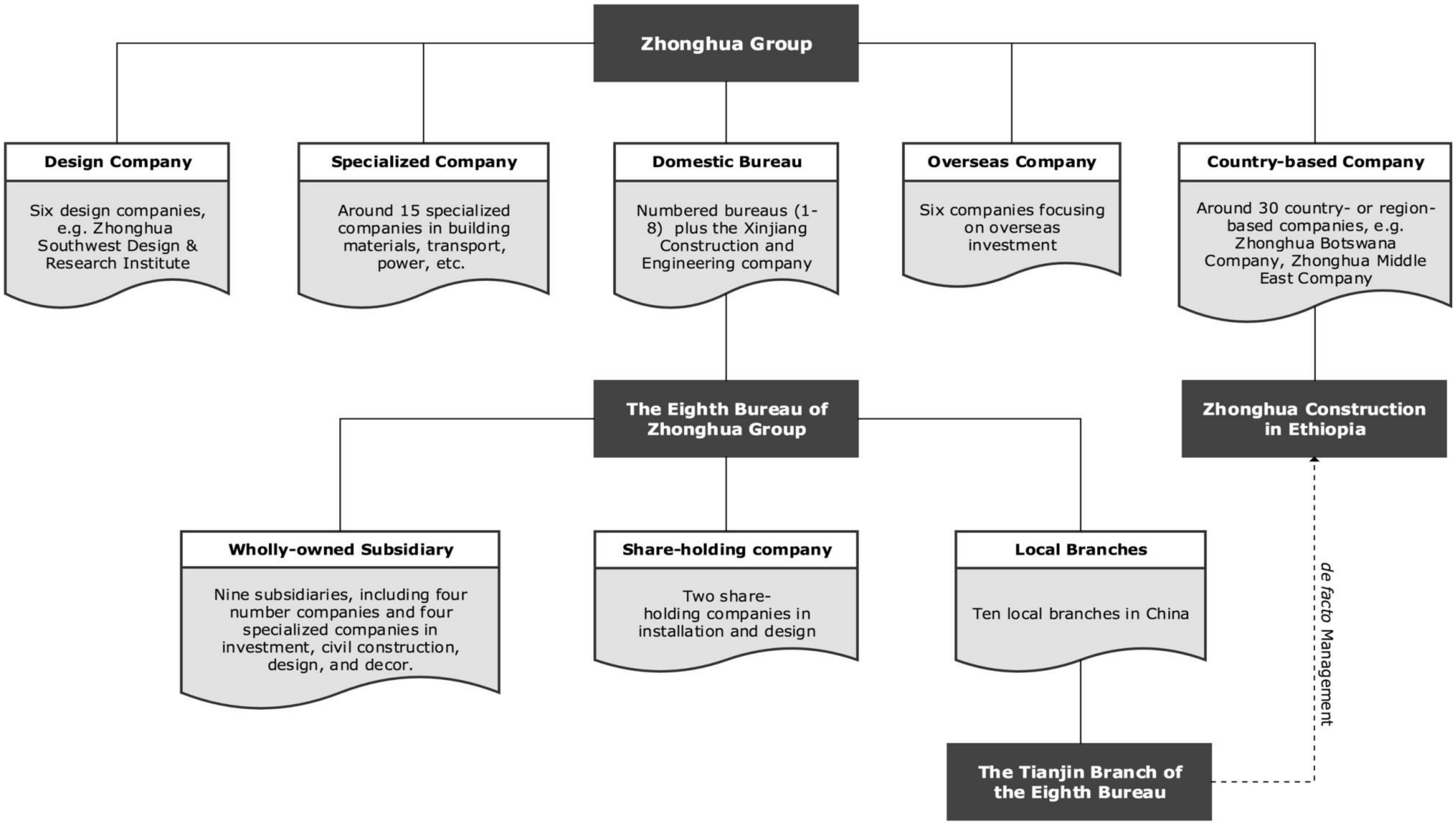

Figure 3.1 Organizational Structure of the Zhonghua Group

Figure made by the author

While officially recognized as an overseas subsidiary of the Group, Zhonghua Construction is in fact managed by the Tianjin Branch of the Eighth Bureau of the Zhonghua Group (Figure 3.1). The Eighth Bureau is one of the nine domestic bureaus of the Group. Established during China's socialist era in 1952, the Eighth Bureau was originally owned by SCEB. It was later reorganized into the People's Liberation Army of Construction and Engineering (PLACE) in 1966, following orders from the State Council and the Central Military Commission.[34] The Eighth Bureau, headquartered in Shanghai, was incorporated as a subsidiary of the Group during the national reform in 1978. It also owns a diverse composite of subsidiaries and branch companies. Its first overseas project was to construct a housing complex in Alexandra, Egypt, in 1984. Yet, systematic globalization of the Eighth Bureau only started in 2002, when an overseas business department was established in the company. Between 2002 and 2012, the Eighth Bureau obtained an accumulated value of RMB 44.3 billion from overseas contracts, with a turnover over of RMB 19.85 billion.

Like its parent company, the Eighth Bureau also passes down particular country projects to its lower-tier subsidiaries and branches. The Ethiopian market has been managed by its Tianjin Branch which established itself in Ethiopia in 2009 after undertaking a Chinese government-financed project. However, it was not until 2016 that Zhonghua Construction was registered in Ethiopia and listed as a wholly-owned

[34] PLACE was a short-lived armed force in China, existed between 1966 and 1983. It was mainly charged to construct large infrastructure projects in China during the late socialist era. During its 16 years of existence, PLACE completed 132 pieces of large to medium infrastructure projects throughout China (Liu, Yang, and Huang 2016).

subsidiary of the Zhonghua Group. This registration of an Ethiopia-based subsidiary signifies the Zhonghua Group's long-term interest in the local construction market.

Local Projects of Zhonghua Construction in Ethiopia

Zhonghua Construction in Ethiopia is the first overseas subsidiary managed by the Tianjin Branch. The central office of the company used to be located in a central commercial district of Addis Ababa with a working space for about 20 expatriate and local employees. Together with the local registration, a new two-story office building was built and put into use in summer 2017. This new building is capable of housing 100 employees and is equipped with accommodation space for about 40 people. The expansion of the central office reflects the company's confidence in the local market.

Contrary to the widespread notion of SOEs' reliance on Chinese state financing, all three projects that Zhonghua Construction undertook during the 2016-2017 period were financed by non-Chinese sources. The three projects are all located in Addis Ababa and include 1) the new headquarters building of the Commercial Bank of Ethiopia[35] (CBE, private financing, Design-Build contract, valued at USD 266.5 million), 2) the headquarters building of the National Oil Company (NOC, private financing, construction contract, valued at USD 30 million), and 3) the new National Stadium (construction contract, Ethiopian government financing, valued at USD 12 million for the

[35] The CBE project marked the first time that the Tianjin branch won an overseas DB project and served as a general contractor rather than a construction contractor.

first phase of construction). A fourth project, was still under bidding in 2016, was the construction of the central bus station in the capital.

The project-based empirical research was conducted with Zhonghua Construction's National Stadium project team. The National Stadium is located in the west of Qelebet Menged, adjacent to the Ethiopian Youth Sport Academy, with a total construction area of 95,101 square meters and a structure height of 53 meters. Zhonghua Construction won the bidding for the first phase of construction, a 900-day project funded by the Ethiopian government. The contract was signed in early 2016 between the Ethiopian Ministry of Youth and Sports and the Tianjin Branch. While the majority of Chinese infrastructural contracts in Ethiopia are Lump Sum Turnkey (LST) projects, the National Stadium project follows a Unit Price (UP) model in which the client pays a fixed amount for each completed unit of work.[36] Despite being commissioned as the main project contractor, Zhonghua Construction has worked with various other Chinese private companies in the actual implementation. These companies' relationship with Zhonghua Construction manifests different globalization pathways of Chinese companies that deserve close examination.

[36] For LST projects, the contractor will deliver a fully-functioning piece of the facility to the client within an agreed time and budget. For UP projects, the contractor will provide specific prices for particular tasks for each unit of construction, despite the fact that the actual number of units may be unknown. The owner will agree to pay according to the actual quantity of units. This mode allows the owner to ensure that the asking price for goods and serves is reasonable, and minimizes the risks of inaccurate price estimates.

4 Ways of Going Global for Chinese Companies in The Construction Sector

Zhonghua Construction's National Stadium project illustrates how an overseas infrastructure project contributes various pathways to "Going Global" by Chinese companies: through Chinese government projects, by subcontracting, and as material suppliers. The particular roles that companies assume are reflective of their ownership status, political and financial capabilities, and overseas strategies. This section first explains the three ways of "Going Global" and then examines the challenges Chinese companies pose to the prospects of local participation.

Going Global through Chinese Government Projects

Undertaking projects financed by the Chinese government is a major way for large Chinese SOEs to enter the markets of developing countries. These projects allow SOEs to develop work experience and knowledge about the overseas environment, and at the same time, build local connections to compete for future projects (Burke 2007). Particularly in Africa, Chinese SOEs have benefited from the interest-free and concessional loans issued by Chinese national banks, which require a Chinese contractor for project implementation. For contractors participating in the bids, requirements on their grade level and relevant qualifications further ensures the exclusive access of large SOEs to the government-funded projects (Lam 2016).

Globalization through undertaking government projects was the primary strategy for the Zhonghua Group to enter the African market. For example, the Group entered

Botswana in 1988 to build the Chinese Embassy and then stayed to work on other local government and private projects (A. Y. Chen 2009). In Ghana, the Group also won the bid for constructing the Chinese Embassy, but it subcontracted the work to a provincial SOE from Gansu province (Lam 2016). In Ethiopia, the Zhonghua Group won the job to build the conference center and office complex for the African Union (AU). The project was promised by then Chinese President Hu Jintao during the first meeting of the Forum on China-Africa Cooperation (FOCAC) in 2006, fully funded by the Chinese government at the cost of USD 123.7 million.

The actual construction of the AU project was given to the Eighth Bureau who then assigned it to the Tianjin Branch. While the Tianjin Branch had undertaken a number of small projects in Ethiopia already, it was not until the AU project that the branch made its name well-known in the country. As a symbol of the strategic partnership between China and Africa in the new millennium, the AU project was finished "in lightning speed and of high quality," according to a manager from Zhonghua Construction. Despite being considered a gift to Africa, the project established the Zhonghua Group (specifically the Tianjin Branch) as a strong competitor for commercial and government projects in Ethiopia. Therefore, after the AU project, Tianjin Branch was capacitated to sign overseas contracts independently, rather than receiving assignments from the Eighth Bureau. The local registration of Zhonghua Construction in 2016 made it the first subsidiary of the Zhonghua Group in East Africa.[37]

Going Global by Subcontracting

In contrast to the much-discussed role of large SOEs in undertaking Chinese government-funded projects, less attention is paid to the expanding group of small SOEs and private companies who work abroad in tandem with large SOEs. A large piece of a construction project often involves a number of Chinese companies with different expertise and ownership status. For example, the design of Zhonghua Construction's CBE project was provided by the Jinan Design Institute – a subsidiary of the Eighth Bureau. The construction work was managed by Zhonghua Construction but subcontracted to a Chinese private company from Nantong of Jiangsu province. A stadium project in Congo, while managed by the Tianjin Branch, has a number of subcontractors, such as Zhonghua Installation and Zhonghua Electrics, who are subsidiaries of the Eighth Bureau.

Engaging in large-scale projects through subcontracting is a key strategy for lower-tier SOEs and private companies getting started abroad. They are considered more efficient and cost-effective in project implementation due to lower overhead, fewer administrative procedures, and less bureaucracy than large SOEs (C. Chen et al. 2007). The latter, however, are more advantageous in securing financing and winning competitive bids. In fact, large SOEs do not need to submit guarantees and certificates of

[37] Over the past decade, Zhonghua Group in general has performed well in southern Africa, having established subsidiaries in Botswana, South Africa, Namibia, Zambia, and Mozambique.

bank deposit (typically an amount of no less than 30 percent of the project value) when applying for Chinese bank loans, whereas small SOEs and private companies must have these proofs.

As a result, once large SOEs obtain infrastructure contracts, they become the manager of the project and subcontract parts of or the entire project to other companies.[38] Particularly in the case of overseas contracts, the use of Chinese subcontractors is said to alleviate the potential cultural or language barriers for the contractor as most subcontractors already had a good working relationship with the contractor SOE back in China. The subcontractors, in most cases new to the global market, also take the opportunity to familiarize themselves with the overseas context and may gradually transition to an independent contractor.

There are different ways to select subcontractors. After winning a bid, the contractor company either puts forward a limited tendering or divides up the project among a number of its subsidiaries, or else the contractor pursues a combination of the two measures. For example, CSGC won the project to build the national GDHA 500 KV power transmission and transformation system in Ethiopia and subcontracted the entire

[38] During the fieldwork, interviewees in Zhonghua Construction differentiated two types of subcontracting relations: *dabao* versus *xiaobao*. *Dabao* is subcontracting the entire project. The contractor will take its share of profits and let the subcontractors do all the actual management, procurement, and construction work. In this case, the contractor does not intervene in the project (unless necessary) and gives more room to the subcontractors on decision-making. In contrast, *xiaobao* is a process of selective subcontracting through which the contractor still assumes an active role in project management and procurement, but subcontracts parts of the work to other companies who usually specialize in particular areas of construction, such as line installation, internal decoration, and lighting systems.

work to its regional branches in Jilin, Henan, and Xinjiang provinces. For the National Stadium project, Zhonghua Construction served as the construction contractor, but the actual work was executed by a number of subcontractors who have worked with the Zhonghua Group's different subsidiaries both domestically and abroad.

In particular, an estimate of five Chinese subcontractors have been or will be included in the project at different stages – two for early foundational work and three for line systems, steel structures, and internal decoration respectively. During the 2016-2017 fieldwork, three subcontractors were present in the project compound. They are private companies from Nantong city in the Jiangsu province, Neixiang city in Henan, and the Shanghai municipality respectively. The first two came to Ethiopia at the beginning of the project for foundational work, and the third arrived later for line systems.

Among the three subcontractors, the one from Neixiang has never worked abroad before but has collaborated with the Tianjin Branch for over a decade on a number of Chinese domestic projects. The two from Nantong and Shanghai have not worked with the Tianjin Branch directly before, but have collaborated with other subsidiaries of the Zhonghua Group on different African projects. The Nantong subcontractor, working on both the National Stadium and the NOC projects[39], comes from a city known in China as the "land of construction contractors."[40]

As the Chinese construction market becomes increasingly competitive and domestic regulations for environmental protection are strengthened, many small companies are forced to find alternative markets outside China. The Nantong subcontractor of Zhonghua Construction obtained an overseas labor outsourcing certificate in 2007 and began to send construction workers to Africa. The company itself started to operate in Africa in 2009 when it subcontracted a stadium project in Angola from another subsidiary of the Zhonghua Group. It also collaborated with other Chinese SOEs on other projects and established itself in Angola's subcontract market. However, the downfall of Angolan economy due to the global oil price decline in 2015-2016, and the subsequent devaluation of the Angolan currency, had detrimental impacts on the company's local businesses. Many Chinese companies were compelled to leave Angola (Mendes 2016); the Nantong subcontractor was one of them. The company left only 60 people in Angola to finish up the remaining projects and moved the majority of its Chinese workforce to Ethiopia.

While less competitive in securing large-scale finance from major Chinese banks, subcontractors from developed regions of China do receive home government support in

[39] While the CBE project was also constructed by a subcontractor from Nantong, it is a different company from the one working on the National Stadium and NOC projects.

[40] In 2015, the city, with a population of 7.3 million and an area of 1681 square kilometers, had over 2,200 registered construction companies, and 1.62 million people who were employed in the construction sector (City Government of Nantong 2016).

their globalization endeavors. The city of Nantong provides tax benefits to companies operating abroad, and the Business Association of Nantong Construction Companies also reimburses the insurance costs for overseas Chinese expatriates. In the municipal Thirteenth Five-Year Plan for the Construction Industry, the government of Nantong (2016) specified the goal of capitalizing on the "One Belt, One Road" strategy as well as various bilateral economic cooperation agreements to participate in infrastructure construction in Southeast Asia, Africa, and Latin America. A long-term development plan was laid out for its local construction companies: taking foreign cooperation projects as the opportunity to enter overseas markets, starting with labor outsourcing, transiting to project contracting and then expanding overseas business participation in investment, design, consultancy, and management activities.

Although being a non-capital, prefecture-level city, Nantong is located in one of the wealthiest provinces in China – Jiangsu – which has given the municipal government the economic power to send local businesses abroad. Such kinds of home government support, however, are not available for companies from less-developed provinces. Changzhi Grid is the first globalized provincial SOE in Jilin and has received few incentives from its home government. As one of China's "rust belt" provinces (Lee 2007), Jilin is still struggling to attract foreign investment for local development, and hence has not developed the economic capacity to facilitate local companies to go abroad. Changzhi Grid first started in Southeast Asia in the late 1990s and entered Ethiopia in the 2000s when the African market was not yet tempting to central SOEs or large private companies. Therefore, during the first years of operation, Changzhi Grid worked as a main contractor and obtained contracts through an Ethiopian intermediary. However, as large SOEs began to enter the market with stronger financial backing and better government relations, Changzhi Grid was forced to work as a subcontractor in Ethiopia.

> The local banks [in Jilin province] don't have money and the national banks only issue loans to central SOEs or large private companies. We are marginalized in the [Ethiopian] market and receive no support from the headquarters. […] Immigration documents and custom clearance are also getting hard to deal with. The contractors have government connections and can easily get these things done, but we cannot. We have to work with them to keep staying in the market.[41]

Over the years, Changzhi Grid has developed a dependent relationship with major SOEs such as CSGC and the Gezhouba Corporation. However, downgrading to subcontractor position means a thinner profit margin for the company. The contractor benefits from tax benefits from Chinese and Ethiopian governments on procurement, shipping, and custom duties, and can claim a share of project funds as management fees. For example, one of Changzhi Grid's subcontracts specifies a 20:40:40 division of funds between the contractor and two subcontractors. The National Stadium project allocates 60 percent of the funds to Zhonghua Construction and distributes the remaining 40 percent among the subcontractors.

The case of Changzhi Grid reveals the shifting roles of Chinese construction companies that are contingent upon their own resourcefulness to remain competitive in the Ethiopian market. As more Chinese construction companies enter Ethiopia, greater competition prevails, which may have direct impact on their local operational strategies. In contrast to the Zhonghua Group's confidence in the local market as indicated by the

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[41] Interview with the Chinese party secretary of the Changzhi Grid, Addis Ababa, 2016, translated by the author.

opening of an Ethiopian subsidiary, Changzhi Grid does not have an official foothold the country. Instead, the company rented a residential house and used it for both living and working purposes. While an overseas department was established in the Tianjin Branch to handle all ongoing businesses in Ethiopia, the headquarters of Changzhi Grid has no such department. The company will assemble a country-specific project team once getting a subcontract and later remove the team after finishing the work.

The increasing number of large SOEs in Ethiopia also has intensified the internal competition among Chinese contractors. The competition can happen between companies engaging in the same sectors or between different subsidiaries of a central SOE. This latter competition seems to be well managed within Zhonghua Group by the careful partition of its overseas market.[42] It is, however, less so for the CRG as it has a number of bureaus working concurrently in Ethiopia. For example, both Jitie Railway and the Chuantie Railway participated in the public tender of the Addis-Djibouti railway project.[43] While details of the competition are not known, it was revealed that headquarters of the CRG and the Chinese Embassy in Ethiopia both intervened to alleviate direct competition between the two bureaus.[44] The project ended up being

[42] Zhonghua Group's African market is divided into the northern (based in Algeria), southern (Botswana), central (Republic of Congo), western (Equatorial Guinea), and eastern (Kenya) regions, with different bureaus focusing on various country markets. The Eighth Bureau is mainly responsible for undertaking construction projects in the countries of Algeria, Libya, Egypt, Equatorial Guinea, Ethiopia, Djibouti, Kenya, Tanzania, Mozambique, and Mauritius.

[43] The railway links Addis Ababa and the Red Sea port in Djibouti, at a stretch of over 466 miles.

[44] The interviewed project party secretary of the Jitie Railway, however, did not want to disclose details of the government/headquarters intervention or how a consensus was reached.

contracted to Jitie Railway who subsequently subcontracted parts of the construction to Chuantie Railway and two other bureaus of the CRG from Shanxi and Henan provinces.

GOING GLOBAL AS MATERIAL AND SERVICE PROVIDERS

In addition to the "Going Global" of Chinese companies as subcontractors, an increasing number of construction materials and service providers also follow the "globalization tide" to relocate their businesses or plants to Africa. Some of these firms are established by contractors or subcontractors looking for investment outlets for their surplus capital in local currency. Others are opened by Chinese investors who see market potential for construction materials in Africa.

Table 3.3 Chinese Manufacturers of Select Construction Materials

Materials	Count
Cement	28
Iron & Steel	33
Lime & Gypsum	15
Plastic Pipe	10
Total	**86**

Data obtained from the Ethiopian Investment Commission

In Ethiopia, the number of Chinese construction materials producers has increased over the years. The 86 registered manufacturers of selected materials (i.e. cement, iron and steel, lime and gypsum, and plastic pipe) were all established after 2004 (Table 3.3). The majority of them are located in the Oromia region surrounding the capital city, where lands were cleared over the years by the government to host foreign factories. Only 24 of the 86 companies engaged in local partnerships and most of these were in cement production since the Ethiopian government requires that the manufacturing the cement is exclusively reserved for local investors (FDRE 2012a). The proliferation of Chinese manufacturers brings doubts to level of participation by local businesses in Chinese investment in Ethiopia; particularly how much local input has been included in the construction projects.

THE MYTH OF LOCAL INPUT

Ethiopia-China cooperation in infrastructure construction features groups of Chinese contractors, subcontractors, and potential material/service providers entering the Ethiopian market and interacting with each other in competitive and complementary relations. Yet, it remains unknown to what extent local participation is involved in these projects and to what effect. While the official rhetoric often claims the technical transfer potential of Chinese companies, empirical research for this dissertation shows mixed efforts and effect of local inputs during project implementation.

For the National Stadium project, four aspects of local participation were pursued, namely the architectural design, material procurement, subcontracting, and labor. However, local participation still remains weak and a number of challenges become evident from the case study. The architectural design of the National Stadium project was done by a local firm – the MH Engineering Corporation.[45] It has engaged in the design, supervision and contract administration of a number of stadium projects in Ethiopia

[45] The company is an independent consulting firm established in 1997, with the primary focus of servicing companies engaged in economic and social infrastructure construction.

(Endeshaw 2014). In designing the National Stadium, MH Engineering also sought technical assistance from a Korean firm.[46]

The use of a local design firm signifies a conscious effort to improve local skills and participation in national infrastructure projects. However, the design has been criticized by both Zhonghua Construction and its subcontractors for its “technical errors and infeasible details” that have taken them many back-and-forth revisions. Since permission is needed from MH Engineering for any proposed modifications, the subcontractors have to first communicate with Zhonghua Construction and let the contractor negotiate details with the MH Engineering. The Chinese subcontractors – under tight schedule and budget constraints – voiced their complaint about the time consumed by multiple rounds of revisions, which substantially delayed the project. As discussed later, such delay has become one of the reasons for salary cuts among Chinese workers employed by the subcontractors.

Another complaint is the “old-fashioned” design of the stadium, which reminds them of European-style stadiums built thirty years ago. A subcontract manager being interviewed enumerated various shortcomings in the stadium design, such as the lack of live-streaming, lighting, and surveillance facilities due to cost considerations. Although Zhonghua Construction is only responsible for the construction of National Stadium, managers expressed concerns of being blamed by local residents for the poor design. To

[46] Three finalists for the design bid are all local companies, including JDAW Consulting Architects & Engineering, Yohannes Abey Consulting and MH Engineering (Berhanu 2015).

them, the ostensible “Chineseness” of the project compound makes the company an easy target for local resentment.

Managers from Jitie Railway who worked on the Addis Ababa Light Rail project[47] had similar concerns over local resentment as those in the Zhonghua Construction. The light rail design was in fact done by a subsidiary of the CRG which provided three different blueprints to the Ethiopian Railway Corporation (ERC) that was charged to supervise the project. The ERC reviewed all three plans and picked the cheapest one. As one manager indicated, the Ethiopian government actively advocated for the project although his company thought that local conditions were not ideal for building a light rail system.[48] In addition, during project implementation, the ERC made very slow progress in urban demolition along the planned routes, forcing the Jitie Railway to organize their own demolition and compensation teams. “We have our budget and time limits, but the locals hated us for doing this,” a Chinese manager commented. This resulted in a number of disputes between Chinese workers and local residents.

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[47] The Addis Ababa Light Rail project has become another symbol of Ethiopia-China cooperation. The Ethiopian government provided 15 percent of the total contract value of USD 475 million for the first phase of construction, while the EXIM Bank of China paid for the remaining 85 percent. Upon completion, the Shenzhen Metro Group will be running the light rail until 2020 (BCG Foundation 2016).

[48] The party secretary of the Light Rail project revealed that his company thought building a light rail in Addis Ababa was not cost effective compared to just improving the existing road network in the capital. The Ethiopian government rebutted their suggestion by claiming that “they know best what the country needs.” A manager from Chuantie Railway, however, told a different story. He believed that Jitie Railway stroked a secret deal with the ERC and started the project with the 15 percent of funding from the Ethiopian government before obtaining approval from the Chinese government. In so doing, the company forced the Chinese government to agree on and fund for the project.

Other sources of local content are the use of local subcontractors, workers, and material inputs, all of them have the potential to develop backward linkages to the Ethiopian economy, fostering value creation and enterprise learning, and improving local skills (Kragelund 2009). However, a close examination of the National Stadium project revealed very limited and weak local linkages being formed with local companies and workers. While the project involved three local subcontractors during the time of research, the importance of their work is in no way comparable to that of the Chinese ones. The three local companies were recommended by the MH Engineering supervision team to work with Chinese subcontractors from Neixiang and Nantong for the initial ground work. They also built the workers' dormitory and other accommodation facilities – all non-essential parts of the project.

In terms of procurement, Zhonghua Construction procures the majority of needed materials and machinery from China, and purchases the basic inputs locally, such as wood framing, steel and iron bars, cement, and moldboard. While the project contract specified at least 30 percent of local input, managers admitted that there was no clear definition of local content in the agreement or strong reinforcing mechanisms for its implementation. As Corkin (2013) discussed in her studies on Chinese infrastructural projects in Angola, important distinctions should be made between locally-procured and locally-produced materials. The former often involves a local sourcing agent; but the actual material could be produced outside the country. For example, the steel and iron bars used in the National Stadium project were produced in Turkey, but sold locally by an Ethiopian agent. Similarly, a manager of Chuantie Railway enlisted the multinational sources of materials they used for a highway project: oil from China, asphalt from Iran, cement from a local Chinese factory and crushed stones from a local Ethiopian factory.

The reluctance to use materials produced by local manufacturers, as explained by Chinese managers of Zhonghua Construction, is due to the low product quality. It was revealed that a project supervisor from MH Engineering once recommended a local manufacturer of reinforcing bars to Zhonghua Construction; but the quality was too low to meet the requirement for stadium construction. In addition, productivity of local manufacturers is also lower and less predictable than the ones from China or other countries. The AU project had purchased cement and other materials from a few local factories. The drought in 2010, however, severely struck the manufacturing industry and all these factories were closed due to a shortage of power. Ninety-eight percent of AU project materials ended up being shipped from China, which took almost 200 shipments and 1800 containers. Therefore, procuring from China and other countries made more economic sense as they are of better quality and tax-exempted in most cases.

A final aspect of local participation is the employment of Ethiopian managers and workers, which has the potential to foster skill- and technology-transfer to the local population. Understanding the work and employment implications of Chinese construction engagement in Ethiopia requires critically unpacking of the Chinese construction compound and bringing in the voices of expatriate and local employees.

5 WORKING ON SITE: THE SPATIALITY OF A CHINESE CONSTRUCTION COMPOUND

The work site of the National Stadium represents a typical configuration of Chinese construction projects: the establishment of an enclosed compound and the recruitment of Chinese technicians who work side by side with local workers. Zhonghua Construction's central office coordinates all three projects in Addis Ababa. Staff from the office, including 15 Chinese and 5 Ethiopians, works with personnel from all three projects to process tax, customs clearance, and immigration documents. The central office also handles contract bidding, market investigation, public relations, human resource management, and finance. Each project team then organizes its own day-to-day business and manages its subcontractors and workers independently. This section zooms into the National Stadium project compound, examining how a complex power structure is enforced between the contractor and subcontractors, and its manifestations on the spatial arrangements of the compound, the workforce composition and the organization of work.

INSIDE THE CHINESE COMPOUND

As soon as the National Stadium project started, an enclosed compound was erected, and blocks of container rooms were built as offices and dormitories for the Chinese expatriates. This form of structure can be traced back to China's socialist era when the central government dispatched technicians to construct transportation infrastructure and other civil or government buildings in Africa (Snow 1989). The compound simplifies the management of Chinese workers, most of whom lack the language ability and overseas experience to live independently in the host country. It also ensures the efficiency and productivity of the workforce: by living on-site, work becomes the single most important (if not the only) theme of the day. Centralized control over Chinese workers allows managers to deal with any emerging problems, to tighten the project process, and to minimize costs of management and logistics (Corkin and Kaplan 2012). However, the enclosed space reduces the chance of local multiplier effects on knowledge transfer to local workers and communities (Gadzala 2010a; Mohan 2013).

Unlike road construction projects in which workers live in a gated compound but work in the open space, the entire work and residence site of the National Stadium project is enclosed by concrete walls and fences with security guards patrolling inside the compound 24 hours a day. Zhonghua's logo is painted on the outer sides of the walls, with posters that advertise the company's major projects worldwide. Canteens, recreational areas, and vegetable gardens are built in the compound so that Chinese expatriates can arrange their all-day work and life activities inside.

Residential and office space in the compound is further divided into several zones (Figure 3.2), through which the internal power structure of the project is articulated. Passing through the main gate, one enters the management office zone of the compound. The zone is connected to dormitories for the project management team. The entire area, including a large canteen and a patch of land for a vegetable garden, is reserved for the project management team of Zhonghua Construction. Roads are paved and the outer walls of rooms are painted in white and blue – the colors of Zhonghua Group's logo.

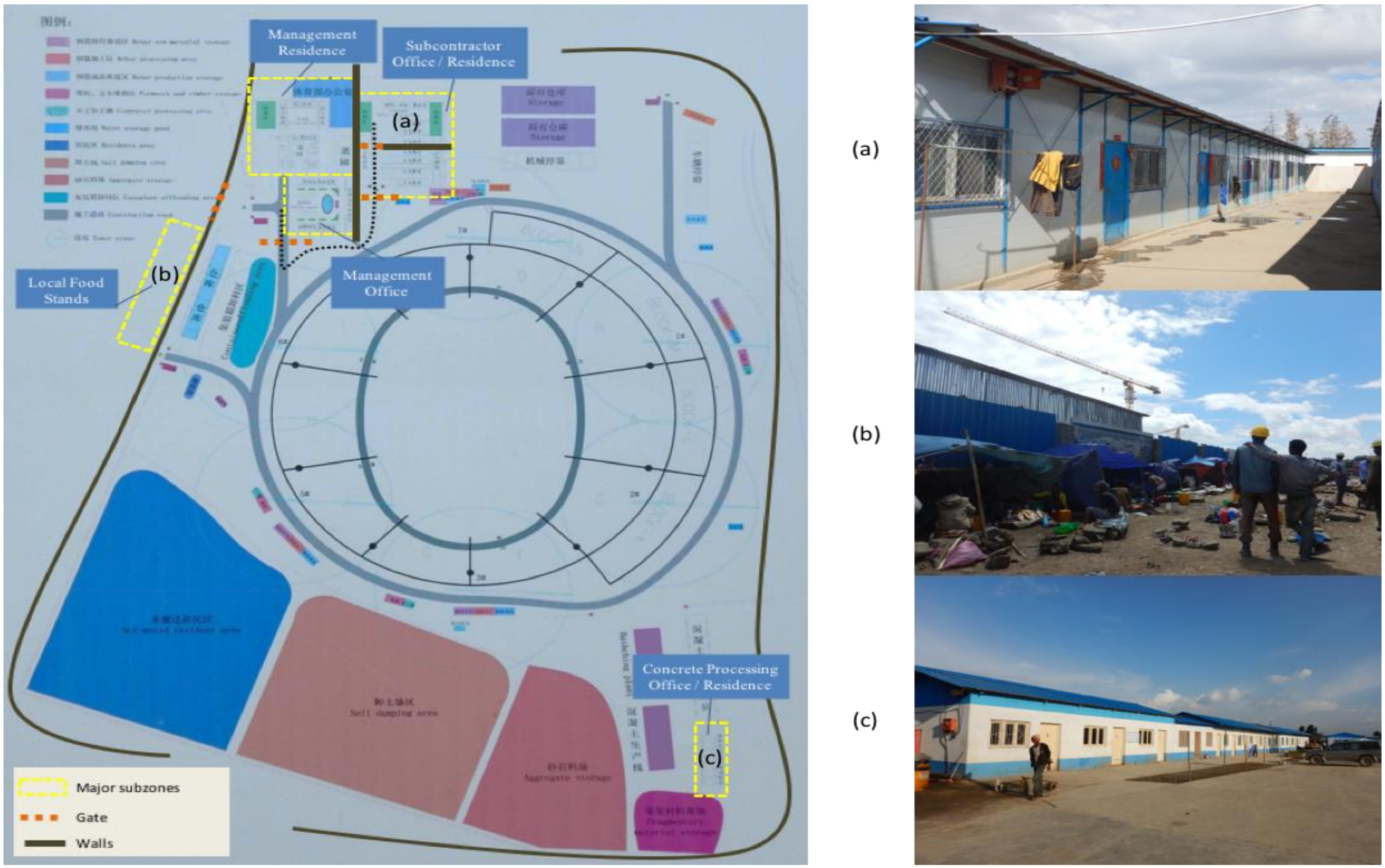

Figure 3.2 Spatial Layouts of the National Stadium Project Compound

Photos taken by the author

Next to the contractor zone are the office and residential areas for subcontractors. While the two zones are adjacent to each other, a brick wall separates them and hides the subcontractor zone from views of any visitors. To get to the subcontractor area, one has to first enter the construction site through a large iron gate guarded by the same team of security as the main gate. Then one needs to follow a narrow, muddy path (shown by the black dotted line in Figure 3.2) to an unguarded gate – the entrance to the subcontractor zone. The entire area has unpaved ground and similar blue/white container rooms. The rooms, however, are more compact than those in the management zone, and no separation is made between office and residential sub-areas.

A brick wall further partitions the subcontractor zone into two sections; the two Chinese subcontractors from Neixiang and Nantong each take one side of the wall. Separate canteens are operated by the two subcontractors to serve meals to their own Chinese workers. The subcontractor from Shanghai arrived late at the project and had to temporally share space with the Nantong subcontractor until the latter finish its part of work and leave. In addition to these zones, the compound also has a batching site that processes cement for all the three projects of Zhonghua Construction. One has to walk all the way into the main work site to get to this site. A total of 14 Chinese work, dine, and live in the relatively isolated area.

The spatial division of the project compound has efficiently restricted work and social activities of employees of different companies to their respective zones. Dormitories are further differentiated by the type and number of beds in the room. In the management zone, top managers of Zhonghua Construction live in single-bed rooms with desks, while other employees share rooms with two single beds each. In the subcontractor zone, two managers or engineers share a room with two single beds; and every group of 4 other workers live in a room with 4 bunk beds. The upper berth of the bunk is used for storage, and the lower berth for sleeping. There is also a small convenience store in the subcontractor zone, selling soft drinks, snacks and telephone cards to Chinese workers.

Strict exit control is imposed on Chinese workers, who have to obtain permits from their supervisors before going outside. In contrast to the immobility of the Chinese, local employees can freely enter and exit the main gate with his/her work ID. Therefore, they sometimes help Chinese workers to buy local goods like beer and cigarettes from the "outside." Local food tents have been established along the outer walls of the compound near the main gate. They have developed into informal "canteens" for local workers for lunch, coffee, and social gatherings.

Since the National Stadium project is located in the capital city, Zhonghua Construction need not to build residential areas for the supervisory team hired by the client. For projects in regional sites, such as those undertaken by the Changzhi Grid and the Chuantie Railway, a designated area is constructed to host the supervisory team. In southern Oromia, the project manager of the Chuantie Railway showed me around the single family homes built for a group of Italian supervisors who would travel to the site once a month and stay for a few days. Each house has two bedrooms, one bathroom, and a small flower garden. Despite the cheap-looking European-style furniture, the houses offer "luxury" living conditions compared to those of Chinese managers, let alone workers. While walking around the carefully-gardened housing complex, the Chinese manager criticized the high standards of living requirements of Italian supervisors for their incapability to "eat bitterness" and endure hardship – both considered important merits of the Chinese expatriates.

The spatial division of the National Stadium compound reveals a clear hierarchical relationship between contractor and subcontractors. Weekly meetings are held between the managers from all sides to discuss construction progress. According to the subcontractors, these meetings have two major themes: one is to assign tasks to each subcontractor, and the other is to criticize them for their slow progress, poor quality, or other emergent issues on the site. One subcontract manager complained: "all meetings are about listening to blames from the contractor – 'you're too slow, you're not doing things properly'. You know what, they're the ones who do nothing, just blaming." While the subcontractors are inclined to speed up work to squeeze out more profits, the progress has not been satisfactory given design issues, prolonged rain seasons, and sometimes delayed shipment of materials from China.

Such a hierarchical contractor-subcontractor relation also shapes the unequal power geometries in the National Stadium project compound. It is thus important to examine the workforce composition, the production the varied sub-regimes of work, and the implications for different categories of employees.

WORKFORCE COMPOSITION

While early studies on Chinese construction projects in Africa found more Chinese being employed than locals[49], recent research indicates an opposite trend (e.g. Chang 2010; Tang 2010). The empirical research with the National Stadium project finds a higher number of local employees than Chinese ones, despite the fact that the actual size of the crews varies at different stages of construction. In addition, similar to findings of other empirical studies (Auffray and Fu 2015; Corkin and Kaplan 2012), a majority of the local recruits are workers who are, for the most part, below the managerial level. The overall workforce localization rate in the compound is 22 percent for management positions and 76 percent for workers.

However, studies have not yet identified the complexity of the workforce composition in the construction compound, as a result of both the contractor-subcontractor division and the company's use of outsourced Chinese technicians. In the National Stadium project, diverse types of employees were recruited, including formal Chinese expatriates, outsourced Chinese technicians of each company, and local managers and workers (Table 3.4).

[49] For example, a survey of Chinese construction companies revealed the percentage of employees from China, the host country, and other countries being 91:8:1(C. Chen et al. 2007).

Table 3.4 Workforce Composition in the National Stadium Project

Companies	**Management**		**Management Localization Rate**	**Labor**			**Labor Localization Rate**	**Sum**
	Chinese	Ethiopians		Chinese		Ethiopians		
				Formal	*Sourced*			
Contractor:								
Zhonghua	39	17	0.30	0	15	0	0.00	71
Subcontractors:								
Jiangsu Nantong	12	0	0.00	40	80	400	0.77	532
Henan Neixiang	6	0	0.00	20	30	200	0.80	256
Shanghai	4	0	0.00	15	0	20	0.57	38
Total	**61**	**17**	**0.22**	**74**	**125**	**620**	**0.76**	**897**

Numbers were estimated by respondents during the interviews

While all employees of the contractor are generally considered superior to those of the subcontractors, not all of them were formal employees of Zhonghua Construction. The contractor employed 54 Chinese during the time of this research. Among these Chinese, 39 were managers, engineers, and technical or administrative supervisors at various levels, who are formal employees expatriated from the Tianjin Branch. The remaining 15 were outsourced personnel from Chinese professional staffing companies. They worked for the managerial team as drivers, mechanics, and construction specialists.

The management office has a clear administrative hierarchy (Figure 3.3). The top management includes a chief project manager, a chief engineer, a business manager, and an executive manager. The business manager is in charge of seven departments: contract, material and equipment, human resources, public relation, general service, administration, and finance. The executive manager oversees six departments: technical, quality, design coordination, construction, safety and security, and mechanical engineering. Each department is headed by a Chinese expatriate and staffed by both Chinese and local technicians.

Most of the 39 Chinese managerial personnel came directly from China, while seven came from a stadium project in the Republic of Congo. The chief project manager, Mr. Chen, first came to Ethiopia in 2008 for the pre-construction inspection of the AU project, and stayed to work on the National Stadium project. The Chinese managers are mostly in their mid-30s, and have worked for Tianjin Branch for some time before being expatriated abroad.

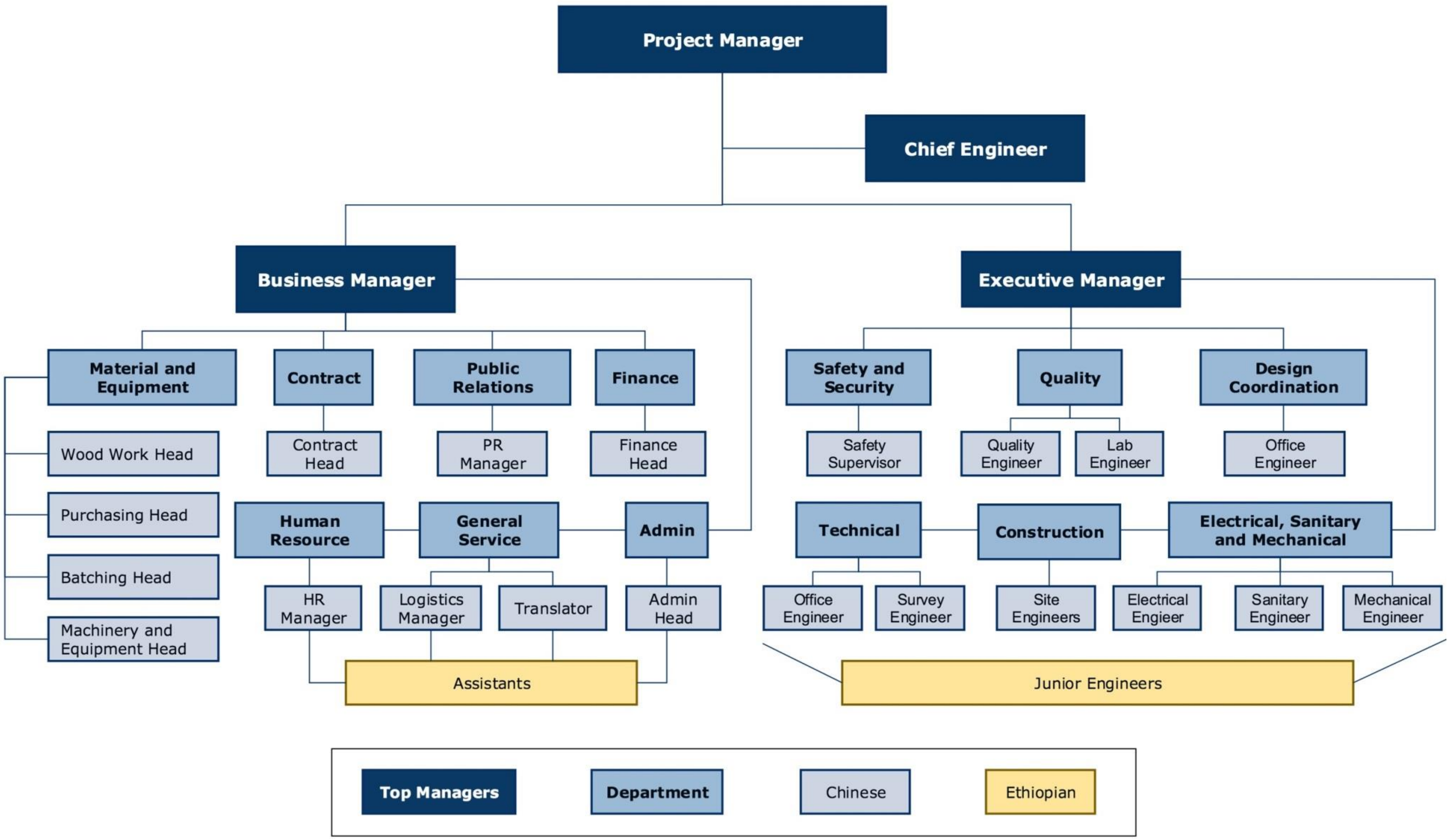

Figure 3.3 Management Structure in the National Stadium Project

Figure made by the author

Expatriation of Chinese management personnel is centrally arranged by departments of human resources (HR) and overseas business in the Tianjin Branch. Officers from the branch will consult with managers of the Ethiopian subsidiary on the needs of a particular project, and then assemble a list of candidates from the company's talent pool based on employee expertise and previous work experience. An HR officer from Tianjin Branch will then contact each candidate and negotiate the contract offer on a one-to-one basis.

In addition to the Chinese expatriates, the management sub-compound also has a group of 17 Ethiopians – 5 females and 12 males – who are considered formal employees of Zhonghua Construction. They form the Ethiopian managerial class in the compound. These locals share offices with Chinese technicians and work closely with their Chinese supervisors on a daily basis. All of them have a college degree or above, and are titled as junior engineers or project assistants. They were recruited after several rounds of interviews and received official contracts. While their contract length is constrained by the project timeline (i.e. 900 days), there is an opportunity for them to continue to work for the company on future projects.

The three Chinese subcontractors organized their recruitment and workforce management independently from the contractor. They employed 207 Chinese and 620 Ethiopians in total. The numbers, however, vary greatly at different construction stages, with the peak being over 1,000 locals on site. During this field research (when information in Table 3.3 was gathered), the Neixiang subcontractor was about to finish its share of work and had been sending Chinese workers back to China, while the one from Shanghai just arrived and was expected to recruit more Chinese and locals in the near future. Similar to Zhonghua Construction, subcontractors employ a combination of Chinese formal employees and contract technicians, the ratio of which is approximately 1:1.7. While formal employees can continue working for the company on subsequent projects, the outsourced technicians are more "temporary" and recruited according to project needs. Nonetheless, one subcontract manager explained that he saw no difference between formal and contract technicians; the formal employees can leave the company as they wish, and outsourced workers can stay as long as the payment is satisfactory.

Although subcontractors organize recruitment independently, they rely on the contractor to process immigration documents and issue work permit for all their expatriate employees from the Ethiopian immigration office. Therefore, managers and workers of the Chinese subcontractors are externally recognized as employees of Zhonghua Construction. To hire foreign workers, the Ethiopian immigration office requires that employers prove that the workers are highly-skilled and cannot be found locally. However, while almost all Chinese workers are skilled and have been working in the construction industry for their entire life, few have professional degrees to qualify for the application for local work IDs.[50]

No special recruitment process has been organized by the subcontractor companies to hire local workers. It was said that workers are readily available in large numbers as soon as a job advertisement is put out at the main gate. In comparison, the

[50] The notion of workers' skillfulness is conflictual in the perception of Chinese managers. The Chinese workers, although considered uncompetitive in the Chinese labor markets due to their age and lack of high-level skills, are more skilled than local workers who have less work experience in the construction sector. They are, as a result, much needed by the Chinese contractors and subcontractors.

Changzhi Grid, for its regional project, employs a local intermediary to find workers. The local intermediary receives a salary from the company and also charges fees from workers. The intermediary acts as an informal guardian of the young local workers. If the Chinese company has problems with any particular worker, the manager can speak to the intermediary and let him deal with the issue.

The fact that all Zhonghua Construction's projects are located in the capital city makes it easier to recruit somewhat skilled local workers, thanks to the booming construction industry over the past years in Addis Ababa. Nonetheless, local workers in the National Stadium project still engage in relatively basic manual work at the construction site. As a manager of the Shanghai subcontractor indicated, more locals were employed by the other two subcontractors than his simply because "they need the locals to carry the iron and steel bars." The work his company undertakes, however, is more skilled and has to rely on Chinese technicians.

WORK SCHEDULES AND PRODUCTIVITY

Studies have identified three contributing factors to the efficiency of the Chinese construction workforce: double-shift strategy, low absentee rate, and multi-skillfulness (Corkin and Kaplan 2012). Chinese construction companies mostly operate on a double-shift schedule for domestic projects – a so-called "one bed, two workers" policy under which day-shift and night-shift workers share the same bed to ensure 24-hour productivity. While a common strategy in China, it is not widely practiced in Chinese construction compounds in Ethiopia. In fact, the time dimension of the National Stadium project for Chinese expatriates is both rigid and flexible. The official working time is from 8:00 am to 6:00 pm for seven days a week. Although the Chinese expatriates have to work longer hours in most days, the arrangement is still considered very loose compared to the intensity of work back in China.[51]

Living in an enclosed compound with meals provided also ensures a low absentee rate of the Chinese workers. Particularly in Africa, workers are cut off from their family obligations, social contacts, and other non-work activities. Their limited language ability further prevents them from engaging effectively with local communities. Every morning, the Chinese canteens offer breakfast at 7:00 am and work usually begins at 7:30 am. Lunch is offered at 12:00 pm followed by a two-hour lunch break when the Chinese can return to their dorm to take a nap and the locals will gather in their outside "canteen" for food and drinks. The official work day ends at 6:00 pm, by which time the local engineers, assistants and workers can leave the compounds. Dinner starts at 6:30 pm for the Chinese who will sometimes return to offices or construction sites afterward to work for a few more hours. The "dormitory labor regime" effectively extends the working day for Chinese workers, and also strengthens managerial control over their work and non-work spheres of lives (C. Smith and Pun 2006).

While overtime work is frequent and mandatory for the Chinese, locals mostly follow the official work schedule. For local engineers and assistants, attendance on Sundays is voluntary with extra payment. Nonetheless, locals still feel obligated to come

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[51] In China, the Eighth Bureau manages construction projects in a militarized style, and has all managers and workers participate in physical training every morning. The militarized discipline is believed to contribute to employees' work dedication and ability to endure hardships. Some of the Eighth Bureau's compounds have thus become models imitated by other companies.

on Sundays as all their Chinese supervisors are working as usual. At other times, it is the assigned work and approaching deadlines that force them to work extra hours. For subcontractors, the Chinese workers are more “manageable” than locals as they have gone through the arduous construction lives back in China. To track local attendance, the Chinese foremen sign off on the time sheet for each of their local subordinates as evidence of locals’ length of work. It is the based on the time sheet that local workers’ monthly salaries are calculated.

Although subcontractors expect locals to work for longer hours, they do not have much control on their attendance. Salary deduction, as a penalty of absenteeism, has been ineffective in enforcing attendance. Nonetheless, the subcontractors keep looking for ways to incentivize locals to work longer. Knowing that it may be difficult for local workers to arrive at the compound before 7:30 am due to commuting, subcontractors started to build dormitories for a select group of local workers in 2017. Living in the dormitory for free then has become a reward to those who perform well, accept the Chinese discipline of hard-work, and develop good relations with Chinese managers and foremen. However, the condition of the dormitory for local workers is much worse than that of the Chinese workers. Twenty or so locals have to share one large room. Similar arrangement is also found in the highway project built by the Chuantie Railway in the southern Oromia, where local workers’ dorms are located across the street from the Chinese compound (Figure 3.4).

Figure 3.4 Local Workers' Dorms in Southern Oromia
Photos taken by the author

The multi-skillfulness of the Chinese is another important contributor to workers' productivity. There is often no clear division of labor between Chinese during work – one must be capable of undertaking different kinds of tasks as needed. Chinese managers therefore also expect local engineers and assistants to take up any work assigned to them, regardless of their official job title. As one local translator explained:

> I'm employed as a translation assistant, but I do a lot of things. For example, I inspect customs. I go to different government organizations, like the construction and transport ministries, to get permissions for the company. The other lady [another local translator] also works on immigration documents and other stuff.[52]

The multi-tasked work is generally well-received by locals. They take it as an opportunity to learn different things outside their field of study. However, language barriers have impeded the efficiency of communication between Chinese and locals. Communication is mostly based on body language with a mixture of Chinese, English, and Amharic words. While Chinese tend not to see it as a problem as long as locals "get

[52] Interview with an Ethiopian translator of Zhonghua Construction, Addis Ababa, 2016.

the work done," the locals find communication-caused misunderstanding a major source of work disputes. There are also a few locals who have picked up basic Chinese from their previous work. Their ability to communicate in Chinese has become a great advantage in arguing for promotion and salary increases. It also allows them to engage in casual talk and develop closer relationships with the Chinese colleagues.

The unpacking of the Chinese compound reveals the existence of various sub-regimes of work in which the organization of work is shaped by the contractual division of labor between several Chinese companies. The internal dynamics in the Chinese compound problematize the simplified portrayal of Chinese as bosses while locals as subordinations. It is therefore important to examine the situated power and vulnerability of both groups.

6 Multiple Forms of Power and Vulnerability

Existing studies on Africa-China relations have mostly taken nationality as the primary analytical tool to explain the power structure of the Chinese companies (Sautman and Yan 2016). Empirical research with Zhonghua Construction and other infrastructure projects also confirms the pattern of Chinese taking high management positions while locals work as low-level managerial personnel and manual workers. However, the nationality-based approach uncovers only part of the power dynamics and abstracts Chinese-African relations into a manager-subordinate stereotype. A close examination of work and life experiences in the compound reveals more complex power relations, not only between Chinese and locals, but also within each group. This section investigates the individual motivations and constraints of work as well as the opportunities and challenges implied in work relations.

SALARY AND BENEFITS

As a number of studies have revealed, an important incentive for expatriate Chinese to work overseas is the significant increase in salary (Chang 2013; Dobler 2009). Overall, Chinese managers of Zhonghua Construction receive a salary that is about three times what they earn back home. According to one manager, “the offer is too good to say no, even if I planned to return home after the stadium project in Congo.” In addition to a salary increase, the Tianjin Branch also has a “3+2” promotion scheme for its formal employees. The scheme guarantees a promotion in job rank after an employee has worked on a domestic project for 3 years and an overseas project for 2 years. It is considered a shortcut for career development, otherwise it may take much longer to be promoted if one has no strong connections inside the company.

While employees of Tianjin Branch see promotion prospects by working abroad, Chinese workers employed by the subcontractors have less career ambition and are mainly driven by monetary incentives. Mostly aged between late 30s and late 40s, these workers started working in the construction sector when very young and are used to travelling with projects in China. Working in Africa also boosts their salaries. A publicly-posted job advertisement by one of the Chinese subcontractors lists the following preferred qualifications of workers: healthy, able to “eat bitterness,” well-disciplined, and no more than 50 years old. Salaries are offered between RMB 7,500-10,000 per month; those with high school degrees and above can receive up to RMB 12,000 (Going Global

Service Center of Nantong City 2017). This amount is much higher than the national average of RMB 3,500 for construction workers (National Bureau of Statistics 2016). At the same time, living costs in Ethiopia are minimal given that workers spend most of their time in the compound. This contributes to more savings.

Among Chinese managers and workers, vacations are provided based on administrative rank: managers in Zhonghua Construction enjoy a 20-day vacation back in China every half year, and employees in the company have the same length of vocation every year. Managers of the subcontractors can have a 20-day vacation every year, but most of them do not return to China unless necessary. Workers have to stay abroad throughout their contract terms.

Local employees have different salary floors according to their positions (Table 3.5). Local engineers, technicians, and Chinese translators can receive up to ETB 15,000 per month. English translators earn around ETB 10,000. The salaries for these local managerial personnel are considered competitive in the labor market, as one Chinese manager commented: "my assistant earns as much as a chief designer in MH consultancy. They are fresh graduates and this is a good salary for them." In contrast, the base salaries for local workers are about ETB 900-1,000; the actual amount depends on their total hours of work.

Table 3.5 Salaries for Local Employees

Positions	**Salary (ETB)**
Engineer/technician	10,000 – 15,000
Translator	8,000 – 15,000
Lead worker (informal)	2,500 – 3,500
Manual worker	900 – 1,000

While other Chinese construction companies typically select a group of local foremen to manage local workers, the three subcontractors of the National Stadium project use Chinese foremen to manage all locals. However, there is a small group of local lead workers who work hard, can speak some English (or Chinese), and have developed relatively good relations with the Chinese foremen. This group of local workers can receive up to ETB 3,500 per month.

Training and Learning Opportunities

Supporters of Africa-China cooperation often highlight the skills transfer potential of Chinese investment (A. Li 2016). Chinese construction projects, from the TAZAM railway to modern-day sports stadiums, always claim to provide on-the-job training opportunities to local workers, who then become the new generation of African industrial men and women. However, the question remains whether or not training training in Chinese construction projects is effective, sustainable, and contributive to long-term local skills development.

In the National Stadium project compound, training is mainly on-site.[53] While the Chinese managers insist that they taught locals everything from basic office skills to engineering tactics, all local employees interviewed said they only received minimal training. On the work site, each Chinese worker is required to teach three to four locals, a

[53] Nonetheless, the Tianjin Branch did host five Ethiopian engineering students in its headquarters in 2014; during the time they observed the construction of No. 4 railway line in Tianjin municipality. These Ethiopians were however not employees of Zhonghua Construction, but a group of students selected under a collaboration program between the Ministry of Commerce of Ethiopia and Chinese universities to train Ethiopian technical and management personnel.

term specified in the project contract. Each of them receives RMB 5,000 every year as a compensation for their time and a reward to their commitment. This is a conscious move on the side of the Ethiopian government to foster skills transfer in Chinese compounds.

However, such training arrangement has become a source of perceived inequality among Chinese foremen who found it running against the urge for fast completion of their work. The subcontractors pay the Chinese according to the amount of work they are able to complete each month. However, the learning progress, attendance, and productivity of locals are unpredictable. Any delay in work progress can result in a salary cut for Chinese foremen. As one Chinese put it, “if one gets fast-learning locals, he can have more work done and be paid more. But if one has bad luck for example, the locals assigned to him do not pick up the skills quickly enough or do not show up then he can’t earn much.” The incentives to teach locals are in conflict with company’s salary scheme, undermining the effectiveness of on-the-job training.

Another way to organize on-the-job training, as found in the Changzhi Grid, is to select a group of local lead workers, and have them each manage 15-20 locals. The Chinese foremen will teach the lead workers first and let them pass the skills to other workers. Local lead workers, in this case, must be able to speak some English and be a dedicated learner. To some extent, it relieves the responsibilities of Chinese foremen who can then supervise a large group of local workers.

The question of training has been mostly associated with local workers, despite the fact that Chinese also need training for working abroad, particularly among those who have never worked in a foreign country. However, most Chinese managers and workers receive no training about local customs and language before going abroad. Some of them had never heard of Ethiopia. All workers were brought to the construction site as soon as they arrived at the Addis Ababa airport. Some said that the only time they walked around in the capital would be the day before they leave "to buy some coffee, candies, or souvenir for families." Their limited knowledge about Ethiopia is mostly based on anecdotes and rumors that circulate in the compound. Working abroad for them, therefore, is less about learning, and more about making a living in a place where a well-paid job is available.

Among the Chinese managers in Zhonghua Construction, some see learning opportunity by working abroad, while others admit that the construction work in Africa is not as technologically-sophisticated as that in China. One manager joked that "the only thing I am improving here is English." In addition, Chinese managers and engineers also risk losing their domestic connections after spending years abroad. Despite the promised promotion, some worried that they may be estranged or even envied by their domestic colleagues for the seemingly quick promotion.

VULNERABLE CHINESE AND POWERFUL LOCALS?

Early studies tend to consider the Chinese as cruel capitalists and Africans as incapable subordinates (Human Rights Watch 2011). However, empirical research on Chinese construction projects in Ethiopia shows multiple sources of power and vulnerability experienced by both sides. While Chinese workers suffered from tight control by their employers, local workers have more freedom in terms of their physical mobility in the compound and access to familial support and inner-group solidarity. In addition, since

Chinese management is subject to some level of oversight from the local government, it has to carefully massage its relations with local workers. Such attention, however, is not extended to Chinese workers who, in the opinion of management, are considered accustomed to the “working style” of Chinese companies.

Similar to the observation made by other research on Chinese construction companies, the case study on Zhonghua Construction finds no labor unions inside the Chinese compound. The short project duration (usually of a few years) and the fluidity of employment create an unstable context for union organization. Nonetheless, officers from the local labor offices have visited the compound several times to inspect working conditions and safety facilities, and have offered suggestions for improvement to the management. However, the labor office does not employ any enforcing mechanism to ensure its implementation. Some of its suggestions end up as lingering issues in the compound. As one subcontractor manager explained why he fails to provide safety gloves to the local workers:

> Labor officers came once and said we need to provide gloves to local workers. We did prepare some gloves for them, but workers lost them easily. We don’t have any more in stock now. To buy gloves from the local market costs ETB 50 per pair, but we can get much cheaper ones from China. However, the contractor refused to buy them from China for us. You know, we have no means to arrange shipment by ourselves.[54]

Both the managerial team and the subcontractors have highlighted the strict labor regulations in Ethiopia, which is harsher and more protective of workers than those in

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[54] Interview with a Chinese subcontract manager of the National Stadium project, Addis Ababa, 2016, translated by the author.

China or other African countries they have worked in before. The main office of Zhonghua Construction has a law expert to advise the company's different projects on how to handle labor issues and disputes. To avoid getting into trouble with labor dismissal, management and subcontractors emphasize the 45-day probation period as the "golden time" to identify potential problem-making workers. Each Chinese foreman is required to screen their subordinates to figure out who can stay employed after the probation period. The management team also organizes monthly exams for local engineers and assistants and enforces an elimination system to "advise" lowest-scored employees to "voluntarily" leave the company.

Nonetheless, a number of local workers have accepted the Chinese mode of work, and some have developed a trust-based financial relationship with the management. Some will cash out part of their salary each month while depositing the rest in the company. Others may borrow from the company in case of emergency. This financial support, considered effort-consuming by the subcontractors, is only offered to dedicated and well-behaved local workers. The Chinese accountant will negotiate with the borrowers, offering ETB 200 when ETB 500 is asked for.

Some local employees have also gradually figured out the differences between being employed by a contractor and a subcontractor. One local engineer used to work for a Chinese subcontractor of the CRG before coming to Zhonghua Construction. He complained that the schedule of subcontract work is very tight as they always rush to finish in order to reduce costs. Working for the contractor, on the contrary, receives more power, freedom, and respect from Chinese colleagues, which is a more enjoyable experience. He further commented:

> They [the subcontractor] are not enjoying work, they just work, work, work. Here, they understand you and give you time [to learn].[55]

Despite the congenial relationships being developed between local workers and Chinese managements in the compound, conflicts do occur from time to time. Twelve out of the fourteen surveyed local managers have experienced more than one times of conflicts with their Chines supervisors. The conflicts are mostly about work content, deadlines, and disagreements with management. Local workers have also organized stoppages a few times when their salaries were not received on time. While recalling his experiences with local stoppage, a subcontract manager was amazed at how fast workers can be organized.

> We need to get birr from the contractor to issue local salaries every month. But sometimes we don't get paid on time [by the contractor]. Whenever we are late, everyone [local workers] will stop working. All will gather in front of the office, block the doors, and shout at us, until the money is provided.[56]

Such a simultaneous and collective activity is new to most Chinese employers. Yet for those who have worked in Angola and Congo, the labor relations in Ethiopia seem much better. Comparisons are constantly made between workers from other African countries and those from Ethiopia, through which the Chinese expatriates have developed their own opinions about the physical and cultural traits of African workers: Ethiopians are slim-built, compliant, and honest while Angolans and Congolese are sturdy-built, bold, and of violent temper. All, however, are considered lazy and slow-witted.

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[55] Interview with an Ethiopian assistant of Zhonghua Construction, Addis Ababa, 2016.

[56] Interview with a Chinese subcontract manager of the National Stadium project, Addis Ababa, 2017, translated by the author.

> If you fire a local worker here, you will get into troubles with lawsuits. Firing someone is more difficult than in Congo where we can do that freely.[57]

> In Angola, we can beat locals if they don't behave and the police won't intervene as long as we give them some money. Here, we have to follow the laws and the police are clearly more protective of the locals.[58]

> We don't get to be beaten by locals as much as in Congo. The locals here are overall more friendly, honest, and less smelly.[59]

Chinese workers in the National Stadium compound, however, are more silent during the day. Their spatial confinement and immobility have inscribed their look with tiredness, dullness, and an unwillingness to engage with outsiders in casual conversation. While small liberties are granted to local workers partly due to their unessential positions in the compound, Chinese workers are much heavier workload. These Chinese are also susceptible to delayed payments and unexplained salary deduction, and unexpected local spending. Some complained that their salaries turned out not as much as they expected, and in some months, "it was about the same as what I earned at home."

One of the unexpected local spending costs is medical care. For projects in a regional site, there will be a nurse or medical doctor in residence in the construction compound who can treat any emergency sickness or injury. Zhonghua Construction does not have doctors as the management believes that the Chinese clinic and the Korean hospital in Addis Ababa can fulfill any medical needs. However, costs of medical

[57] Interview with a Chinese quality control manager of Zhonghua Construction, Addis Ababa, 2016, translated by the author.

[58] Interview with a Chinese subcontractor manager of the National Stadium project, Addis Ababa, 2017, translated by the author.

[59] Interview with a Chinese safety manager of Zhonghua Construction, Addis Ababa, 2016, translated by the author.

treatment in the two places are high, and workers do not trust other local hospitals. One worker complained: "X-ray cost ETB 400 here, versus only RMB 30 in China. If you catch cold, it can cost ETB 10,000 to be treated in the Chinese clinic." Without proper insurance, workers are responsible for any medical costs incurred, and in cases of severe sickness, they have to pay for their own ticket back to China.[60]

Food is another area where workers see evidence of employers' exploitation and disregard for their well-being. The subcontractor from Neixiang does not provide meals for free, but charges workers ETB 6 for breakfast, ETB 40 for lunch, and ETB 40 for dinner. Each worker has a meal card and has to deposit money in it themselves. While the quality of food in most Chinese compounds is not ideal, organizing separate canteens in the same compound give workers the chance to compare their meals with those from the neighboring companies. Workers of the Nantong subcontractor kept criticizing the company for forcing them to become vegetarians by offering few meat dishes. However, their meals of two dishes and one soup are much envied by workers of the Henan Neixiang subcontractor. The latter had to eat noodles (with vegetable sources) for consecutive days. Workers from Neixiang said that they saw the neighboring company offering meat every day, their canteen is a much brighter, and "they even have a TV" in the dining room. While knowing the dining conditions in the management compound are much better, they admitted that it is not a standard to which they can aspire.

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[60] The Chinese workers' contract terms specify a round trip ticket between China and Ethiopia is covered only when they finished the entire contract period.

In addition to the quality of meals, “where to eat” is also an expression of power in the compound. While workers sit in an open canteen space, managers have separate meals prepared for them in a small dining room. Similar arrangements are also seen in the contractor’s canteen. It is in fact a common practice in most Chinese compounds where a group of 5-8 managers sit around a circular table and share a collection of dishes. In addition to the diversity of dishes, Chinese alcohol is often served at dinner. Workers called it “eating in a small pot” (吃小锅饭), an expression of showing someone receives unfair special treatment than that of the majority.

Chinese SOEs will regularly host visits by government officials or headquarters leaders from China. For those located in regional sites, leaders from the main office in Addis Ababa will also visit the field construction sites on a regular basis. Meals in the compound will be better during the visits; those in the “small room” are even better. A worker from the Chuantie Railway voiced a resentful comment to those eating in a small pot: “we don’t talk to anyone inside and they don’t talk to us.” Visitors are not welcomed by workers, especially after seeing their extravagant spending from time to time.

> They [the headquarters leaders] will stay in the capital mostly and travel to regional sites sometimes. We receive visitors about 5 to 6 times a year. When they come, they just stay within the compound and only “visit” the construction site by sitting in a car. I know they just come here for touring. They will drink *maotai* [a well-known Chinese liquor brand] every night. I heard each bottle is sold ETB 20,000 here. When they travel, they live in the best hotel and spend more than ETB 300 per person for each meal.[61]

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[61] Interview with a Chinese foreman of Chuantie Raiway, Yabelo, 2013, translated by the author.

While Chinese workers in the National Stadium project did not reveal any severe physical conflicts with local workers, the ones from a regional project of the Chuantie Railway did. In particular, they blamed Chinese managers for not standing up for them during conflicts. Instead, Chinese managers want to confine any conflicts within the company and to a minor scale. Therefore, when a Chinese worker gets beaten during work, managers will ask him to bear it and keep quiet. "One manager asked me to fire some locals. I did and got beaten by them. The manager then said 'let it go, we need to think about the big picture.' He even asked me to resume working the next day." Such managerial unwillingness to intervene in time of conflict have aroused much discontent among Chinese workers.

Despite the above-mentioned aspects of Chinese workers' subjugation to a tight management regime, two incidents were captured during the fieldwork when workers managed to extract some concessions from their companies. Since arranging Chinese workers' overseas logistics and issuing local work IDs are a time- and effort-consuming activity, subcontractors do not want to see the ones they bring out leave in the middle of the project. A few Chinese – particularly those who are in key technical positions – have threatened to terminate the labor contract and return to China as leverage to negotiate for an increased bonus. In these cases, the Chinese subcontractors may secretly give them some pocket money, and invite a few Chinese foremen into their small dining room, as reward for their staying and continued hard work.

In another incident, an injured Chinese worker of one subcontractor went directly to the management office of Zhonghua Construction to seek intervention from the contractor. He injured his foot during work and was not getting better after several visits to the Korean hospital. He wanted to return to China but the subcontractor did not allow him to do so. One day, he came directly to the project chief manager's office and expressed his determination to return. The chief manager called the subcontract manager right away and asked him to come to his office and resolve the issue. Compared to subcontractors, the contractor is more conscious of maintaining a peaceful environment in the compound and less concerned with saving costs.

7 CONCLUSION

This chapter reveals the internal complexity of a Chinese construction project in Ethiopia in which the externally-recognized contractor SOE is by no means the sole player during day-to-day operations. Rather, it manages a number of subcontractors who enter the Ethiopian market with different backgrounds, competitiveness, and management strategies. These subcontractors have become increasingly reliant upon overseas subcontracts, given their low competitive advantages at home and in the international construction market. Their "going global" activity demonstrates the externalization of their dependent relations with the contractor SOE back in China. In addition, overseas construction contracts through both Chinese and non-Chinese funding sources also lead to the globalization of Chinese manufacturers who provide goods and services to Chinese contractors and subcontractors.

The case of the National Stadium construction project shows an encouraging scenario of increased local input, given the involvement of local design, supervision, subcontractors, material producers, and workers. However, with increasing competition from Chinese companies, local participation remains less effective and sometimes is undermined. In addition, high-level management and key technical positions in the construction compound are taken by the Chinese, leaving locals at low-managerial positions at best and mostly as manual workers. With lean profit margins and tight project timelines for subcontractors, on-site skills transfer is also compromised. Therefore, despite the contractual agreement on local procurement and skills-transfer, it is not efficiently enforced during project implementation. Effective regulatory frameworks and supervisory mechanisms are still largely missing that would ensure the development of local construction industry and the skills improvement of local workers.

In the Chinese compound, the contractor-subcontractor arrangement leads to internal variations of work organization and employee experiences. Expatriate Chinese and local Ethiopians are subject to different mechanisms of labor control and engage in different strategies of obedience and resistance. Power is not only inscribed in spatial configurations of the construction compound, the organizational structures and types of employment contracts, but also expressed by difference in managerial ideology. While the SOE contractor is conscious of minimizing labor issues, it is not directly invovled in the daily management of Chinese and local workers. The thin profit margin for subcontractors, however, pushes them to adopt cost-minimizing strategies, such as lowering the standards of meals and other logistics, and enforcing a strict salary cut in times of project delay. Under such a profit-squeezing mentality, the welfare for both Chinese and local workers is often compromised. Nonetheless, workers are still actively seeking opportunities to exert their agency toward the management, as shown by local workers' simultaneous organization of stoppage to resist late payment and these Chinese workers' tactics to derive concessions from the management.

CHAPTER FOUR CHINESE INFORMATION AND COMMUNICATION TECHNOLOGY COMPANIES IN ETHIOPIA

1 INTRODUCTION

Information and communication technology (ICT) remains an important yet underexplored area of Africa-China cooperation. As a knowledge-intensive sector employing the well-educated and skilled portions of both the Chinese and African populations, cooperation in this sector holds great potential in fostering skills transfer and developing local high-tech industries in Africa. Unlike the liberal ICT markets in most African countries, Ethiopia's ICT sector is under tight control of the federal government, allowing Chinese companies to dominate the local markets through their access to public projects. Between 2008 and 2014, 33 Chinese ICT companies registered in Ethiopia, out-numbering those from any other foreign countries. Of the accumulated USD 6.49 billion worth of large-scale Chinese ICT projects in Africa between 2006 and 2015, almost half was generated in Ethiopia (China Global Investment Tracker 2016).

The burgeoning field of Africa-China studies, however, has paid insufficient attention to Chinese ICT companies in Africa. Drawing on an international political economy perspective, current studies identify an assemblage of socio-political and institutional structures that sustain Chinese companies' market-entry strategies and business practices in Africa (Cooke 2012; Ojo 2017; Sutherland 2016). While attending to companies' inner structures and external relations with Chinese governments, they put little emphasis on inter-firm relations or host government intervention in shaping companies' local strategies. Moreover, despite recognizing the Chinese contribution to local skills improvements by opening ICT training schools (A. Li 2016; Tsui 2016), there is a lack of a critical investigation into the provision and the effectiveness of training inside a particular company. In addition, scholars recently have highlighted the agency of local ICT technicians in exploiting the work experience in Chinese companies for their career development (Lampert and Mohan 2014). However, in-depth analyses of their mentality and ability to do so in specific workplace contexts are missing. It is, therefore, imperative to unpack the local work regimes of Chinese ICT companies in Africa.

The address the above-mentioned gaps, this chapter examines the interplay of local government intervention, inter-firm competition and employee agency in shaping the work regime of a Chinese ICT company in Ethiopia. The empirical research draws upon Huaxia Telecom, a Chinese parastatal firm that has dominated the Ethiopian ICT market for a long time. It was surpassed by its Chinese rival – a company introduced by the Ethiopian government. This local government-administered competition between two Chinese ICT companies has led to a series of organizational and managerial reforms in Huaxia Telecom. Central to the reform is the promotion of local leadership under a workforce localization initiative. The initiative generates both hope and doubt among local employees whose work efficiency still is being compromised by the enduring structural and cultural issues in the company. Nonetheless, local employees are more proactive in terms of pursuing continued education and improving their skills than their Chinese counterparts, despite the recent close-down of the company union. The case of Huaxia reveals the "incomplete" nature of Chinese ICT companies' internationalization process, which inhibits effective skills transfer and local empowerment.

The rest of the chapter begins with an overview of the globalization of Chinese ICT companies and the institutional backgrounds of Huaxia Telecom. Section 3 reviews

Ethiopia's ICT development, the monopoly of Huaxia Telecom and the subsequent government strategies to contain its corporate power. Section 4 traces the emerging changes in Huaxia's company structure, business strategy, and employee management as a response to the loss of its local monopoly. Section 5 zooms in to the workforce localization initiative, examining its effectiveness and enduring issues as perceived by individual employees. Section 6 investigates promising and failing elements of employees' collective and individual agency. Section 7 concludes the chapter.

2 Going Global of Chinese ICT Companies

This section reviews the development and globalization of Chinese ICT companies and highlights the importance of effective state policies to promote the transfer of foreign technology to local industries. Huaxia Telecom, although not a central SOE, has complex institutional relationships with Chinese government agencies and so receives financial and policy supports in its globalization process. Africa has become an important market for Huaxia Telecom, contributing a major portion of the gross profits of the company.

ICT Development in China

ICT is one of the most developed sectors in China following the 1978 economic reform. Between 1991 and 1999, ICT revenue grew by 2050 percent, reaching a turnover of RMB 311.2 billion in 1999 (DeWoskin 2001). Since the entry of the World Trade Organization in 2001, China has become a major global manufacturer of ICT equipment. According to World Bank data, 40 percent (USD 83.39 billion) of China's service exports was generated in the ICT sector in 2015, compared to only 10.3 percent (USD 258 million) in

1982. The export of ICT products in 2015 accounted for 26.6 percent of total goods exports, compared to 17.7 percent in 2000.

The growth of China's ICT sector has been attributed to effective state policies in promoting the transfer of foreign technology to indigenous industry (Harwit 2007; Y. Hong 2008). As one of the first sectors opened to foreign investment after the economic reform in 1978, the sector included a diverse composition of ICT players such as joint ventures, SOEs, parastatals, and private companies. State-administered competition between different service providers and equipment manufacturers substantially increased local productivity and fostered research and development activities in domestic firms (Kang, Hauge, and Lu 2012; Sutherland 2016).[62] As domestic ICT companies developed, the government provided financial incentives, ranging from tax credits to soft loans, to facilitate their globalization (Cooke 2012). Like Chinese construction companies, such financial support has backed Chinese ICT companies' low-pricing strategies in the early years of overseas expansion. Products and services were also customized to meet clients' purchasing power, a strategy that was particularly successful in developing countries. A common globalization trajectory of Chinese ICT companies is to enter developing

[62] During the initial years of the reform, incoming foreign investment dominated China's ICT market and drained the country's foreign exchange reserves. To increase technology transfer, the central government encouraged joint ventures with various forms of preferential treatment, but required that the government took the majority ownership of the companies. This policy ensured Chinese managerial control and access to foreign technology. With the development of domestic equipment manufacturers, the government enforced the purchase from locally-produced parts and equipment, particularly for public infrastructure projects. In later reform years, the government set limits on the number of joint ventures to facilitate the growth of domestic firms. For more history on the development of the Chinese ICT sector, see Harwit (2007, 2008).

countries with price advantages and move to developed countries after accumulating brand reputation (Cooke 2012).

In addition to financial support, ICT companies also benefit from close diplomatic ties which China has built with developing countries. Scholars have identified a triadic interdependent relationship between the Chinese government, host governments, and the globalized Chinese companies, in which international business and international relations are intertwined, and political and economic interests intersected (Ojo 2017). In many cases, companies enter the foreign market through Chinese government-funded projects. Official visits of Chinese political leaders are often accompanied by top managers from major ICT companies, which often leads to the signing of important business contracts with the host countries (Cissé 2012). Such political approaches, however, are less available for western and local companies. Local firms, in particular, are further constrained by their lack of the efficiency, experience, high-tech equipment and skilled human resources to compete with Chinese companies (Gamora et al. 2007).

However, strong financial and political advantages by no means ensure the success of Chinese ICT companies abroad. Studies on international business have identified the strong liability of foreignness (LOF) and the liability of country of origin (LCO) of Chinese companies – the double hurdle that constrain overseas operations of multinationals from emerging economies (Demirbag 2014). LOF – the social and economic costs to operate in a foreign context – can be universal to all transnational firms, such as the unfamiliarity with the host country’s culture, language, policies and institutional arrangements (Child and Rodrigues 2005). The LCO, however, are more specific to the distinctive institutional and cultural characteristics of Chinese companies, including the lack of overseas experience, insufficient technical and management competence, image problems associated with low-cost and low-quality products, and perceived issues with intellectual property rights and labor standards (Cooke 2012). In addition, Chinese companies have met increasingly strong competition from domestic firms that enjoy the same kinds of incentives from the Chinese governments, as the case of Huaxia Telecom will show.

BACKGROUND OF HUAXIA TELECOM

The case study focuses on Huaxia Telecom, a company that specializes in ICT equipment manufacturing and network technology. Affiliated with the Ministry of Aerospace, Huaxia was initially founded as Huaxia Semiconductor[63] in 1985 in China's first special economic zone – Shenzhen. It adopted a business model known as "state-owned and private-operating" (*guoyou siying* 国有私营) during the national reform. After an asset restructuring in 1993, Huaxia Semiconductor was renamed Huaxia Telecom and became part of an investment holding group, Huaxia Holdings. Huaxia Telecom was listed on the Shenzhen stock market in 1997 and the Hong Kong stock market in 2004. Despite public offerings, the company remains a quasi-SOE due to its institutional history and complex ownership affiliations with Chinese government agencies. Its largest share of stock – 30 percent – is owned by Huaxia Holdings. The latter has three stakeholders (Figure 4.1a):

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[63] Huaxia Semiconductor was established by a director from Factory 691 – a subsidiary of the Ministry of Aerospace – in 1985. Factory 691 later became the Xi'an Microelectronics Institute of Technology. Upon the establishment of Huaxia Semiconductor, Factory 691 controlled 66 percent of its ownership, with the rest held by Yunxing E-commerce from Hong Kong and another subsidiary of the Ministry of Aerospace, Shenzhen Changcheng Industry Corporation.

- Xi'an Microelectronics Institute of Technology (hereafter, Xi'an Microelectronics) is a regional branch of the 9th Research Institute of China Aerospace Science and Technology Corporation (CASC). It owns 34 percent of Huaxia Holding's stock.
- Shenzhen Aerospace Guangyu Industry Corporation (hereafter, Shenzhen Guangyu) is a wholly-owned subsidiary of China Aerospace Science and Industry Corporation (CASIC), controlling 17 percent of the stock.
- Huaxia WXT Corporation (hereafter, Huaxia WXT) is a corporation founded by 39 core senior personnel of Huaxia Semiconductor, who collectively controlled 34 percent of Huaxia Holdings' stock. Huaxia WXT is responsible for the actual management of Huaxia Holdings.

The Xi'an Microelectronics and the Shenzhen Guangyu are subsidiaries of two different Chinese *central* SOEs – CASC and CASIC; but both were part of the 5th Academy of the Ministry of Defense in 1956 (Figure 4.1b).[64] This concentrated leadership under a central ministry is believed to contribute to the early success of Huaxia Telecom.[65] The adoption of the business model of "state-owned and private-operating" also has ensured higher efficiency in corporate decision making (Harwit 2008).

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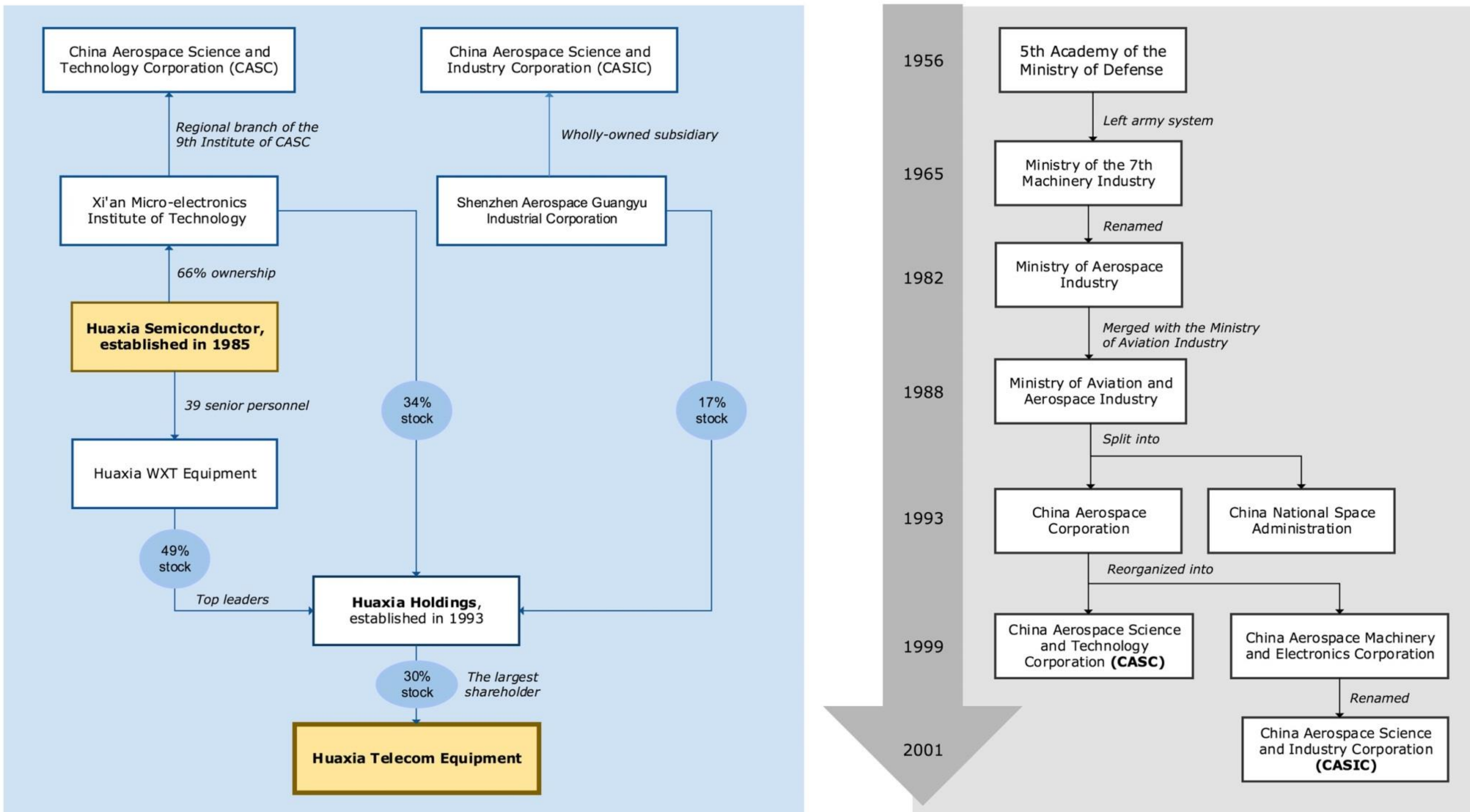
[64] The 5th Academy had gone through numerous renaming and re-structuring processes including the Ministry of the 7th Machinery Industry (1965), the Ministry of Aerospace Industry (1982), the Ministry of Aviation and Aerospace Industry (1988), and the China Aerospace Corporation (CAC, 1993). CAC was split into CASC and the China Aerospace Machinery and Electronics Corporation in 1999. The latter then changed its name to CASIC in 2001.

[65] Comparison was made with the Great Dragon, which is the first government effort to form a company by combining eight disparate companies from two different ministries and an army-based institution. The company turned out unsuccessful as the management had to listen to requirements from multiple ministries and the diverse stakeholders, which deprived the its management autonomy (Harwit 2008).



(a) (b)

Figure 4.1 Ownership Structure (a) and Institutional Genealogy (b) of Huaxia Telecom

Figure made by the author.

Nonetheless, given the strong domestic competition from other established joint ventures such as Alcatel Shanghai Bell, Huaxia initially focused on the lower-end markets in rural or inland China before making its way to urban markets. The company's domestic expansion strategy of "rural-to-urban" mirrors its globalization trajectory of "easy first, hard later," which means to start with neighboring developing countries to avoid direct competition from leading ICT multinationals. After being chosen as one of the 300 key SOEs by the State Council in 1996, Huaxia began to export its products to countries such as Pakistan, Bangladesh, and Kenya.[66]

Despite the short globalization history, Huaxia has established partnerships with ICT service providers in more than 160 countries and regions, and employed over 60,000 people worldwide. Its overseas revenue has taken up an average of 49.6 percent of the company's total revenue between 2004 and 2016, with an accumulated amount of RMB 399.4 billion (Figure 4.2a). Asia was a major overseas market for Huaxia Telecom, especially in the initial years of globalization, contributing an average of 46 percent of the company's overseas revenue between 2004 and 2009. Africa remains a small but growing market, accounting for an average of 23.6 percent of overseas revenue between 2004 and 2016.

[66] Huaxia obtained its first overseas contract in Bangladesh in 1996. In 1999, it obtained a USD 95 million turnkey project in Pakistan, and subsequently opened its first overseas office in Islamabad in that year. Huaxia also deployed a video conferencing system in Kenya in 1999.

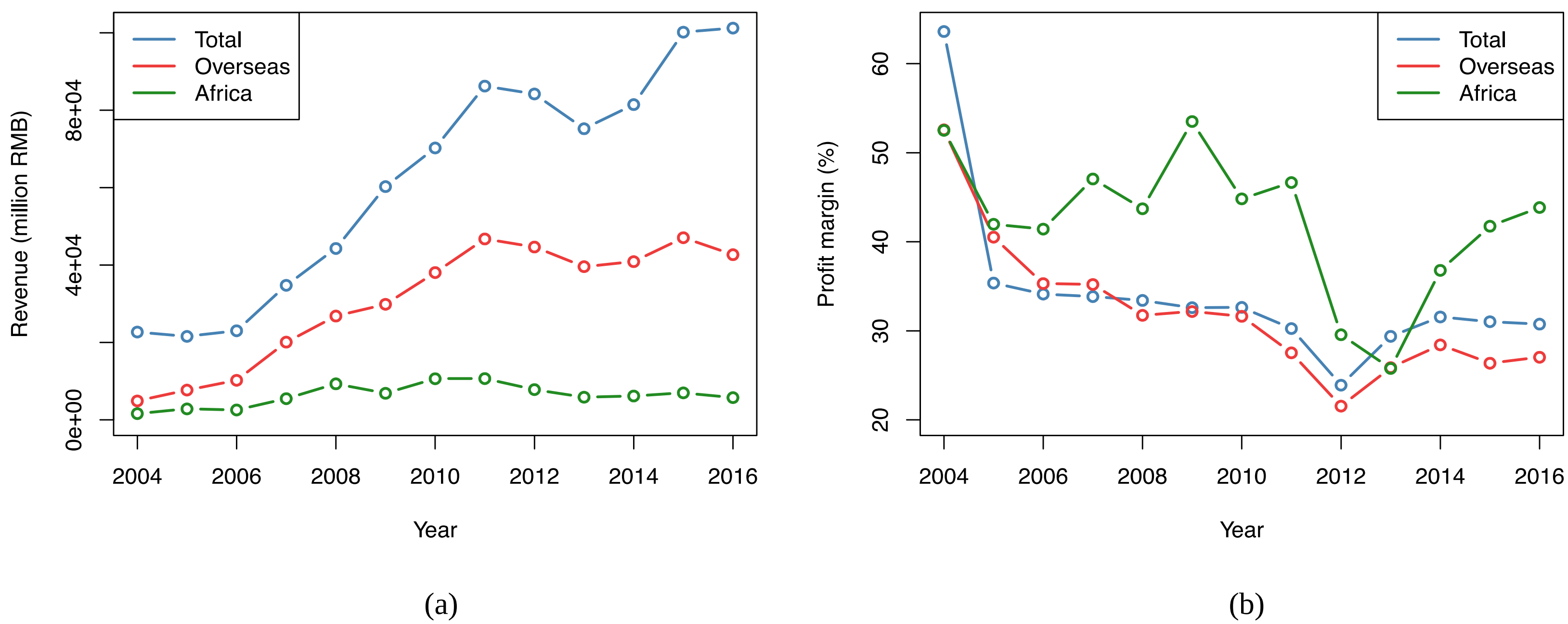


Figure 4.2 The (a) Operating Revenue and (b) Gross Profit Margin of Huaxia Telecom

Data obtained from the company website, figures made by the author

However, Africa contributes the highest gross profit margin of Huaxia's overseas contracts, with an average of 42.26 percent during the period of 2004-2016 (Figure 4.2b). It presents a seemingly contradictory piece of evidence to the company's low-pricing strategies in Africa.[67] In fact, once the existing ICT equipment in developing countries is replaced by Chinese equipment at a cheaper price, the company obtains preferred status to compete for subsequent bids due to the incompatibility of Chinese systems with those from other countries. Host countries therefore are likely to commission the same company for future upgrading, expansion, or maintenance services, giving the company an opportunity to charge higher prices to make up for the profit gap (A Geda 2008).

3 HUAXIA TELECOM IN ETHIOPIA

The section examines Ethiopia's ICT sector and the operational history of Huaxia Telecom in the country. It reveals how the Chinese government, the Ethiopian government, and Chinese ICT companies collectively shape the ICT landscape of the country. The entry and monopoly of Huaxia Telecom in Ethiopia was facilitated by both the Chinese and Ethiopian governments. As its local domination was criticized on various fronts, the Ethiopian government has intensified measures to contain foreign corporate power. An effective strategy is to introduce a domestic rival company which soon out-competes Huaxia in the local market.

[67] For example, in Nigeria, Ojo (2017) revealed that the product and services by Chinese ICT companies are 15-30 percent cheaper than those of the western firms.

ICT Development in Ethiopia

Telecommunication is a pivotal sector in Ethiopia's Growth and Transformation Plan (GTP). In the first phase of GTP, the number of overall telecom subscribers reached 29.6 million in 2013-2014, up from 7.7 million in 2009-2010. The number of mobile subscribers increased from 7 million to 28.3 million. Improvement in rural areas was particularly significant, with 96 percent of the population having access (within a radius of 5 kilometers) to telephone service in 2013-2014, compared to 62.1 percent in 2009-2010 (FDRE 2015b). Regardless of such improvement, development of Ethiopia's ICT sector is still below the regional and world average (Table 4.1). The wireless penetration rate in Ethiopia is 44 percent compared to an average of 53 percent in the Sub-Saharan Africa. Mobile-phone penetration is around 25 percent in Ethiopia, whereas the average is 70 percent in Africa as a whole. Only 2.5 percent of the Ethiopian population have access to internet, while the number is 40 percent in neighboring Kenya. Overall, the ICT sector contributes only 2 percent of Ethiopia's GDP, compared to an average of 4 percent in East Africa (Export.gov 2016).

Table 4.1 Select Indicators of ICT Development in 2016

Indicators	Ethiopia	Sub-Saharan Africa	World
Fixed telephone subscriptions	1,147,000	10,164,512	1,003,930,389
Fixed broadband subscriptions	559,000	4,006,146	916,669,071
Mobile cellular subscriptions	51,224,000	752,990.05	7,511,596.88

Data published by the World Bank

The less-developed ICT infrastructure in Ethiopia is commonly attributed to the absence of competition in the domestic market (Economists 2013).[68] Telecommunication service in Ethiopia has been solely provided by the state-owned Ethio Telecom, previously known as the Ethiopian Telecommunications Corporation (ETC). Ethio Telecom was a division of the Ethiopian Telecommunication Agency (ETA)[69] established in 1996 by the Council of Ministers under regulation No 47/1999. Its charge was to operate telecommunication services, to manufacture and maintain telecommunications equipment, and to organize ICT training activities (Workneh 2014).

As the sole state-owned service provider, Ethio Telecom has been contracting its national ICT infrastructure development projects through a vendor-financing scheme since 2005. Under such a scheme, the vendor (i.e. the seller or contractor) acts as the guarantor for bank loans to allow the borrower to purchase its products and services. Through vendor financing, Ethio Telecom obtains its urgently needed capital to develop the ICT sector (Workneh 2014). Critics, however, see vendor financing as a way to lock Ethio Telecom into certain vendors, thus preventing innovation, choice, and private participation in the sector (Adam 2007, 2010). Judging from Ethiopia's ICT development

[68] The federal control over the ICT sector was justified by the potential benefits of low costs, high efficiency, and a belief that the estimated USD 3.5 billion revenue of the sector is a critical source to finance infrastructure and provide basic services in the country (Cheru 2016; Sutherland 2016).

[69] The ETA is a federal telecommunication regulatory entity established under Proclamation No. 49/1996. It is responsible to license ICT service operator(s), specify technical standards, issue approval of equipment, license radio communication equipment, and authorize the use of frequencies. The ETA is directed by the Ministry of Communications and Information Technology (MCIT), formerly the Ministry of Information, wich is responsible for overseeing the implementation of ICT policies and programs in Ethiopia (Dubale 2010).

in the decade of 2005-2016, Ethio Telecom's reliance on vendor financing has given Chinese companies a strong advantage to dominate the local market due to their access to loans from Chinese national banks.

THE MONOPOLY OF HUAXIA TELECOM IN ETHIOPIA

Huaxia Telecom entered Ethiopia in 1998 and officially opened its Ethiopian subsidiary in 2002. In the initial years of operation, Huaxia undertook small projects through a local intermediary. A breakthrough was made in 2006 during the Forum on China-Africa Cooperation (FOCAC) in Addis Ababa. In the apex of the FOCAC, the Ethiopian government put forward a cooperation program between Huaxia and Ethio Telecom, which resulted in granting Huaxia the exclusive right to local government projects.

The company then became the sole contractor of Ethiopia's national ICT projects, as put forward in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2005-2009).[70] The PASDEP project involved an investment of USD 1.9 billion – 1.5 billion for equipment and 0.4 billion for engineering construction. Funds were obtained through vendor financing from the China Development Bank (CDB) and the Export-Import Bank of China (EXIM).[71] The loan, scheduled to be repaid over

[70] Specifically, five areas of ICT development were set out in the PASDEP, including a fullly digitized national transmission microwave and switching system; a 4,000-km fiber along the major national route and 122+ interconnecting stations; 1,200+ broadband Very Small Aperture Terminals (VSAT) nationwide; a broadband multimedia Internet Protocol/Multi-Protocol Label Switching (IP/MPLS) core network with footprints across the nation; a broadband internet network with points of presence nationwide; and Wireless Code Division Multiple Access (CDMA) to 5,000 rural villages (FDRE 2005).

[71] According to a company documents, the banks charge interests according to 6 months of London Interbank Offered Rate (LIBOR) plus 1.5 or 1.8 percent. The interest is paid by both the

thirteen years, was disbursed in three phases.[72] The first phase, as part of the Ethiopian Millennium Plan, aimed to establish over 2,000 kilometers of fiber optic cable that connected Ethiopia's thirteen largest cities before the new millennium on the Ethiopian calendar (i.e. September 2007). The second and third phases focused on ICT infrastructure development by expanding spatial coverage and system capacity.

The PASDEP project (with over 20 sub-projects) is known as the largest single piece of ICT contract carried out by a Chinese ICT company on the African continent (Cabestan 2012). As a turnkey project, Huaxia is responsible for the equipment, network installation, and infrastructure engineering. It was said that Huaxia alone imported over 3,000 cargo holds of equipment and machinery from China in the year of 2009. For a time, Ethiopia was known within Huaxia as its "granary in Africa," contributing almost 50 percent of the company's African revenue. As a project manager commented:

> In 2008, [the Ethiopian branch of] Huaxia made a lot of money and surprised the headquarters. Each project manager received an annual bonus of a few hundred thousand RMB. At that time, people in the company were saying "if you want to make money, go to Ethiopia."[73]

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company and the client (i.e. the Ethio Telecom). If payment was delayed from the client, the company would not be responsible for the respective punishment; but if the client could not pay, the company would be charged by up to 20 percent of the total funds. Interviews with company leaders revealed that to reduce risks of failed repayment, Huaxia Telecom re-sold the credits (i.e. the provisionary note) to a Chinese insurance company at a lowered price. The Chinese state-owned insurance company, Sinosure, offers a number of policy insurance products to insure financing under export sellers' credits.

[72] While originally planned for completion in 2010, a series of logistical and engineering difficulties postponed the timeline to 2014. For example, the existing network in the country was constructed by multiple equipment suppliers (e.g. Nokia, Siemens and Ericsson) that resulted in poor interoperability with Huaxia's equipment. The managers also complained about constant power outrage due to a weak national electricity grid system that had slowed down the project.

[73] Interview with a former Chinese project manager, Nanjing, 2017, translated by the author.

The monopoly of Huaxia, however, soon invited criticism from both western media and the local Ethiopian community for the poor quality of products and services, corruptive business practices, and possible facilitation of surveillance activities by the government (Human Rights Watch 2014). In addition, concern was aroused with regard to the over-dependency of Ethio Telecom on one Chinese ICT company. With existing ICT facilities being gradually replaced by those from China, Ethio Telecom relied on the company for spare parts, maintenance, and future upgrading services. The incompatibility of Chinese equipment with those from other countries further sustained Huaxia's monopoly, which gave it a chance to over-bill subsequent projects. To retain control over the ICT sector, the Ethiopian government, through Ethio Telecom, has deployed two major strategies to contain the power of Huaxia: first by introducing a western overseeing company, and second, by bringing in another Chinese ICT company to compete with Huaxia on the local market.

LOCAL GOVERNMENT AGENCY: INTRODUCING A WESTERN OVERSIGHT COMPANY

Ethio Telecom's first attempt was to invite a third party to manage its relationships with Huaxia, and so to re-adjust the balance of power between different parties. In 2009, it called for an international tender among major global ICT operators. France Telecom won the bid despite asking for a higher price than other international bidders (Cabestan 2012). A three-year contract of about USD 40 million was signed in 2010 under which France Telecom, through its subsidiary of Sofrecom, would oversee the operations of Huaxia Telecom. It was also responsible for supervising the transformation of Ethio

Telecom from ETC, forging capacity building of Ethiopian managers, and transferring managerial know-how and best practices.[74]

The introduction of France Telecom was aimed at strengthening the control of Ethio Telecom over the ICT sector and imposing more rigorous business supervision on Huaxia. This was a strategic move and signaled an awareness by the Ethiopian government of the risk of over-dependence on a single Chinese company for the country's ICT development. In fact, the Ethiopian government is not the only African government that commissioned western companies to oversee Chinese contractors. In Ghana, the Ministry of Energy commissioned Coyne et Bellier to oversee Sino Hydro's construction of Bui Dam. Such an arrangement was thought to benefit the African clients by combining the Chinese companies' low costs with western high-quality and efficiency work (René 2011).

When reflecting on the collaboration with French Telecom, leaders of Huaxia reported positive impressions of French managers.

> A lot of French came to Ethiopia to manage the ICT projects. They were very strict, but reasonable. They knew what was our fault and what wasn't. I found the French much easier to work with than the Chinese or Ethiopian operators.[75]

However, collaboration between French Telecom and Ethio Telecom did not bring the fruitful results officials expected. The French chief executive was replaced in the middle of his three-year contract, and French managers were not allowed to take any

[74] ETC's former chief executive, Amare Amsalu, was subsequently replaced by an French Telecom executive, Jean-Michel Latute in 2011 (René 2011).

[75] Interview with a former Chinese expatriate director, Nanjing, 2017, translated by the author.

financial decision-makings in Ethio Telecom. Ethio Telecom was later criticized by French managers for its preoccupation over a short-term, quantitative expansion of ICT networks rather than a careful consideration of operational costs and long-term network security (René 2011). By the end of the contract in 2013, Ethiopian managers, mostly cadres from the dominant TPLF party, took over key positions (Human Rights Watch 2014). Therefore, despite Ethio Telecom's proactive move, its collaboration with French Telecom did not prove to be an effective mechanism to either restrict Huaxia Telecom's monopoly or push for reform in Ethiopia's ICT sector.

Local Government Agency: Increasing Market Competition

A seemingly more effective action by the Ethiopian government was to introduce a domestic competitor of Huaxia Telecom to Ethiopia – Guoxin Telecom. Also founded in Shenzhen during China's economic reform, Guoxin is a fast-growing *privately*-owned manufacturer of ICT equipment in China. Despite the difference in ownership status, it shares similar development strategies as Huaxia Telecom, namely, starting from rural areas in domestic spheres and first entering developing countries in international spheres. The financial and political benefits enjoyed by Huaxia were also available for Guoxin during its globalization process.[76] The CEO of Guoxin reiterated: "our government has a successful diplomatic policy which wins a lot of international friends. [Our company's] international marketing strategy is to follow China's diplomatic route, and I believe this strategy will be successful'' (Luo et al. 2011).

[76] For example, the company won the Nigerian National Rural Telephone Project in 1997, funded through a USD 200-million concessional loan from the EXIM Bank (Ojo 2017).

In 2013, Ethio Telecom called for an open bidding for its new round of national ICT development – the first Telecommunication Expansion Project (TEP I). TEP I aimed to increase the capacity of Ethiopia's mobile-phone network to 50 million subscribers by 2015 and to introduce 4G connectivity in selected areas. Western media and managers from Guoxin Telecom interpreted the open bidding as the result of the poor-quality network provided by Huaxia Telecom. A chief director of Huaxia, however, disclosed that the preliminary negotiation over TEP I between Huaxia and Ethio Telecom failed to reach a consensus on contract terms.

> When we were negotiating [the TEP I] with Ethio Telecom, they expected us to upgrade the existing 2G system to 3G for free. We did the calculation and found it unprofitable, and so refused. We didn't expect that they turned to Guoxin.[77]

Huaxia's refusal to compromise on contract terms came from its confidence in its control over the local market, but without knowing that Ethio Telecom had already started contacting Guoxin's leadership. Managers of Huaxia were convinced that it was not economically viable for Ethio Telecom to go to another company, ad only later realized that "they [leaders of Ethio Telecom] were more politically-determined than economically-minded." The public tender of TEP I resulted in Huaxia and Guoxin sharing the USD 1.6 million contract that was again under vendor financing from CDB and EXIM. With the signing of two separate contracts of USD 800 million, competition was introduced between the two Chinese ICT tycoons.

[77] Interview with the Chinese marketing director, Addis Ababa, 2017, translated by the author.

In Ethiopia, the parastatal status of Huaxia did not guarantee business success in contract bidding.[78] In fact, most large Chinese companies (SOEs, quasi-SOEs, or private companies) have an office in Beijing to help develop relationships with officials in major national banks and key ministries to get timely information on policy and financial incentives. When companies apply for loans, the central banks usually assign one of its provincial subsidiaries to assess the proposed project.[79] In the case of TEP I, both Huaxia and Guoxin obtained loans from Chinese banks and ended up sharing the project. However, the latter soon proved itself a ruthless breaker of Huaxia's local monopoly.

> When negotiation [for TEP I] started, we took over 80 percent of the contract, and later was reduced to 70, then 50, and now only 20 percent. Guoxin took Addis and the north, a total of four regions. We originally had six regions in the south and the west. Then Eriksson came in and took over four of our regions, including Hawassa. But it later lost two of its regions to Guoxin.[80]

The Swedish ICT company Ericsson was included in TEP I one year after Huaxia and Guoxin signed the contract. It took over a portion of the project that was originally contracted to Huaxia. While considered a move to further constrain Huaxia's business in Ethiopia, Ericsson did not perform in the way that leaders of Ethio Telecom expected.

> Ericsson had bad reputation here as it refused to do engineering and construction work for Ethio Telecom. You know, we must do everything – ground work,

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[78] The fieldwork, however, found conflictual opinions among Chinese managers on this issue. Some contended that the ownership status makes no difference since Chinese banks and ICT clients are market-oriented actors, while others believed that Huaxia holds a stronger competitive edge given its government affiliation, at least in the Chinese domestic market.

[79] In the case of Ethiopia's ICT projects, Qinghai branch of the China Development Bank investigated the loan proposal and reported to the headquarters.

[80] Interview with a Chinese section manager in the Marketing Department, Addis Ababa, 2016, translated by the author.

> towers, line systems, flooring, etc., not just the ICT part. People from Ericsson refused and said they were only here for ICT equipment and system installation.

Unlike Ericsson, Guoxin "was determined to lose USD 100 million to enter Ethiopia," according to a marking project manager from Huaxia. Since its entry, Guoxin has engaged in cut-throat competition with Huaxia over projects, finance, and local human resources, which was considered detrimental to local markets and unsustainable given the low profit margins of Chinese companies.

> Guoxin gave a lot of things [to Ethio Telecom] for free at first, but it later charged very high maintenance fees. […] It lured our local employees by offering them salaries that were 2-3 times higher than ours and promised a monetary award of a few thousand birr if anyone can persuade his or her colleagues to jump to Guoxin. It [Guoxin] does that just to make sure that we can't function without enough numbers of good local employees.[81]

With deliberate government action to constrain the power of Huaxia, by 2016 Huaxia had lost a large portion of the TEP I project to Guoxin. Such fierce competition has, in part, triggered a series of changes in the company's local work regimes. To remain competitive in the market, Huaxia has strived to streamline its organizational structure, reduce operational costs, and improve local reputation.

4 Transforming Local Work Regimes Under Market Competition

In the summer of 2016, U.S. authorities placed export restrictions on Huaxia Telecom for its violation of American export controls on Iran. Huaxia received a penalty of USD 1.2 billion in the end. The month-long ban had disrupted the company's supply chain and

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[81] Interview with a former Chinese public relations manager, Addis Ababa, 2016, translated by the author.

resulted in a gloomy financial performance for the year. A reshuffling of high-level leadership group in headquarters followed immediately. The new leaders soon put forward a reform agenda that started by reducing the company's workforce by 5 percent. The pressure to reform was even more intensively felt by the Ethiopian subsidiary which had not fully recovered from its loss of TEP I in 2014. To remain competitive in the local market, the subsidiary has pursued several changes in the local work regime that will be discussed in detail in this section.

STREAMLINE MANAGEMENT

Huaxia Telecom maintains a complex organizational hierarchy that includes five levels of management. Below the top-level management in the headquarters, there are managers at the regional (营), sub-regional (片区), national (国家代表处), and project (项目部) levels. Before 2017, the Ethiopian branch belonged to the East Africa Region, which was then part of the Middle East and Africa Sub-region (also known as the Second Camp), (Figure 4.3a). As the most profitable market, Ethiopia was the headquarters of the East Africa Region, supervising subsidiaries in Eritrea, Djibouti, Sudan, South Sudan, and Uganda.

In the Ethiopian subsidiary, top-level management used to include an East Africa Region director, who was considered a third-level manager in the entire company, and three directors who each supervised three core departments of Marketing and Sales, Technical Solutions, and Contract Delivery. The Marketing and Sales Department works on client relations, bidding preparation, and commercial strategy. The Technical Solutions Department focuses on project design and network solutions The Contract Delivery Department is responsible for project execution, subcontractor management, maintenance, and the transfer of technical skills to local clients. While directors of the three departments were considered fourth-level managers, the one of the Marketing and Sales Department had been conventionally a half-rank higher due to his dual post as the national representative of Huaxia in Ethiopia.

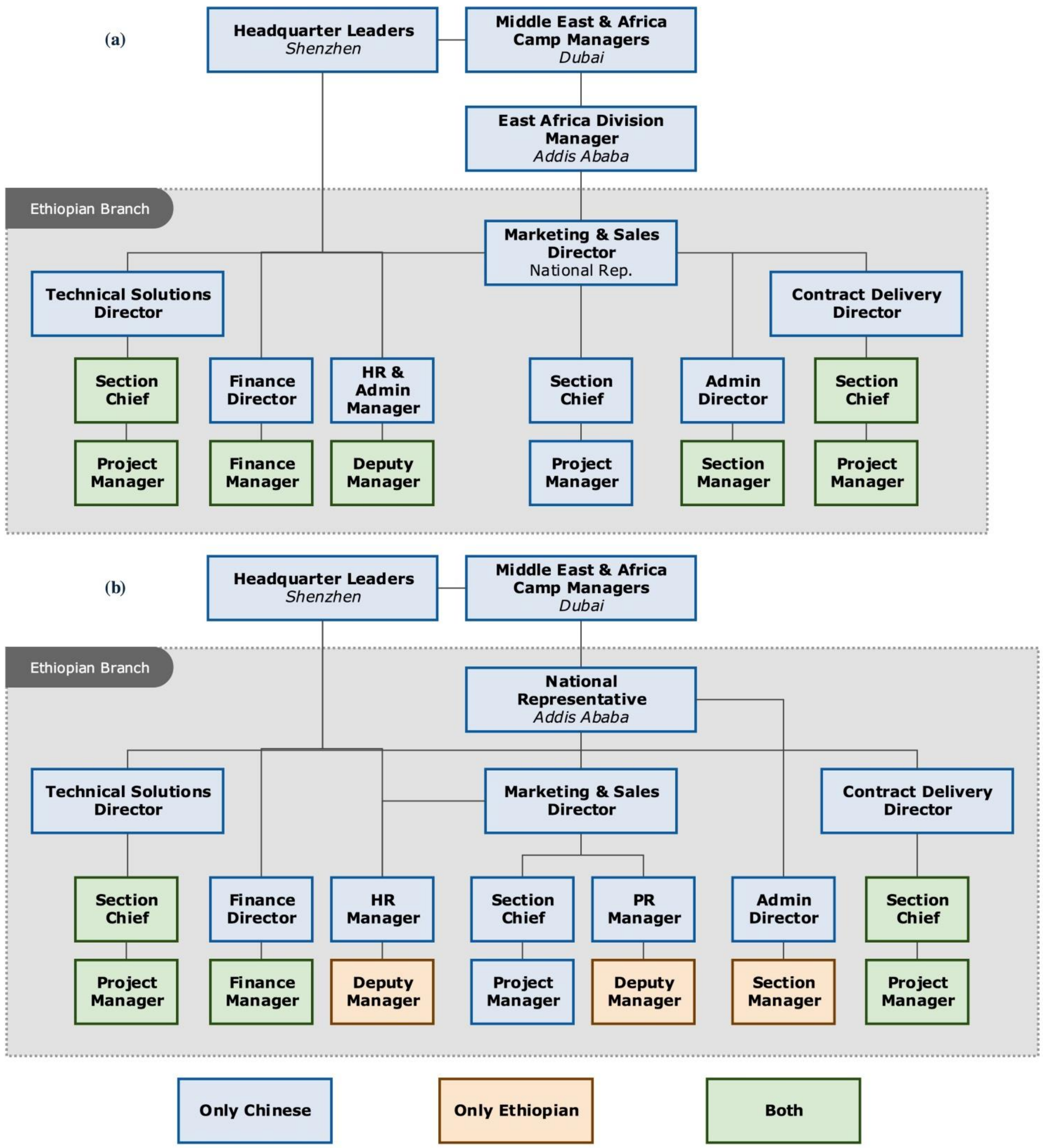

Figure 4.3 Management Structure of Huaxia (a) Before and (b) After 2017

Figure made by the author

Huaxia's financial loss in 2016 and the Ethiopian subsidiary's under-performance led to a change of this managerial structure in 2017. The East Africa Region was removed, leaving the Ethiopian subsidiary under the direct supervision of the Second Camp (Figure 4.4b). This was considered a move to simplify bureaucratic procedures within Huaxia and to strengthen headquarters control over subsidiaries.[82] The national representative position was then shifted from the Marketing and Sales director to the former regional director. This change was seen, among managers in Huaxia, as a transition into a smaller managerial class in the future. To further specify the managerial responsibility, headquarters officials required all managers to produce detailed annual objective statements as a future basis for performance evaluation.

Meanwhile, mid- and low-level management in the subsidiary remains unchanged for the most part, other than the establishment of a Public Relations Section under the Marketing and Sales Department (discussed later). Below each department director are section chiefs – the fifth-level management personnel – who work on various parts of the company's three main business components, i.e. Operator, Government and Enterprise, and Terminal. In addition to these core departments, there are also departments of Human Resources, Administration, and Finance which coordinate recruitment, employee management, business administration, and tax issues in the subsidiary. Managers of these departments are also considered fifth-level management in Huaxia. To enforce headquarters control over human resource and financial issues in the subsidiary,

[82] One manager revealed that every time there was a leadership change in the regional level, it would trigger managerial changes in all its national subsidiaries due to complex personnel connections involved in the hierarchy.

managers of the two departments are directly appointed by and report to the headquarters in Shenzhen.

In addition to change in management structure, the workforce size of the Ethiopian subsidiary has also shrunk from 200 Chinese and 150 locals in 2014 to 120 Chinese and 100 locals in 2016. After the loss of a major portion of TEP I, Huaxia closed its sub-regional offices in Ethiopia, leaving only one in Nekemt with 15-20 employees to handle its undergoing projects. In the main office in Addis Ababa, the Marketing and Sales Department has the smallest workforce, but has been charged with heavy duties to expand local businesses.

DIVERSIFY LOCAL BUSINESSES

In Ethiopia, Ethio Telecom is the most important client of Huaxia, contributing more than 80 percent of the company's local business. Other than national ICT development projects of PASDEP and TEP, Huaxia has also received other public project contracts from the Ethio Telecom, such as the WoredaNet and SchoolNet[83], although the scale of the latter is no where comparable to that of the former. The fact that Guoxin aggressively took 60 percent of TEP I and outcompeted Huaxia on other Ethio Telecom projects has pushed Huaxia to seek for other sources of contracts to sustain its local businesses. One

[83] The former is an "e-government" project that aims at linking federal, regional, and woreda government offices across the country to enable videoconferencing, e-mail and file sharing. The latter is an "e-learning" project that provides 700 secondary educational institutions with the access to ICT, email and streamed Internet or TV from educational institutes and media. Both are schemes promoted in the PASDEP. Similar ventures include AgriNet and HealthNet that are aimed at the development of an ICT network between agricultural research centers, and between major hospitals, respectively (FDRE 2005).

important source is to subcontract ICT work from other Chinese companies. For example, China Civil Engineering Construction Corporation won a few economic zone construction projects in Ethiopia and sub-contracted the zone internet work to Huaxia. Similarly, Huaxia also built communication signals for the Addis-Djibouti Railway under a subcontract agreement with the China Railway Engineering Corporation.

Having these subcontracts differentiates Huaxia from other major SOEs such as Zhonghua Construction. Huaxia, therefore, serves simultaneously as a contractor and a sub-contractor in the local market. While providing ICT equipment and engaging in system installation, Huaxia does not undertake the work of ICT infrastructure construction. Rather, it subcontracts the work to other Chinese and local companies. It was reported that Huaxia introduced "five telecom design institutes, twelve engineering construction companies, and three to five engineering supervision agencies" for the PASDEP project (Zhao 2009). Similar to Zhonghua Construction, most of Huaxia's subcontractors are its lower-tier subsidiaries or long-term partners in China. It also outsources work to local companies that are recommended by officials in Ethio Telecom.

Acting as both a contractor and a subcontractor enhances the operational flexibility of Huaxia. As winning bids and getting contracts have become the highest priority of the company, the Marketing and Sales Department enjoys an even more elevated status in the company, despite the fact that its director was deprived of the national representative title in 2017. Employees of the department have the highest authority to mobilize company-wide resources for bidding purposes. Daily work in the department is considered top secrets and loss of a contract can lead to the replacement of section chiefs or a heavy cut in annual bonuses. The competition between Huaxia and

Guoxin has become so fierce that employees from the two companies are not allowed to talk to each other even at social events organized by the Ethiopian government or the Chinese Embassy. Both companies value their competitive intelligence and offer special awards to employees who manage to get the rivalry's bidding and project information.

DEVELOP THE FIRM'S SOCIAL AND POLITICAL CAPITAL

The increasingly competitive market in Ethiopia has also incentivized Huaxia to strengthen its local social and political capital. A Public Relations (PR) Department was established in 2015 under the supervision of the Marketing and Sales director. A well-connected Chinese PR manager was instructed to socialize with Chinese government officials in Ethiopia and other Chinese SOEs and private companies. Being a quasi-SOE and a major ICT player has given Huaxia the access needed to develop close relations with Chinese official institutions in Ethiopia, including the Embassy, China's Mission to the African Union, and the Chinese Business Association in Ethiopia (CBAE)[84]. The subsidiary not only actively engages in hosting visits by China's national and provincial government officials and business groups, but also helps officials solve any emerging issues with Chinese companies and citizens in Ethiopia. In addition, Huaxia serves as the vice chair of the CBAE together with five other Chinese companies, and has organized and funded business networking events and knowledge-exchange sessions in the local

[84] The CBAE is led by the Economic and Commercial Counselor's Office at the Chinese embassy in Ethiopia, with more than 200 companies registered as a member. It has a chair company, six vice chair companies, and a group of others as board members.

Chinese community. This close relationship gives Huaxia access to timely information on potential projects and leverage to negotiate with local officials.

> We need to make Chinese officials happy and maintain good relationships with other Chinese companies. The relation can help us obtain small projects, even if they are far from comparable to the size of the TEP project.[85]

> When we plan a launching event for a new terminal product, we will invite the Chinese Ambassador or the Economic and Commercial Counselor. As long as he agrees, we are likely to invite an Ethiopian official of similar or higher rank.[86]

Huaxia has also put forth efforts to improve its local reputation and establish itself as a socially responsible corporate actor in Ethiopia. The company has engaged in activities from community skills training, to sponsorship of local events, to the donation of ICT equipment (Table 4.2). The Chinese PR manager is responsible to screen all proposed activities and send those that “may have the widest media and community influence” to the Marketing and Sales director for his approval. Meanwhile, an Ethiopian PR manager was promoted in 2016 to handle local media relations. The local PR manager communicates with a group of local and international media outlets on a regular basis to ensure timely publication of the company’s project progress, charity work, and other social events.

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[85] Interview with the Chinese PR manager, Addis Ababa, 2016, translated by the author.

[86] Interview with the Chinese PR manager, Addis Ababa, 2016, translated by the author.

Table 4.2 Examples of Social Welfare Activities by Huaxia Telecom

Telecommunication
Donation of telecom equipment valued at 10 million USD to Ethio Telecom
Free training of 1,000 telecom engineers at Ethio Telecom
Free training of 11,000 ICT students at 13 local universities
Donation of ICT equipment to Addis Ababa Technology University
Donation of 300 mobile handsets worth ETB 200,000 to the Somali regional government
Education
Establishment of a Huaxia library at three primary schools and donation of books and sports equipment
Donation of an ICT classroom, 15 sets of computers and desks to a primary school in Addis Ababa
Funding to construct 19 China-Ethiopia Friendship Schools
Social Welfare
Donation of 10,000 USD to the Ethiopia Abebech Gobena Orphanage Center
Donation of cell phones to 300 households in the Somali region
Donation of clothes and food to elder homes in Addis Ababa, and provision of 30 free lunches each day since 2012
Technology
Sponsor 2015 ICT Innovation Competition (15,000 USD)
Sponsor 2016 Youth Aircraft Design
Sports
Sponsor National Long Run in 2012, 2014, and 2015, at a total value of 50,000 USD.
Organize “Huaxia Green” tree-planting activities since 2013, planting a total of 4,000 trees.

Data compiled by the author based on information publicized on the company’s official website

PROMOTE WORKFORCE LOCALIZATION

In addition to building external relations and public image, an internal strategy pursued inside the subsidiary is the workforce localization, i.e. replacing Chinese expatriates with local Ethiopians. The localization initiative was first led by the headquarters, with a goal of 65 percent local workforce for its overseas subsidiaries. While the headquarters did not specify a detailed timeline, the Ethiopian branch has begun to consciously and actively pursue workforce localization since 2016. It is a way to reduce costs on expatriation, on the one hand, and it is a response to the increased difficulties in obtaining local work visas for the Chinese expatriates on the other. In the former case, workforce localization is a cost-effective strategy to reduce spending on expatriation. A rank-and-file Chinese expatriate costs the company at least RMB 250,000 per year, not taking into account the spending on housing and meals, whereas salary for a local section chief is only ETB 12,000. Therefore, the cost of one Chinese expatriate is equivalent to that of 8-10 local employees. In the latter case, the Ethiopian Immigration Office has tightened its control over foreign work visa in order to promote local employment in certain positions.

> It [the immigration office] used to issue a three-month business visa to Chinese, but now reduces to one month, and allows for only a one-time renewal. The tourist visa is also getting harder to get. The government sets a limit on how many and what kinds of positions can be held by foreigners. It pushes us to replace Chinese in accounting and administrative departments with locals.[87]

In addition, workforce localization also has the perceived benefits of mobilizing local knowledge possessed by the Ethiopian employees, enhancing employee morale and commitment to the company, and gaining legitimacy in the local community. Because of the multiple push and pull factors, certain positions in the subsidiary have been transferred to local employees[88]; a group of them has been promoted to managers, and a goal of 80-90 percent local workforce has been set by Chinese management.

Central to Huaxia's workforce localization strategy is the "key staff motivation" program, in which 25 seed employees were selected by management as future leaders of the company (Figure 4.4). Seed employees include 10 section chiefs and deputy

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[87] Interview with the Chinese PR manager, Addis Ababa, 2016, translated by the author.

[88] For example, there used to be four Chinese administrative officers in the company, but in 2017, only two remained. Similarly, the number of Chinese PRs was also reduced from three to one. The same replacement was also found in the Finance and Contract Delivery Department.

managers who form the current local management class and 15 project responsible persons and other senior employees selected by both local and Chinese supervisors. Each of the 25 employees receives individualized professional development plans, salary increase guarantees,[89] as well as opportunities to work on different projects. The 25 slots are updated on a quarterly basis according to work performance and supervisor evaluations. In this way, the company intends to incentivize every local employee to work hard and compete for the opportunity.

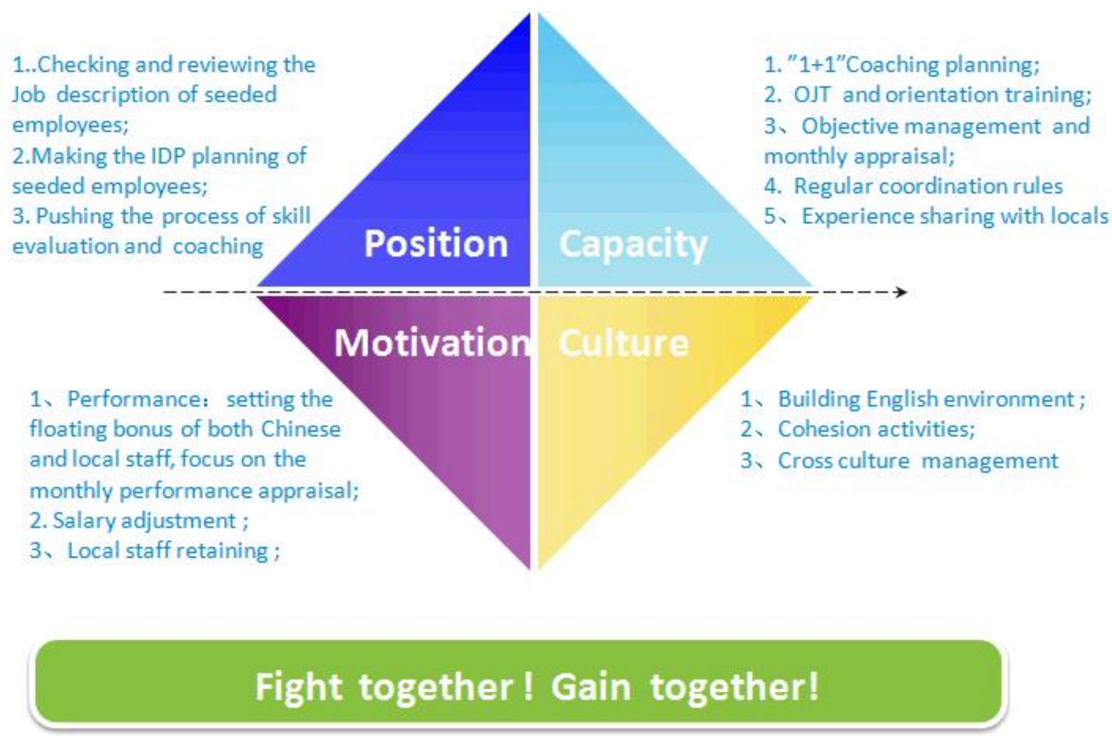

Figure 4.4 Key Staff Motivation Scheme Circulated in Huaxia Telecom
Figure created and shared by the Chinese Human Resource manager

[89] A 3-5 percent salary increase is promised as long as they perform well on exams and in evaluations.

The subsidiary also opened a “Localization Lecture Hall” in 2106 and since then has invited a diverse group of speakers to give lectures in the company, including a Chinese counselor, Ethiopian minister, a Xinhua journalist, an international researcher, etc. Topics have covered various aspects of the Ethiopia-China relations. Attendance at the lectures is mandatory for the 25 seed employees and voluntary for all the others.

To further increase local employees’ sense of belonging, Huaxia organizes different social events to increase interactions between Chinese and Ethiopian employees. Work and life in the company has long been carried out in a separate manner. Although all rank-and-file Chinese and Ethiopians work side by side at open desks in a central office space, their work schedules vary. The official working hours in the company are from 9 am to 6 pm on weekdays with a two-hour lunch break. While Ethiopians follow this schedule, the Chinese tend to work for much longer hours and often an extra day (or half-day) on Saturday. The company also runs a Chinese-exclusive canteen providing three meals every day, and shuttle buses between residential compounds and the office. All Chinese expatriates and their families live in 20 rented houses scattered in one of the wealthiest neighborhoods in Addis Ababa, with rent and fees for domestic helpers covered by the company. Such provision of meals and transportation limits the opportunities for the Chinese expatriates to socialize with their Ethiopian colleagues who usually go to local cafeterias for lunch and take public transportations.

Under workforce localization, Huaxia has started to organize New Year’s celebrations, sports games, and other social gatherings (Figure 4.5). The 2009 Ethiopian New Year in 2016 was the second time that the company hosted a game day in a local stadium and a buffet dinner in the company’s canteen. According to one local engineer, it was during such celebrations that she could enter the exclusive space of the Chinese canteen and taste Chinese food – something she could not afford to eat in Ethiopia.

Figure 4.5 Ethiopian New Year Celebration, 2016
Photo taken by the author

With various activities to promote workforce localization, Huaxia seeks to distinguish itself from Guoxin's "wolf" company culture that values aggressive, competitive, and predatory relations among employees and with its competitors. On the contrary, Huaxia dwells in an "ox" culture that emphasizes the characteristics of perseverance, diligence, and determination. The promotion of the ox culture signifies Huaxia's attempts to prioritize warmth and care over competition. It implies a flexible, humane, and respectful working environment, one that takes care of its employees rather than exploits them. Yet, the performance of localization in the initial stage is rather mixed as interviews with local employees have revealed.

5 Employee Management under Workforce Localization: Top-down Practices and Bottom-up Perspectives

Localization has become a popular discourse among Chinese companies in Africa (Lam 2016). In the Ethiopian subsidiary of Huaxia Telecom, the eagerness to localize is the result of pull-and-push forces from within the company as well as broader changes in the local market and host government policies. Its early endeavors have contributed to an improved sense of belonging among local employees. However, a close investigation of the company's employee management practices, including recruitment, training, performance evaluation, and promotion, reveals the entrenched structural issues in Huaxia that have constantly undermined the effects of employee capacity-building. The "incompleteness" of Huaxia's management internationalization not only impedes employees' professional development but also widens the power gap within the workplace. Localization, as interviews with local employees have revealed, remains a top-down discourse and management-led procedure with little input from employees.

Recruitment and Training

In Chinese companies, workforce localization usually starts with recruiting more locals or replacing positions held by Chinese expatriates with local employees (Kernen and Lam 2014). However, Huaxia has not engaged in large-scale local recruitment in recent years due to the loss of its monopoly in the market. In 2007, the company hired around 300 local employees. Since then, local recruitment has been sporadic and done on a need basis. Comparing Huaxia's workforce composition between 2016 and 2014, the number of Chinese was reduced by 40 percent and locals by 33 percent. In the context of overall workforce reduction, there was indeed gradual replacement of Chinese with locals taking up certain positions such as public relations, administration, and after-sale services.

In Huaxia, employees are differentiated by formal and outsourcing contracts for both Chinese and Ethiopians. The outsourced Chinese are specialized technicians who help solve emerging yet temporary technical issues in the company. Formal expatriates are on 2-4-year contracts. Outsourced locals generally take up “unessential” positions, such as documentation, administration, and logistics. The company also uses outsourced security guards and office custodians from local professional companies. Keeping the temporary staff allows the company to adjust its workforce size without being constrained by local labor regulations on employee dismissal.

Job openings for formal Chinese expatriates are mostly publicized in the company’s internal job application system (the “talent pool”). Chinese directors and section chiefs can also identify candidates from their home branches. On the other hand, posting job information in local newspapers has been a common way to recruit local employees. However, with intensified competition with Guoxin over local human resource, Huaxia has adopted two new means of recruitment. For one, reference by existing local employees is preferred. For another, the company will promote personnel from its outsourcing and subcontracting partners to formal employee status. These locals are thought to have more ties to the company, and hence will be less likely to be grabbed by Guoxin and other ICT companies.

In addition, while Huaxia used to recruit fresh college graduates in the early years, it now prefers those with extensive work experience (Table 4.3). Among 33 local interviewees, only one has never worked in another company, while 27 have previous posts in government offices, private firms, or other multinationals. This change in preference for employees was due to the high turnover rate among local fresh graduates. Chinese managers complained that young Ethiopians took the company as a training school and would jump to other companies after collecting enough training certificates and work experience.

Table 4.3 Previous Employment of Interviewed Local Employees

Employer	**Count**
Government	11
Multinational	3
Private	13
None	1
No Response	5

In fact, Chinese managers hold contradictory attitudes toward training local employees. They see training as a way to show management interest in developing local skills and so win trust and loyalty from employees, while at the same time worry about inducing talent loss to other companies.

> All 14 employees we sent back to Shenzhen [for training] in 2014 jumped to other companies once they returned. Last year [in 2015], we sent 15 employees, and 14 of them left. Some didn't even notify their supervisors about their leave.[90]

Besides training in Shenzhen, the company also organizes short-term workshops and lectures. However, training has been provided irregularly and mostly used as a strategy of "image promotion," as the case of the "Localization Lecture Hall" reveals.

[90] Interview with the Chinese HR manager, Addis Ababa, 2016, translated by the author.

Since its inauguration in June, 2016, lectures have been mostly arranged at times when Chinese officials are paying a visit in Ethiopia. “When the Governor of Guangdong visited Ethiopia, we had three or four lectures in one week. And we hadn’t had any lectures in the previous two months.” This complaint by a local employee was verified by the Chinese human resource (HR) manager who contended that the ultimate goal of these events is to “build better client and government relations,” and to “let them know we are sincere, long-term partners.” Such “image-building” effort is also evident from Huaxia’s engagement in the trainings of ICT personnel in Ehtio Telecom and local educational institutions, which has become an area of competition between Huaxia and Guoxin.[91]

While the training of locals remains an issue under debate in Huaxia, the company does not provide any kind of training to its Chinese employees, although most of them are fresh graduates with limited work experience, language proficiency and previous exposures to overseas environment. These limitations of some Chinese expatriates are well recognized among Chinese managers; but they still insisted that junior Chinese expatriates will learn by working, and that they are too preoccupied with work to engage in any other activities.

In addition to managerial disinterest in training the Chinese expatriates, they also have less concern over the high turnover rate of the Chinese than they have for local

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[91] Guoxin operates six training centers across Africa (i.e. Nigeria, Angola, Kenya, South Africa, Egypt and Tunisia) and Huaxia has set up four (i.e. Egypt, Ethiopia, Algeria and Ghana). In collaboration with governments and ICT operators, these centers focus on technology promotion, professional consultation and academic research. In Ethiopia, Huaxia offered a 1,000-engineer training plan to the Ethio Telecom for free in 2010 and later opened an ICT college in Addis Ababa. Guoxin, similarly, signed a contract with the Ethio Telecom in 2017 to open a local training center.

employees. Rather, the rapid change of Chinese supervisors and co-workers is identified as a source of work interruption among local employees. Particularly in cases when the new supervisor adopts a very different working style or set of evaluation criteria from the previous one, locals found it hard to receive fair and consistent feedback to keep up their work performance.

> Chinese come and go. I've worked with 20 Chinese [boss] or more in the past eight years. I have to adjust my working styles constantly according to the style of the new-comers. It's hard. Each boss is different.[92]

> A project may take two years. It'll be good if one guy can work for at least one year before leaving. But in reality, some guys came and worked for 5 to 6 months and was replaced by another guy. It's hard to always change partners. When one guy left, he didn't pass all necessary information to the next one, like information about the region – what happened, what things to pay attention, who we met. He left without doing this; so everything needs to be redone.[93]

PERFORMANCE EVALUATION AND PROMOTION

Huaxia Telecom maintains a very particular evaluation scheme and promotion pathway for its employees. Twice a year, employees are graded *on a curve* according to task execution (70 percent) and skills improvement (30 percent). The former is evaluated by the immediate supervisors of various projects that one works on; and the latter is based on monthly and bi-annual exam scores. According to their curved scores, employees are given grades of S (superior), A (average), and C (unsatisfactory) in their respective section. Each category has a subdivision of 1 and 2 to further differentiate the better performed individuals from others in the same group. The number of employees to

[92] Interview with an Ethiopian chief in the Contract Delivery Department, Addis Ababa, 2016.

[93] Interview with an Ethiopian manager in the Contract Delivery Department, Addis Ababa, 2016.

receive each of the six grades is decided by higher level managers based on the overall performance of the section.

The bi-annual evaluation impacts the promotion prospects of employees. Huaxia assigns its employees a rank between 1 and 6 based on their technical capability, with each rank further divided into three sub-levels of a, b, and c. Promotion is assessed on an annual basis, and those who received an S1 or two S2s in the year will be promoted by a half rank (e.g. from 2b to 2a). The rank will influence one's base salary, bonus, and eligibility for extra allowances. New employees receive a start-up rank according to their educational background and work experience.[94]

For Chinese expatriates, technical rank determines not only the amount of annual bonus but also whether the employee can enjoy the spouse allowance offered as a benefit to expatriates. Overall, the payment package for Chinese expatriates has three components. First is the salary, which is the same as what one earns in a domestic branch. Second is the annual bonus that is contingent upon the subsidiary's profits and employee performance. Third is the overseas allowance, which comes in three parts: expatriate compensation, hardship compensation, and family compensation. The first is set to USD 40 per day to all Chinese expatriates abroad. The second is provided only to those who work in developing countries, with the actual amount varying across places. In Ethiopia,

[94] Examples of start-up rank: 1c – college graduates from top universities; 1b – master graduates from top universities; 2c – 3 years of work experience plus a bachelor degree from a top university, or 1-2 years of work experience plus a master's degree from a top university.

hardship compensation is USD 30 per day, which was raised from USD 25 in 2014.[95] The third part of the overseas allowance is the family allowance that is reserved for those with a technical rank of 3c or higher. Qualifying employees can bring their families to Ethiopia and receive an extra portion of the expatriate compensation at USD 40 per day.

While grades are important for promotion, the evaluation process is not entirely dependent on exam scores or work performance. Section chiefs will not give two executive S1s to the same person, to maintain a sense of equity in the section and give every good employee an incentive to work harder. Similarly, getting a C2 means that one's performance is not satisfactory and the employee is at risk of being laid off. As someone must get a C2 after the curve, it has become common that people in the section take turns getting C2s. Or, if one employee is known to leave the company in the near future, he will be the person to receive Cs.

In fact, work performance is not the only criterion of employee evaluation. The nature of projects one works on plays an influential role since the number of S1s and S2s is determined by the overall performance of the team.

> Performance is not wholly determined by if one is working hard. It depends on the projects. Honestly, I didn't see many people playing around, although there is personal difference in work abilities. […] Connections play a role. If one is well connected with section chiefs or higher managers, he can be assigned to work on important projects, like the TEP. Those big projects for sure will generate profits and progress fast because they have the priority to receive manpower, logistical, and administrative supports from the headquarters and in the subsidiary. No one

[95] The allowance is paid in RMB based on a fixed exchange rate of 7.5. Examples of hardship allowance offered to expatriates in other countries are as follows: Cameroon – USD 35, South Sudan – USD 80, Chad – USD 80, and Iraq – USD 90.

> can screw up TEP. But smaller projects don’t get much attention and can’t expect to make the same progress.[96]

The above quote highlights the importance of a good personal and work relationship to employee success. Such emphasis on relationships, to a certain extent, disadvantages local employees whose day-to-day interaction with Chinese supervisors and colleagues are negatively affected by the issue of language communication.

> I am working with a new Chinese guy [who just came from China] on the same project. His part [of work] has a lot of problems. But he can communicate with the outsourcing person [who is a Chinese] easily to figure out [solutions]. I don't have the same ability to become close with Chinese quickly. When I ask questions, because the Chinese is not good at English, I feel he’s not willing to share. If I see people giving me bad face, I don't want to ask [for help] anymore. Maybe he is [a] good [person], but communication is bad. This makes my work difficult. I just wish I could speak Chinese.[97]

For some, poor communication is a common source of misunderstanding during work. For others, the problem is understandable and they see their English getting better over time. However, since most locals are graded by Chinese supervisors, they are generally afraid that their incapability to socialize with Chinese supervisors will result in low evaluation scores.

> Communication is fine. Most Chinese speak good English. It's hard when they just came from China. [But] after six months or so, they became better. Even for local staff who just got recruited, they didn't speak English that well. […] The Chinese English is different from the Ethiopian English.[98]

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[96] Interview with a Chinese chief in the Contract Delivery Department, Addis Ababa, 2016, translated by the author.

[97] Interview with an Ethiopian quality control assistant in the Contract Delivery Department, Addis Ababa, 2016.

[98] Interview with an Ethiopian engineer in the Contract Delivery Department, Addis Ababa, 2016.

> There are Chinese supervisors and you have to interact with them. If their English is like you, then there'll be no problem. But if I don't talk to them, it not seemed to be OK. By the end of the day, they will be grading you.[99]

In addition to the impacts on daily work communications, the issue of language also reveals a structural problem in Huaxia Telecom that prevents local participation in the company's high-level decision-making. Chinese is the official working language during meetings between Chinese subsidiary directors and officials in the headquarters since few high-level managers in the headquarters speak fluent English. The exclusive use of the Chinese language, therefore, makes it impossible to include Ethiopian employees in the subsidiary's top management circle. Moreover, Huaxia's internal documents, forms, reports, and even software systems are all written in Chinese, which further prevents local employees from becoming true managers in the short run.

> Locals can handle administration and after-sale services [since they mostly work with local employees, clients, or subcontractors in these departments]. It is hard for them to work in marking or technical support as all the documents are written in Chinese. [If we use locals,] we have to translate for them; that's too much work.[100]

> I sometimes receive emails in Chinese. I have to find a Chinese person to translate it into English. If everyone can email in English, I don't have to seek for additional help. Some computer programs [in the company] are also in Chinese. But now I'm used to Chinese language, I can sometimes guess the meaning.[101]

To ameliorate the communication issues, Huaxia's management has sought to build an English-only office in Ethiopia by requiring that no Amharic or Chinese can be

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[99] Interview with an Ethiopian quality control assistant in the Contract Delivery Department, Addis Ababa, 2016.

[100] Interview with a Chinese chief in the Marketing and Sales Department, Addis Ababa, 2016, translated by the author.

[101] Interview with an Ethiopian PR manager, Addis Ababa, 2016.

used during working hours. However, such a requirement is hard to implement during day-to-day work. Meanwhile, the company also pushes forward “Chinesenization” in the workplace by incentivizing Chinese-language learning among local employees, the effects of which are also doubtful. In fact, back in 2013, the company commissioned the Confucius Institute in Addis Ababa to organize Chinese language and culture study for Ethiopian employees. A one-hour session was planned for every Monday, Wednesday, and Friday in a three-month period. Around 20 local employees registered for the class, and more attended the first several sessions. However, the attendance rate dropped dramatically after a month as employees got busy with work; the fact that sessions were held during lunch time also discouraged local attendance.

Apart from communication issues, local empowerment is also restricted by the fact that not many mid-level managerial positions are available for locals. Any vacated position is heavily competed for among Chinese expatriates. As of 2017, the highest possible rank for a local employee is section chief in the Contract Delivery Department and deputy manager in other supportive departments. Although under workforce localization a number of locals have been granted “manager” titles, few of them have any subordinates to manage during actual work. In many cases, the manager is the only person in the “team” to manage and execute a small project. Being mangers is more of a name change than any substantial improvement in decision-making power. Moreover, the organizational structure of the company ensures that no rank-and-file Chinese are directly supervised by Ethiopian managers. In cases where close collaboration is needed for a particular task, the company will form a special taskforce team, with one Chinese team leader and one Ethiopian leader. During project implementation, only the two leaders will communicate with each other and later send the message to their subordinates.

6 Employee Agency: Union and Beyond

Despite some promising signs, localization in Huaxia is yet to fulfill the objective of empowering locals. The inherent structural issues in the company prevent employees from becoming true leaders in daily decision-making. As most of the localization-related activities are "provided" to employees, locals lack the channel to express their preference and needs. The short-lived company union has been an unsuccessful attempt to introduce collective negotiation to the subsidiary; local employees largely resort to individual agency for their professional development. Nonetheless, the flexibility of local employee to change jobs or pursue continued education is not enjoyed by Chinese expatriates who have found themselves "struck" in the overseas branch.

Failed Company Union and Issues of Local Empowerment

Unionization is a troubled process in Huaxia. In 2010, a company union was established by a former employee with support from Ethiopia's Ministry of Labor and Social Affairs. Huaxia, thereafter, became one of a few Chinese SOEs who allowed a union to develop in the company. Union leaders and representatives were selected among Ethiopian employees who would attend government training sessions on a monthly or quarterly basis. Leaders and representatives also organized regular meetings among union members to elicit concerns for collective negotiation.

The initial years of union activity were conflict-ridden. Company custodians went on a strike in 2010, which was organized by the union. After the strike, the company fired the union leader as he “was not serious about work, but was only interested in mobilizing locals against us,” a former Chinese HR manager commented. The strike also pushed the company to outsource the security and cleaning work to professional staffing companies so that the management needed not to directly handle their payment and benefits.

A second union leader was later elected by the members. Learning from past experience, the company promoted the new leader to deputy HR manager, and believed that this was the “right strategy” to temper union activities. In the summer of 2014, the union was in the second round of negotiations over specific union policies; a tentative collective agreement was developed to stipulate the rights and responsibilities of local employees. Despite the seemingly harmonious relationship between the union and management at that time, the proportion of union members among Ethiopian employees was less than 50 percent, and members did not have much confidence in its success.

The company union collapsed one year later, after the union leader left the company for another job. Local employees interviewed in 2016 seemed unwilling to talk about the union, and only revealed that after the union leader left, no other employees in the company wanted to take up the position. The Chinese HR manager, on the contrary, offered an “official” explanation of the union’s dissolution:

> Localization in the company has been making a good progress, and the management cares so much about local employees. The union leader thought there was not much work for him to accomplish in the company. So he ended the union and left the company. The locals also have full confidence of our management, and therefore deem it unnecessary to have a formal union to represent them anymore.

While Chinese management expresses confidence in the current localization initiative, employees reported mixed feelings toward the level and scope of changes it may bring to the company. On the one hand, all interviewed local employees appreciate the company's move toward localization, and agreed that the Chinese managers have passed down certain responsibility and decision-making power to them.

> Before, I just followed the Chinese. Nowadays, I get some projects independently. When I worked under Chinese, sometimes it's difficult because I couldn't decide by myself. I had to wait for the Chinese decision. Now I can manage and decide.[102]

> Because of localization, some 4 or 5 locals have been promoted to project managers in after sale. Localization itself is very interesting and promising. It is motivating locals. But about implementation, I don't know how it will work out. This idea is very nice. But it's very vague how it will turn out.[103]

On the other hand, employees also expressed concern over localization being more about "talking" than "doing." They found that they still lacked high-level decision-making power, and were not granted adequate opportunities to participate in the "real" management of company affairs. Work has been mostly assigned from above and they were not asked about their willingness before switching posts. Some interviewed employees offered very thoughtful suggestions on how to make localization work, but also contended that they were never consulted for their opinions and thoughts. Local voices thus remained largely unheard in the top-down project of localization.

> I'm afraid that localization is talking only. If it really happens, it's good. We have enough number of locals working on projects, but they're not working at high

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[102] Interview with an Ethiopian chief in the Technical Solutions Department, Addis Ababa, 2016

[103] Interview with an Ethiopian manager in the Contract Delivery Department, Addis Ababa, 2016

> level. Chinese should give locals more opportunities to get involved in decision making.[104]

> It's the Chinese who make the decision. I'm not the manager. Most decision goes to Chinese managers [here] or those in China. I have to report to someone. I find myself always waiting for the headquarters to make decisions. The work is getting slow.[105]

> [There is] no room for me to make decisions or plan my work. [Localization] is not a matter of quantity, it's not a matter of quality, it's a matter of decision making power. That is a big problem. […] Power and responsibility are not given to us. We have made good progress, but there's still one Chinese and one local; it should be one Chinese and more locals. For example, there is a Chinese supervisor from China, he's no better than locals and he is freshly graduated. His English is not good. I have to teach him everything.[106]

The issue of empowerment is also expressed in gendered ways in the subsidiary. As a common characteristic of ICT companies, Huaxia employs a very limited number of Chinese and Ethiopian females who make up only around 10 percent of its workforce. Most of these female employees work in administrative positions, with only a few recruited as technicians. The only local female manager is a section chief in the Contract Delivery Department. She has worked in Huaxia for almost 9 years, and made her way up to the position from a junior engineer.

> It takes time to be trusted. Especially if you are a woman, it took me four years to let them believe that I can work like men do. It's probably true everywhere, but especially here. Ms. Chen, my supervisor, came [from China] six months ago. Before her, I never met a Chinese female manager. It's a culture, I know, and same in Ethiopia. That is my difficulties. I have to work harder to prove myself.[107]

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[104] Interview with an Ethiopian engineer in Contract Delivery Department, Addis Ababa, 2016.

[105] Interview with an Ethiopian finance officer, Addis Ababa, 2016.

[106] Interview with an Ethiopian documentation assistant in the Contract Delivery Department, Addis Ababa, 2016.

[107] Interview with an Ethiopian chief in the Contract Delivery Department, Addis Ababa, 2016.

ADAPTATION AND LEARNING AS ALTERNATIVE LOCAL AGENCY

Despite the absence of a formal union and the unclear future of management-led localization, Ethiopian employees have gradually adapted to the working styles of Chinese companies. They summarized the "Chinse work culture" as hard-working, outcome-oriented, with an emphasis on rewards and punishment, as well as the value of self-learning. While intensive, some employees believed that the company offered a better working environment than their previous employment in government or private institutions. The opportunity to work on multiple projects and execute different tasks has contributed to their skills development.

> Huaxia is an international company, but the work culture is not very international. Chinese company culture is hard to explain, but I can sense the difference. Chinese are hard working. It's a different culture compared to the Ethiopian culture. Chinese culture is result-oriented: even though there're so many difficulties in current circumstances, they'll find ways to achieve the results.[108]

> Frankly speaking, Chinese culture is better because it initiates you to work. For government work, nobody cares. People are not serious. Here, they want you to work at your full potential.[109]

> In the government office, there is no accountability, there is no clear responsibility. Here, if I make a mistake, I will be punished. Also, not only mistake, if someone working under you are not getting accomplished within certain time, you'll also be responsible.[110]

[108] Interview with an Ethiopian marketing specialist, Addis Ababa, 2016.

[109] Interview with an Ethiopian chief in the Contract Delivery Department, Addis Ababa, 2016.

[110] Interview with an Ethiopian chief in the Technical Solutions Department, Addis Ababa, 2016.

> I learned a lot from the Chinese. They are devoted to their company. Their working habit is good. From day to day, I can learn something.[111]

> There are times [when] there is not much work. And the boss will encourage us to learn. He'll send us materials to learn, and not to stay idle.[112]

To motivate employees to learn, an Ethiopian HR manager will send out reminder emails with encouraging images and cheering slogans every week. A number of local employees have also begun to believe that continued education and learning will improve their credentials and expand career choices. Fourteen out of 33 employees interviewed in 2016 reported having a degree completed, in progress, or under planning during their employment in Huaxia. Classes are mostly arranged for three evenings during the weekday, and one-and-a-half day on weekends for two to three years. Despite the company's heavy workload, these employees are still committing their time and efforts to education. In addition to learning, employees also revealed their career ambitions and life plans beyond Huaxia, from jumping to a better company, to immigrating to western countries, to opening their own businesses.

STUCK IN ETHIOPIA? THE IMMOBILITY OF THE CHINESE

In contrast to the career ambitions of local employees, the Chinese appeared less optimistic about their future career options. Their expatriation contract specifies that one can return to Huaxia's domestic branch after working in an overseas branch for a number

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[111] Interview with an Ethiopian logistics manager in the Administration Department, Addis Ababa, 2016.

[112] Interview with an Ethiopian project manager in the Contract Delivery Department, Addis Ababa, 2016.

of years.[113] However, those who returned found their overseas experiences not sufficiently valued by the company, and they suffered from a major salary reduction and often-times a lowered position. Others realized that the company's repatriation policies have been implemented under many contingencies.

> If one spent sometime in the headquarters or a domestic branch before coming out, and has been well connected in the company, he [or she] has higher chances to find a position [after returning China]. Those who were sent abroad shortly after being recruited are hard to find any positions.[114]

> If a subsidiary director knows an employee reasonably well, he can use his resources to recommend the person to a domestic branch for an interview. In that case, the person needs to be good in terms of technical skills, work relations, and personal characters.[115]

In addition, while locals can freely shift to other companies, the Chinese are somewhat bound by their contracts. Switching back to home branches before the contract ends is an even more complicated process.

> One needs to find out an opening first, and the HR from the recipient branch should agree. Then the immediate supervisor in the Ethiopian subsidiary needs to agree to let him or her go. The higher-level department director also needs to sign an approval. However, if the branch is busy with projects and short of staff, or one doesn't get along well with the immediate supervisor, the job change process can be very long.[116]

Chinese employees also expressed their jealousy of their Ethiopian colleagues who went to western companies or were admitted to schools in Europe. They contended

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[113] For core employees with a technical rank of 3a or higher, the term is usually three years. Lower-ranked employees will have to work for four to five years.

[114] Interview with a former Chinese director, Nanjing, 2017, translated by the author.

[115] Interview with the Chinese HR manager, Addis Ababa, 2016, translated by the author.

[116] Interview with a former Chinese director, Nanjing, 2017, translated by the author.

that they lacked the same language proficiency to do so, and their life circumstances would not allow them to pursue further education. Their top priority in working abroad is to make money to pay back a mortgage for their apartment flat in China and to save enough for their kids' education. For many Chinese expatriates who have spent several years in Ethiopia, the "return to China" has become a dilemma of fulfilling the urgency for family obligations back home or the need to earn more money for future life needs.

> I'm one of the earliest staff came to Ethiopia. My son is five years now, and we need to go back home to start primary school before his 6-year-old birthday. A lot of the managers plan to send their children to international primary schools in Addis Ababa, so they don't think about going back home. We can't afford the international schools here – the kindergarten he [my son] now goes is already too expensive for me – USD 7,500 per year. It's expensive but not as good as the ones back home.[117]

In Huaxia, the issue of identity is rather complex for both Ethiopians and Chinese. While locals perceive themselves as less privileged actors in the Chinese company, the fact that they work for a foreign employer and the work experience they accumulate will increase their chances to jump to a better workplace in the long run. In contrast, the seemingly privileged status of most Chinese expatriates and the relationships they develop in the foreign country can hardly transfer to their competitiveness or social capital back home, but rather, bound them to the expatriation posts for the material returns to ease family burdens in China.

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[117] Interview with a Chinese project manager in the Technical Solutions Department, Addis Ababa, 2017, translated by the author.

7 Conclusion: Half-way Localization, Limited Internationalization

The chapter investigates the understudied ICT sector under Ethiopia-China Cooperation and the work encounters between the relatively skilled portion of expatriate and local employees. It uncovers how a quasi-SOE monopolized the Ethiopian ICT market and responded to the loss of market share to a rivalry company from its home country. Losing the monopoly, in the case of Huaxia, shows, on the one hand, that SOE status does not automatically translate to a firm's success abroad. On the other hand, it reveals the internal competitions between Chinese companies whose overseas operations are far from mutually-supportive. The introduction of market competition has allowed the Ethiopian government to negotiate with Chinese companies for the best ICT deals, and has motivated firms to adopt more socially-responsible behavior to gain local legitimacy. However, it remains unclear if the Ethiopian government has the capacity to maneuver this internal competition for the development of its ICT sector and the improvement of local skills, rather than encouraging companies' corruptive behaviors during contract bidding and project execution.

The promotion of workforce localization in the Ethiopian subsidiary of Huaxia Telecom is driven by a combined force of the internal structural reform in the company, the policy intervention of the host government and the fierce competition from Guoxin Telecom. Localization, therefore, is employed as a strategy to increase the subsidiary's competitive edge, reduce costs on expatriation, and establish local legitimacy. While the project is welcomed by local employees, the company has not yet granted high-level decision-making power to locals or consulted them on the planning of related activities. The lack of local participation and empowerment reflects an overall managerial disbelief in locals' managerial ability, but more importantly, it reveals the inherent structural issues in the company. With leaders in headquarters incapable of communicating in English and with the company's internal documents and software systems written in Chinese, it is impossible to promote locals to high positions. Echoing what Lam (2016) termed the "second-class" nature of Chinese globalization, the case of Huaxia identifies an incomplete internationalization of Chinese ICT multinationals that constrains a full-fledged localization of workforce and management.

In addition, with the company union being suffocated in recent years, local employees of Huaxia have largely turned to individualized agency for their skills development and economic interests. Despite being considered less technically-sophisticated than the Chinese, they are keen to learn on the job and to improve their credentials through continued education. Chinese expatriates, on the other hand, are more committed to making money abroad given their financial pressures back in China. Although the current job increases their perceived social status and financial situations, these benefits can hardly be sustained once they return to China.

CHAPTER FIVE CHINESE AUTO ASSEMBLERS IN ETHIOPIA

1 INTRODUCTION

The nascent auto assembly sector in Ethiopia has hosted increasing numbers of Chinese companies under a supportive local policy regime. With a large pool of potential workforce and sizeable investments in infrastructure, the Ethiopian government is determined to develop the country into a regional hub of automobile production (Africa Business 2016). Nonetheless, the overall domestic market size remains small and investors are encountering numerous challenges on financial, policy and bureaucratic fronts. Representing a mid- to high-technology area of Chinese investment, in-depth study is imperative to understand the potential of the auto industry and the enduring issues that constrain its development.

Chinese auto assemblers in Africa have not thus far become a topic of study in Africa-China studies. Research on the manufacturing sector in general has predominantly focused on the economic impact of cheap Chinese imports on local African small businesses (Elu and Price 2010; Gebre-Egziabher 2007; Alemayehu Geda and Meskel 2008). Emerging studies have examined the relocation of Chinese manufacturers under a “flying geese” model, in which groups of producers move to less-developed regions to minimize costs (Bräutigam 2011b). Scholars in this realm have surveyed a broad spectrum of Chinese manufacturers: from those engaged in the traditional labor-intensive sectors of garment, textile and footwear production to those invested in the new sectors of pharmaceuticals, plastic goods and furniture production (Tang 2016; Ukaejiofo et al.

2016). Compared to SOEs, private companies demonstrate a set of unique characteristics in local operations, especially a higher inclination for profit-maximizing and cost-minimizing activities as well as a greater embeddedness in the local community due to their lack of affiliations with the Chinese governments (Bräutigam 2003; Lee 2009).

Despite important contributions from these studies, three gaps exist in the literature. First, studies still enforce an arbitrary divide between SOEs and private companies, and so overlook the converging aspects of their real-world activities. Second, while recognizing the lack of political resources, fewer efforts are made to examine if and how private companies strive to increase their government connections for better competitive edge. Third, discussions on companies' local embeddedness fail to contextualize such motivation within the firms' capacity to organize transnational production or nuance the strength and weakness of specific "embedding" practice in daily operations. Relatedly, less is known regarding the implications for capital-labor and labor-labor relations of a company's local embeddedness. Studies in the manufacturing sector suffer from the same critique as those in other areas of engagement, i.e. the assumption of nationality-based relations in Chinese companies. Such a simplified abstraction obscures the complex power relations within each group that are often mediated by interplay of multiple identities and positionalities.

To address these gaps, this chapter offers a close look at how a Chinese company's local embeddedness is a result of its "incapability" to organize transnational production and how that contributes to empowering and constraining elements in the company's local work regime. The empirical case draws from Yuqi Autos, a private auto manufacturer from Chongqing municipality, to organize assembly, sales and services in

Ethiopia. The overseas venture of Yuqi Autos highlights the increasing participation of local Chinese governments from less-developed regions in the national "going global" agenda. Limited support from the headquarters and the home government have pushed the subsidiary to undertake more entrepreneurial activities, to seek political connections to improve its market leverage, and to empower the local managerial class handling daily operations. Investigation into the organization of work, the unionization process, and individual worker's agency in the company reveals the complex power relations between headquarters officials, Chinese expatriates, local managers, and local workers that collectively shape the micro-politics of the local work regime.

The rest of this chapter unfolds as follows. Section 2 reviews the development of the auto sector in Ethiopia and the role of the Chinese investment. Section 3 introduces the case study company – Yuqi Autos – and its globalization history and local businesses in Ethiopia. Section 4 examines management localization in the companies, its promises and enduring issues. Section 5 investigates the effectiveness of collective and individual agency exercised by employees. Section 6 concludes the chapter.

2 Developing Ethiopia's Auto Sector

As the second most populous country in Africa, Ethiopia has one of the lowest vehicle ownership rates – two to six cars per thousand population – compared to the continent-wide average of 44 cars and the world average of 180 cars (Addis Fortune 2016b). The local automobile market has long been dominated by imported new and used vehicles. According to UNCOMTRADE data, Ethiopia imported USD 414.64 million worth of "vehicles for the transport of persons (except buses)" in 2015 – a 10 percent increase from that in 2014. Approximately 85 percent of imported vehicles are second-hand, primarily from Japan (Africa Business 2016). Other major vehicle exporters to Ethiopia are Thailand, South Africa and India (Table 5.1). China, while not a leading source of vehicle imports in the early years, has become increasingly important. It contributed USD 20.12 million of the vehicle trade with Ethiopia in 2016, almost 41 times the amount in 2005 (Figure 5.1).

Table 5.1 Top 10 Countries with the Highest Accumulative Value of Imports on *Auto Vehicles for Transport of Persons (Except Bus)*

Overall Rank	**Countries**	**Accumulated Value 1995-2016 (USD)**	**2016 Rank**	**Trade Value 2016 (USD)**
1	Japan	1,881,165,312	1	224,384,261
2	Thailand	262,001,028	3	30,158,583
3	South Africa	247,964,468	2	38,169,314
4	India	150,957,328	5	9,156,037
5	Germany	124,926,817	8	4,307,011
6	China	121,311,615	4	20,118,113
7	Djibouti	75,601,192	NA	NA
8	United Arab Emirates	71,178,428	28	49,366
9	South Korea	63,075,954	6	5,984,133
10	United States	45,938,787	9	3,694,783

Data compiled by the author from the UNCOMTRADE dataset

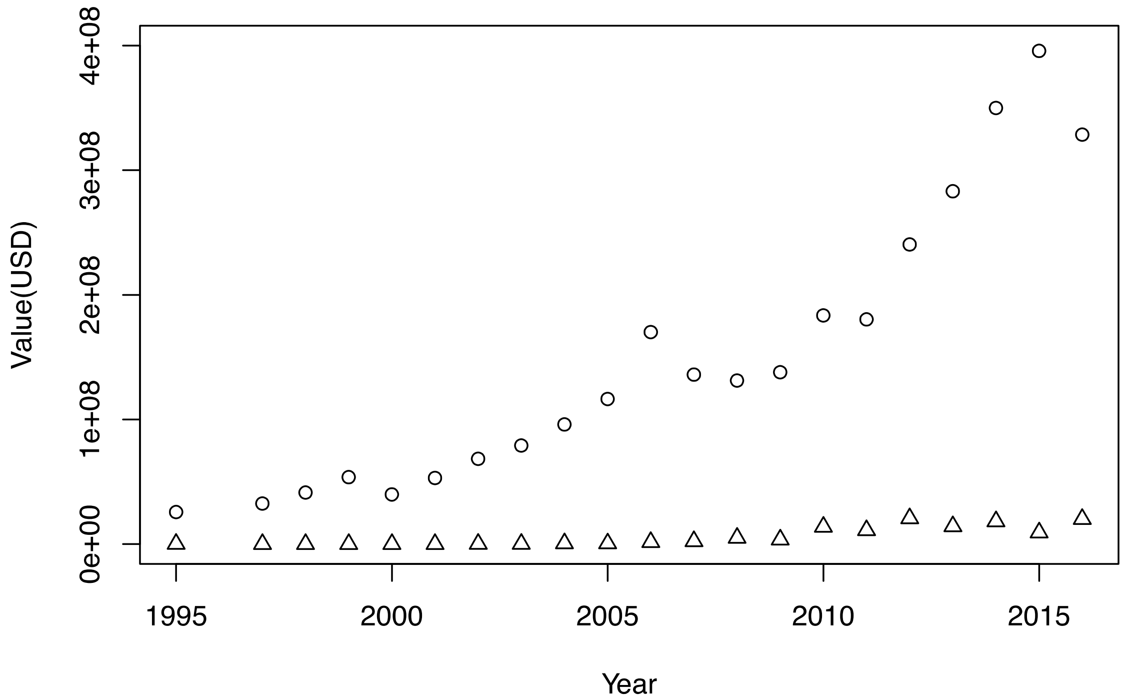

Figure 5.1 Ethiopia's Import of *Auto Vehicles for Transport of Persons (Except Bus)* from the World (circle) and China (triangle), 1995-2016

UNCOMTRADE data, figure made by the author

In its national planning for industrialization, the federal government of Ethiopia plans to develop its auto sector into Africa's biggest car manufacturing hub (Maasho and Blair 2016). To attract foreign manufacturers, the government promises a 30 percent reduction in customs duty on the import of knocked-down auto parts. To qualify for this benefits, manufacturers need to have at least 10 percent local inputs, a way of facilitating the transfer of knowledge and experiences to local auto industries (Reuters 2016). Tax incentives give locally-assembled vehicles the advantage when competing with imported new cars. For example, a locally-assembled Geely car sells at ETB 300,000, compared to the cost of importing a new car of the same model at ETB 450,000 (Reuters 2016).

Between 2005 and 2013, the Ethiopian Investment Commission (EIC) has licensed 23 foreign auto investors; among which 11 engage in the production of auto parts, 11 in auto assembly and one in auto training. Four of the 23 investors are Chinese auto parts manufacturers and five are Chinese auto assemblers. Since these auto assemblers primarily work with "semi-knocked-down" (SKD) kits, imports of auto parts and accessories has increased dramatically over the past decade; China surpassed Japan in 2013 to become the top exporter of auto parts to Ethiopia. The import value of auto parts and accessories from China is USD 26.27 million in 2016 (Table 5.2), which is 13 times the amount in 2006 (Figure 5.2). In the context of the growing importance of Chinese companies in Ethiopia's auto sector, it is imperative to examine their businesses strategies, the development of local work regimes, and the implications for skills transfer and labor relations. Yuqi Autos, one of the first Chinese auto assemblers investing in Ethiopia, provides an important case for in-depth analysis.

Table 5.2 Top 10 Countries with the Highest Accumulative Value of Imports on *Parts and Accessories for Motor Vehicles*

Overall Rank	Countries	Accumulated Value 1995 – 2016 (USD)	2016 Rank	Trade Value in 2016 (USD)
1	Japan	238,470,902	2	21,857,831
2	China	158,255,750	1	26,268,474
3	Italy	138,066,978	3	10,668,337
4	Germany	73,278,107	5	5,090,100
5	USA	33,927,275	7	4,351,798
6	United Arab Emirates	25,538,100	13	1,008,489
7	India	22,531,294	6	4,575,740
8	United Kingdom	18,994,541	16	605,863
9	Sweden	18,496,236	14	820,058
10	South Africa	16,645,567	8	4,212,178

Data compiled by the author from the UNCOMTRADE dataset

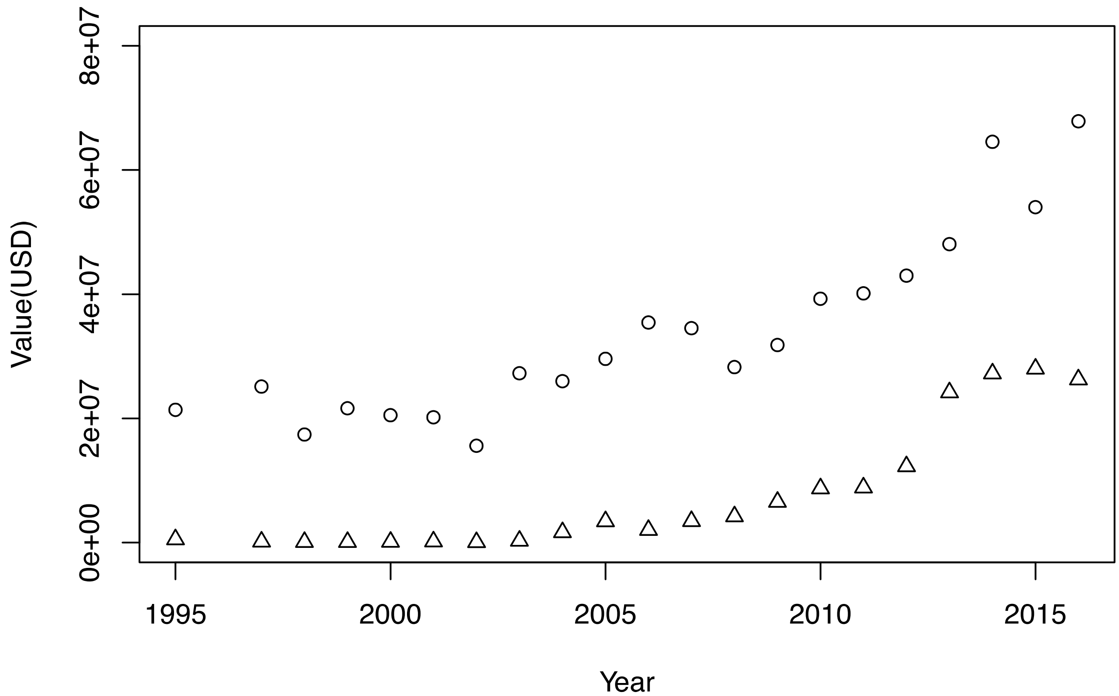

Figure 5.2 Ethiopia's Import of *Parts and Accessories for Motor Vehicles* from the world (circle) and China (triangle), 1995-2016

UNCOMTRADE data, figure made by the author

3 CASE STUDY: YUQI AUTOS

Yuqi Autos is a privately-owned motorcycle and automobile manufacturer headquartered in Chongqing municipality in southwestern China. The company is one of the numerous subsidiaries of the Yuqi Group and is managed by the Yuqi Import-Export Corporation. The latter itself is a subsidiary of the Group and supervises all overseas branches and direct selling offices (Figure 5.3). Founded in 1992 by a former political dissident of the Communist Party, initial development of the Yuqi Group was not smooth. This changed when the owner managed to build a close relationship with the municipal government and became the deputy chairman of the business advisory board in the government.[118]

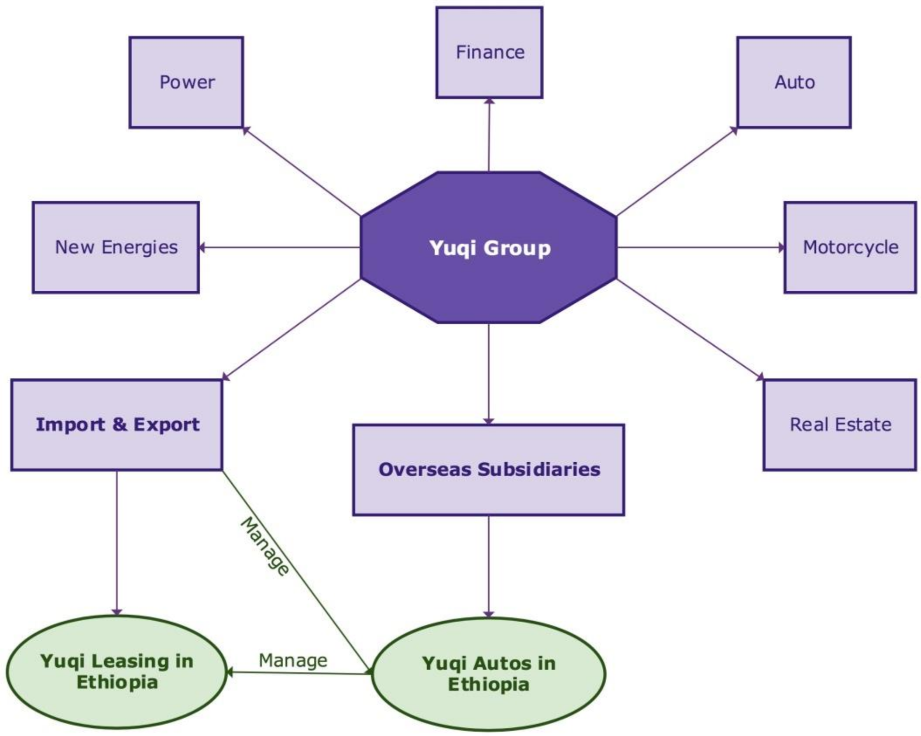

Figure 5.3 Business Components of the Yuqi Group
Figure made by the author

The Yuqi Group received an Import and Export Permit in 1998 and began to expand its footprint in the international markets. Starting with exporting motorcycles and auto parts, the Yuqi Group currently has motorcycle production bases in three countries (Vietnam, Turkey and Thailand), and auto production factories in seven countries (Russia, Iran, Iraq, Uruguay, Ethiopia, Azerbaijan and Vietnam). These auto production factories assemble SKD kits imported from China. Opening assembly factories is

[118] An article about the owner of Yuqi Group appeared in *the Economist*.

considered a shortcut to entering markets in developing countries given the local investment incentives for foreign manufacturers.

The Yuqi Group's overseas assembly factories are either established in collaboration with local agents or registered as a subsidiary of the Group. In the former case (e.g. factories in Iraq, Azerbaijan and Egypt), Yuqi only provides SKD kits and sometimes consultancy services to the local agents, but does not take responsibility for the business' profitability. In the latter case (e.g. factories in Iran, Russia, Uruguay, Vietnam and Ethiopia), local businesses are directly managed by Chinese expatriates sent by the Yuqi Import-Export Corporation which takes full responsibility for the subsidiary's business performance.

In Ethiopia, Yuqi Autos first started in 2004 through a local agent – an Ethiopian-Dutch joint venture. The agent bought SKD kits from Yuqi, assembled cars locally, and sold under the name of "Abay" – meaning the Blue Nile in Amharic. The collaboration, however, terminated in 2009 when the Yuqi Group decided to open a local subsidiary as a sole proprietary. According to the Chinese chief director of Yuqi Autos in Ethiopia, the termination was due to the local agent's lack of the financial capacity to ensure the productivity and sale of cars. Yuqi, as a result, suffered a major loss of contracts in Ethiopia. A local report, however, told a different story. According to the authors, Yuqi, after seeing the potential of the Ethiopian market, asked the agent to sell the company to it. After the local agent disagreed, Yuqi unilaterally stopped the supply of kits and opened their own company (Alemayehu Geda and G.Meskel 2009).

Despite the contradictory start, Yuqi's investment in Ethiopia in the mid 2000s was considered a pioneering move among Chongqing-based private manufacturers. Chongqing is not one of the pivotal regions to participate in the national "going global" strategy. Being left behind in the first wave of domestic reform, it remained a relatively poor and isolated city in Sichuan province until the central government upgraded its administrative rank to a directly-controlled municipality in 1997 (J. Zhang and Peck 2014). While this change positioned Chongqing at the apex of the central government's effort to develop the western regions, the municipality is still less financially capable than cities such as Shenzhen and Shanghai in providing tax refunds or cost compensation to incentivize the overseas ventures of local companies.

As a private investor, the Yuqi Group's entry in Ethiopia was nonetheless facilitated by the Chinese government. The company was introduced to Ethiopia by a former Economic and Commercial counselor in the Chinese Embassy who was a Chongqing native. During his service, the counselor organized a business visit by a group of investors from Chongqing; Yuqi was one of them. While managers from the Yuqi Group reported receiving no special economic incentives from the home government for overseas expansion, being presented by the Embassy as a representative of Chinese auto business helped Yuqi build its local image and the reputation of its brand.

The Chongqing government later intensified its efforts to encourage more local companies to invest in Ethiopia, especially after the opening of an Ethiopian consulate in the municipality in 2012. So far, Ethiopia hosts three Chongqing-based companies and numerous government cooperation programs in sectors of education, agricultural, and health care. These highlight a gradual participation of local Chinese governments from less developed regions in the national “going global” agenda.

4 Surviving and Thriving in Ethiopia

Yuqi Autos is the first Chinese auto manufacturer to operate assembly, sales and after-sale services in Ethiopia. Its local business expansion is attributed to entrepreneurial-minded Chinese expatriates who received limited support from its headquarters and from its home municipal government. However, the company has also encountered many economic and institutional constraints in its local operations. Some of these constraints are general to all Chinese companies, while others are more challenging for private investors than for SOEs.

Expanding Local Business

Yuqi Autos operates three workplaces in Ethiopia: a sales and administrative office in Addis Ababa (also called the “showroom”), a service station for auto maintenance and repair that is close to the sales office, and an assembly factory in the Eastern Industrial Zone (EIZ). The assembly factory, opened in 2014, is equipped with a SKD production line. It is capable of assembling 3,000 cars annually, with the potential not only to meet local market demand but also to radiate throughout the broader Horn of Africa markets.

In addition to the core businesses of auto assembly, sales and service, Yuqi have also started two other businesses since 2015. One is an auto leasing company that is registered as a subsidiary of the Yuqi Export and Import Corporation, but managed by Yuqi Autos in Ethiopia (Figure 5.3). This company has around 25 Yuqi cars on lease that came from an unfulfilled purchase order. Since these cars were customized for the customer, the company could not resell them in the market. To minimize loss on the voided contract, the company decided to open a leasing operation. This company is branded as part of Yuqi's business localization and diversification effort, although in fact the leasing service is exclusively targeted at Chinese clients in Ethiopia. The Chinese clients, according to the chief director of Yuqi, are more willing to sign long-term leasing contracts, which reduce the management costs of the company.

Another new business of Yuqi is a taxi supply contract signed with 19 local taxi associations in Addis Ababa. In 2015, a group of 26 taxi associations obtained a customs and excise tax exemption from the Ministry of Transport to import 1,163 new vehicles to replace the dilapidated Soviet-era Ladas (a product of Avtovaz) taxis in the capital city. Four auto companies[119] were selected as taxi suppliers based on a set of criteria such as vehicle affordability, provision of maintenance services and the availability of spare parts (AddisBiz 2016). Yuqi alone, as the only local assembler, supplied 821 cars to 19 taxi associations at the cost of 10,000 USD per car. In its bidding package, Yuqi offers free maintenance and discounts on certain parts in the first year. It also collaborates with the local Berhan Bank to provide taxi buyers a loan to cover 70 percent of the vehicle costs under a 3 year-repayment plan.

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[119] The other three companies are Moenco, Scandisd trading and Avatovaz. The first two are both local agents of Toyota, and the third is a Russian manufacturer of Renault, Nissan, Datsun and Lada. Moenco obtained a loan agreement with the Lion Bank and provided 149 Toyota Avanza cars to two local taxi associations. Avtovaz provided 43 Lada Largus and Scandisd trading provided 150 Toyota cars of an unknown model (AddisBiz 2016).

The taxi contract has dramatically increased the volume of businesses in Yuqi's service station. The two small mechanic workshops in the current location were no longer large enough to handle all incoming cars and taxis for service. In 2016, Yuqi rented a new place of 5,500 square meters in Akaky Kaliti, a southern sub-city of Addis Ababa, and began to build new mechanics facilities and office buildings. The new place was opened in the summer of 2017. Both the sales office and the service station are expected to relocate there in the near future.

In the Ethiopian subsidiary of Yuqi Autos, a motivated and entrepreneur-minded Chinese chief director has played a key role in the expansion of local businesses. In his mid-30s, the chief director started to work in Ethiopia in 2012. Holding a bachelor's degree in Business English, he has very good language skills and a sharp market instinct. Most importantly, unlike his fellow Chinese expatriates, he is married to a local woman and started a family in Addis Ababa. His wife is the human resource and administrative director of Yuqi Autos. Given the local restrictions on foreign investors in service sectors, she is also the legal corporate representative of the leasing company. Having settled in Ethiopia gives the Chinese chief director incentives to make the company prosperous. He is familiar with every part of the daily operations of the whole subsidiary, and is the key person to handle public and client relations, business negotiations, and local bureaucracies.

However, Yuqi's local operation is not free from challenges. The company is the smallest overseas subsidiary of the Yuqi Group, receiving very limited support and attention from the headquarters in terms of business planning, staffing and logistics. In addition, as a private company from a less developed region of China, the company does not enjoy the same level of support as do large SOEs or private investors from developed provinces like Guangdong and Jiangsu. Therefore, the Chinese expatriates must be self-dependent in local operations and various administrative and bureaucratic processes. These constraints, however, have pushed the company to be more proactive in seeking for market opportunities, reducing operational costs and establishing political connections with Chinese and local governments.

ECONOMIC CONSTRAINTS

With an annual sale of 600-1,000 cars at a total profit of RMB 2-3 million, Yuqi occupies about 40 percent of the locally-assembled new car market in Ethiopia. The 30 percent waiver on customs duties on the import of SKD kits has given Yuqi cars certain competitive advantage compared to imported new cars. Yet, the overall market for auto vehicles in Ethiopia overall is very small given the fact that cars are marked as luxury goods in local policy. Cars, as a result, are subject to an additional excise tax of 30-100 percent (2Merkato 2009).[120] Given Ethiopia's cumulative tax system, this additional tax duty makes automobiles even less affordable to most local households in the country.[121]

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[120] The excise tax is imposed on luxury goods and products with a potential hazardous impact on the environment, as speculated in the Excise Tax Proclamation No. 307/2002.

[121] All imported vehicles are subject to customs duty (a fixed rate of 35 percent), withholding tax (a fixed rate of 3 percent), excise tax (variable), value-added-tax (VAT, a fixed rate of 15 percent), and surtax (a fixed rate of 10 percent). In the cumulative tax system, the excise tax is calculated on the customs duty and total costs of goods; VAT is then calculated on top of the excise tax; and the surtax is calculated once the customs duty, excise tax and VAT are all added to the costs of goods (2Merkato 2009). Therefore, imported vehicles cost as much as two to three times of their retail price outside the country.

Moreover, the current tax regime on excise and surtax does not distinguish between imported and locally-assembled vehicles since the excise tax rate is determined by the engine size rather than age or origin of a vehicle (Schiller and Pillay 2016).[122] The competitiveness of locally-assembled new cars is thus weakened compared to second-hand imports. It is sometimes cheaper to buy a used vehicle with a small engine size from a better brand (e.g. Toyota) rather than a new locally-assembled car (Addis Fortune 2016b). After all, a dedicated policy for developing the local auto assembly sector has not yet been put in place.

In addition to the competition from used imports, Yuqi and most private Chinese investors face an increasing challenge of a foreign reserve (forex) shortage in Ethiopia. Ethiopia's forex reserve was USD 3.5 billion at the end of August 2016, equivalent to only two-month imports (Asrat 2017), compared to Kenya where the forex reserve was equivalent to five-month imports. This shortage is a chronic financial issue in Ethiopia and was exacerbated in recent years by the global economic slowdown and the country's widening trade deficit.[123] The Commercial Bank of Ethiopia (CBE) was delayed for ten months in releasing foreign currency to its applicants. To further tighten the opening of Letters of Credits (LC), the CBE put forward a new policy in 2017 that now requires applicants to have a bank deposit no less than the amount they request for foreign

[122] A 30 percent, 60 percent, and 100 percent excise tax is applied to vehicles with a spark–ignition engine of cylinder capacity of 1,000-1,300cc, 1,300-1,800cc, and over 3,000cc.

[123] It was reported that Ethiopia's foreign currency earnings in 2016 was five times lower than the amount of spending on imports (Tadesse 2017).

exchange, whereas in previous years it only asked for a deposit of 30 percent or more of the requested amount (Tadesse 2017).

The forex shortage, although a country-wide issue, has impacted Chinese large SOEs and small private investors differently. Large SOEs like Zhonghua Construction and Huaxia Telecom have secured and prioritized access to hard currency to purchase machinery and materials from China. Small investors, however, must wait for months to open an LC at local banks, with no guarantee that the requested amount will be approved. In addition, there is also an uneven distribution of foreign currency between large state-owned banks such as CBE and local private banks in Ethiopia. It was reported that the National Bank of Ethiopia (NBE) provided a total of USD 2.3 billion to the CBE in 2016, leaving private banks at risks of illiquidity (Tadesse 2017).

Yuqi Autos has had a hard time applying for hard currency (also called "sourcing dollars") since 2016. While the company keeps sending in applications for an LC each month, it has to wait for months to get at most 20 percent of the requested amount. The chief director of Yuqi blamed the recent large infrastructure projects for soaking up the country's hard currency:

> It's easier to apply for sourcing dollars two or three years ago, but now it's very hard since all their dollars are spent in the infrastructural projects. A large portion of the foreign currency is reserved to pay back international loans. Not much left for developing the industry.[124]

[124] Interview with the Chinese chief director, Addis Ababa, 2016, translated by the author.

Yuqi's heavy reliance on imported SKD kits and spare parts has locked the company's profitability to the availability of foreign currency. While the local government requires investors to have a minimum of 10 percent local inputs to qualify for the 30 percent tax incentive, Yuqi only purchases engine oil, air filters and some other small auto consumables locally, and imports all essential parts from China. This is in part due to the low quality of local parts; but more importantly, it is because of the incompatibility of Yuqi's parts with those supplied locally.

> Yuqi cars are not produced to be repaired easily. Each model has some unique parts that are only produced by us. For Japanese cars, most parts can be used interchangeably between models and between brands. But the design of our parts changes constantly. Sometimes it's hard to find parts for an older model because we stopped producing them. There are 13,000 different kinds of parts in the warehouse. Can you believe it? People who buy our cars can only be repaired here by us.[125]

The difficulty of purchasing parts locally has increased Yuqi's reliance on obtaining sourcing dollars from local banks. The forex shortage in recent year, therefore, has greatly constrained the productivity of Yuqi Autos. While the SKD assembly line has an annual capacity of 3,000 cars, production in 2016 was around 600. Potential customers have to wait for six to eight months for delivery after ordering a Yuqi car.

Institutional Constraints

The local operations of Yuqi Autos have also encountered some institutional constraints, particularly with regard to business registration, tax duties, and bureaucratic procedures. These challenges highlight the inconsistency of local policies, the vagueness of

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[125] Interview with the Chinese service supervisor, Addis Ababa, 2016, translated by the author.

regulations, and the existence of corruptive behavior among local officials. The local business practices of Yuqi demonstrate the company's proactive efforts to establish political connections with the Chinese Embassy to resolve emerging operational challenges in Ethiopia.

Since the production and sales of new cars were not satisfactory, Yuqi Autos has heavily relied on the service station to contribute to its revenue, particularly after the delivery of 823 local taxis. However, renewing the business license for the service station has become a headache for Yuqi Autos in 2016. The chief director revealed that the service station obtained its first business license as part of the assembly factory according to one investment policy that requires foreign assemblers to provide parts and services to its vehicles. However, this policy runs against another regulation that forbids foreign investors to operate in service sector.[126] Officials in the Ethiopian Investment Commission therefore refused to renew the service station's business registration. Until the end of the research project, the problem of business registration has not been solved.

> We went to the Minister of Trade who appeared very willing to help us and suggested that we could still list the service station under the assembly factory. We did so, but officials in EIC insisted that Ethiopia doesn't need foreigners to operate auto services. They refused to sign our renewal application. We went back to the Minister of Trade for help, but he dodged and said it was not something that he could decide.[127]

This kind of conflicting policy regulation is also exemplified by the company's long-time appeal for its excise tax duties. In 2012, Yuqi Autos was charged a total of

[126] Other areas closed to foreign investment are banking, insurance and accounting/assurance services, retail, telecommunications and transportation.

[127] Interview with the Chinese chief director, Addis Ababa, 2016, translated by the author.

ETB 73 million for excise taxes between 2009 and 2011. The amount includes principle, interest and a 20-30 percent penalty, and was calculated after an external audit organized by the Ethiopian Revenues and Customs Authority (ERCA). The company had disagreement with the audit results and appealed the case to ERCA.

> We had two questions: first, if we need to pay for the tax, and second, if so, how much we should pay. The local tax policies are not clear. There're only proclamations, but no directives. We can come up with three different ways to calculate the tax. According to our calculation, we only need to pay ETB 10 million.[128]

However, ERCA did not respond to Yuqi's appeal until September 2014 when the company received a notice saying that the government decided to close all previous tax cases concerning over 50 companies. The government agreed to waive the interest and penalty, and Yuqi would only need to pay off the principle at a value of ETB 50 billion. The chief manager disagreed with the amount and requested a re-calculation of the tax amount. The case was appealed to the review committee in ERCA; and a technical sub-committee was responsible for evaluating the calculation methods.

While waiting for the committee's response, a committee director in ERCA reached out to the chief director of Yuqi and requested for a personal meeting outside the office. On the phone, the ERCA director hinted that the tax issue was negotiable if the company was willing to pay him a percentage of the deducted amount as a commission. Out of anger, the chief director of Yuqi refused to meet with the ERCA director and

[128] Interview with the Chinese chief director, Addis Ababa, 2016, translated by the author.

insisted the tax issue should be discussed only during committee meetings. He recalled that he even prepared for bankruptcy and re-starting the company under a different name.

The turning point of the tax case occurred when the Chinese Embassy in Ethiopia organized a meeting with high officials from the Ministry of Finance and Economic Development (MoFED) and the ERCA. Both the Minister of MoFED and the general director of ERCA attended the meeting. The chief director of Yuqi learned about the meeting from the Chinese business association and managed to get a seat in the room. He seized the opportunity to appeal the case in front of the group of Chinese and Ethiopian officials, and pleaded for their intervention. ERCA is the implementation agency and MoFED is in charge of policy explanation and making high-level decisions. Appealing the case to the Minister of MoFED allowed the chief director of Yuqi to bring up the confusing parts of local tax policies and request a re-evaluation of the current calculation methods. The general director of the ERCA later sent a message to its review committee to investigate into the issue. Yuqi finally settled the case by paying a total of ETB 51 million for seven years of excise taxes between 2009 and 2015.

Being a private investor by no means indicates the absence of Chinese government support in times of hardship. It is true that small, private investors like Yuqi do not enjoy the same amount and level of attention from the Chinese Embassy as do SOEs and large private companies. Yet, they still strive to establish political connections by joining local Chinese business associations, attending the annual banquet at the Embassy, or participating in Embassy-organized information-sharing sessions. These engagements give Yuqi an access to high level officials in Ethiopia. Appealing the tax case during official meetings has also elevated a corporate tax issue to an example of operational difficulties experienced by Chinese investors in Ethiopia. It successfully obtained high-level attention to its resolution, so as to showcase the official commitment to Ethiopia-China cooperation.

While private companies can obtain assistance from the Chinese government in times of difficulty, they are largely left by themselves for everyday negotiations with local officials from below. These negotiations sometimes involve paying bribes to city government officials or police station officers in the names of sponsorship. Yuqi's service station is located in a crowded part of the capital. The parking lot inside the station is too small for all cars waiting for service or for customer pick-up, and so the company uses some of the open space outside the station for parking. This illicit parking in the public space gives local officials a reason to seek benefits as an exchange. For example, local city officials once asked Yuqi to pay for the rehabilitation of roads outside the service station since Yuqi used it heavily for parking. At another time, local police officers asked the company to sponsor a holiday tour trip. Requests of these kinds are very much resented by the Chinese, although they still compromise in most times for their continued right to free outside parking.

> We have sponsored some local social welfare programs. But that's different from paying the local governments directly. We want to have the ability to choose which program to sponsor, not being told what we must pay for.[129]

Yuqi also sponsors local charity projects upon the request of the Chinese Embassy or business association. Chinese supervisors admitted that they took these requests as

[129] Interview with the Chinese chief director, Addis Ababa, 2014, translated by the author.

political orders and as an opportunity to build good relationships with Chinese officials and other Chinese companies. In contrast, they read the sponsorship requests from the local government as an overt corruptive activity. One Chinese supervisor was especially perplexed with local officials' stance of proudness in front of foreign investors and their constant request for money. He quoted a traditional Chinese saying – the feeling of being humiliated makes one courageous (知耻而后勇). In his opinion, local officials' taking-for-granted attitude will blind their eyes and not see the urgency for self-improvement.

Another Chinese supervisor offered an example of what he called the "weird logics" of the local policy-making. He was asked to participate a meeting at the Ethiopian Road Transport Authority (RTA) with a group of local and foreign auto manufacturers. The meeting's purpose was to discuss how to reduce the traffic accident rate in Ethiopia. One proposal by the RTA officials was to set an upper speed limit on all cars produced in Ethiopia at 100 km per hour. The Chinese manager recalled and commented:

> The officials asked us if it's technically possible. We said yes with some programming. But it's a ridiculous requirement. How about those sports cars that market on their speedy performances? The government is not thinking the right way. To reduce traffic accident, they need to enforce traffic regulations, increase people's safety awareness, something like that. Right now, traffic violations were not taken seriously, no records at all and no clear rules of penalty.[130]

In Yuqi Autos, various constraints in local business operations have compounded the limited support in headquarters for overseas staffing and logistics. As a result, the company tries to simplify its internal organization to increase daily management efficiency and productivity. It relies on a local management group to take responsibility

[130] Interview with the Chinese factory supervisor, Addis Ababa, 2016, translated by the author.

for the organization of work. This localization of management stands out as a distinguishing feature of Yuqi Autos, in contrast to Zhonghua Construction and Huaxia Telecom where key positions are still taken by Chinese expatriates.

5 Management Localization

Unlike the recruitment of large numbers of expatriate managers and technicians in Chinese construction and telecommunication companies, Yuqi Autos predominantly relies upon locals for daily production, with a workforce localization rate of 95 percent. A group of local managers has been promoted to oversee the organization of work in all three workplaces. Nonetheless, the Chinese expatriates still act as the ultimate decision-makers in terms of recruitment, promotion and salary negotiations. This section discusses management localization in Yuqi Autos, the managerial division of labor between Chinese supervisors and local managers as well as the issues of trust and communication.

"Locals manage Locals"

In contrast to the complex organizational hierarchy in Chinese SOEs, Yuqi Autos operates in a much-streamlined manner (Figure 5.4). The company has only eight expatriate Chinese but employs over one hundred and fifty Ethiopians. All eight Chinese expatriates are titled "supervisors" in the company: five are based in the sales office including one chief director, two finance supervisors, one sales supervisor, and one customs supervisor; two Chinese work in the service station; and one lives in the assembly factory in the EIZ. All other managerial positions in the company are taken by Ethiopians, from department managers to section chiefs, foremen and rank-and-file technicians. The service station and the factory each employs 55-65 Ethiopians, and the sales office has around 20-35 locals.

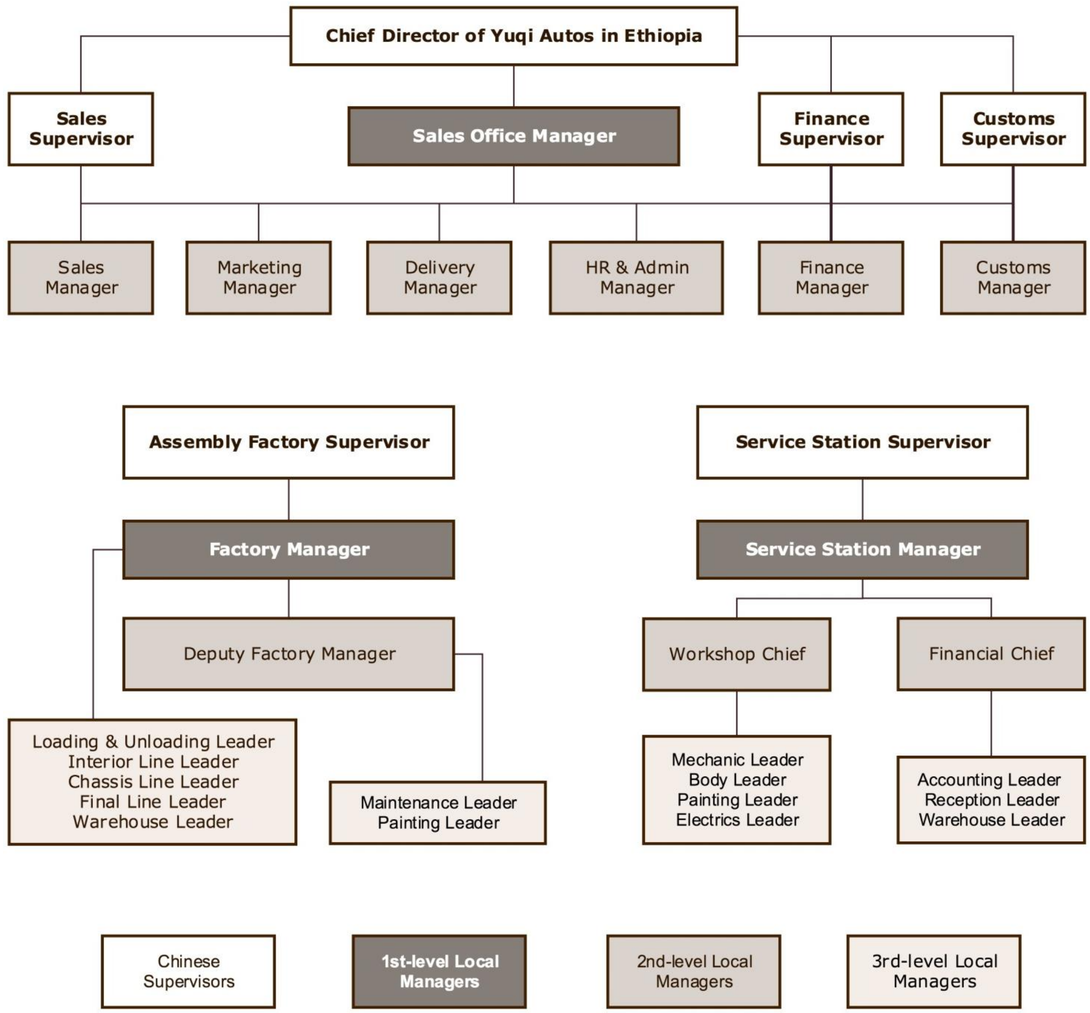

Figure 5.4 Organizational Structure of Yuqi Autos in Ethiopia

Figure made by the author

The reliance on local managers is partly due to the limited capability of Chinese expatriates. Except for the chief director, the remaining seven Chinese came with no advanced educational backgrounds, little managerial experience, and poor language skills. They were sent to work in Ethiopia without prior training or language preparation.

The chief director is not satisfied with their work ability and English skills, but admitted that he did not have the authority to select staff from headquarters. For one, the Ethiopian branch has low priority among Yuqi Group's overseas businesses. For another, the headquarters officials who are in charge of expatriation have themselves never worked abroad. They have no idea what qualifications are the most important.

The limited ability of Chinese expatriates offers room for promoting local managers. The local managerial hierarchy consists of three levels; the first level includes managers in the three workplaces of sales office, assembly factory and service station. The second level is composed of section chiefs and deputy managers. The third level is the home of senior personnel and foremen. All first-level local managers have been working for the company for 8-10 years and have worked their way up to the current position from rank-and-file employees.

While the administrative rank determines the level of base salary, the hierarchy is not strictly enforced in daily operations. Chinese expatriates share offices with locals and every employee can stop by their supervisor's office to seek help. Daily organization of work is arranged and supervised by different levels of local managers (Figure 5.5). For example, a local chassis line leader in the assembly factory explained the division of labor in his team:

> I make decisions on how to divide the work. The eight workers in my team are divided into four groups – frame, motors, suspension, and finalize. Each group has two persons. Group 4 will assist the first three groups. When it comes to

Group 4, all the other groups will help [with finalize]. I'm doing supervising and checking: if [installed parts are] tight or not, if the paint is good.[131]

Figure 5.5 Morning Rollcall by Local Manager in the Assembly Factory

Photo taken by the author

Most first- and second-level managers in Yuqi have attended workshops and training sessions in Yuqi's headquarters in Chongqing, although this opportunity is not guaranteed on a regular basis. The on-the-job training of new recruits and junior technicians is mostly done by local foremen and managers. When a new model arrives, the Chinese supervisors in the service station and assembly factory first train the local managers and have them pass down the training to lower-level managers. Chinese supervisors occasionally walk around the workplace to spot check on locals' progress, to help solve thorny problems, or to demonstrate a few technical "tricks" to locals.

[131] Interview with an Ethiopian line leader in the assembly factory, Addis Ababa, 2016.

Managerial Division of Labor between Chinese and Locals

In Yuqi Autos, Chinese supervisors only work with first-level local managers who then oversee the daily management activities of lower-level managers and rank-and-file workers in the workplaces. Nonetheless, Chinese supervisors still retain the ultimate decision power in major company affairs such as recruitment and promotion, while local managers mostly are reduced to "implementers" of Chinese decisions.

To ensure qualified recruits, Yuqi has collaborated with local Technical and Vocational Education and Training (TVET) institutions to host student interns in the assembly factory and service station.[132] However, Chinese supervisors complained that students with a professional background tended to ask for higher starting salaries. They preferred to recruit locals who had fewer skills but were honest and hard-working, were less likely to negotiate for salaries and were more grateful for the job opportunity.

In addition to recruitment, the criteria for performance evaluation are also set by the Chinese supervisors. The company uses a "base salary + bonus" scheme, in which an employee's base salary is determined according to administrative rank, and the amount of the bonus is evaluated by his or her immediate supervisor in the company (Table 5.3).[133]

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[132] A MOU has been signed between Yuqi Autos and local TVET schools that allowed the latter to send students to work in Yuqi Autos. Technicians from Yuqi also occasionally teach in local TVET schools. Yuqi also has facilitated collaboration between universities in Chongqing and local TVET schools on training and student exchange programs.

[133] Technicians are evaluated by their immediate supervisor every month to determine their bonuses. For example, in the sales office, a total bonus of ETB 500 is set. The evaluation score (out of 100) that one receives determines how much percentage of the ETB 500-total-bonus he or she will obtain. If an employee makes a special contribution, the company can offer a 120 percent or higher bonus.

The bonus for technicians in the service station and assembly factory is calculated by their total number of working hours in the month. While salaries of mid- and high-level managers are comparable to the local market standard, those of foremen and rank-and-file technicians vary and are contingent upon business volume. Productivity in the assembly factory is determined by the availability of sourcing dollars to buy SKD kits and spare parts from China, the sales volume, the shipment schedule, and custom clearance process. In low production seasons, technicians in the factory can only receive the basic salary and have no opportunity to earn bonuses. In contrast, work in the service station is very intensive with 30-50 cars coming for service each day. Technicians in the station, therefore, can earn up to ETB 10,000 each month.

Table 5.3 Examples of Salaries for Local Employees in Yuqi Autos

Positions	**Salaries (ETB)**
Managers	12,000-17,000
Deputy managers	8,000-10,000
Line leaders, senior technicians, sales or marketing persons	5,000-6,000
Accountants or mid-level technicians	4,000-5,000
Junior technicians, assistants, secretaries	2,000-3,000
Receptionists, cleaner	1,000-2,000

The issue of salary is in fact an area of disagreement between Chinese supervisors and local managers. The “base salary + bonus” system is new to local employees, who constantly requested to get rid of the bonus system and increase the base salary for all. Chinese supervisors, however, insisted that the bonus system is the best way to ensure productivity and ease managerial burden to oversee the local work. Overall, Chinese supervisors are not satisfied with the skillfulness of local workers and criticize the blind confidence of some locals in their work ability. The supervisor at the service station offered an example of a local employee trying to negotiate for a salary increase without showing her actual ability to handle accounting work she was requesting.

> There's a girl who used to work at the reception desk. I saw she worked hard and was honest, so sent her to compile forms in the finance department. Her job was to match warehouse records with forms of repair service, and after finishing, handed the forms to a local accountant who would then charge the clients for service fees. She did the job well, so I asked her to learn how to print receipts from the computer. She soon grasped that too. Then she thought herself becoming a finance specialist and came to me for a salary increase. I was so angry and said you knew nothing about accounting. I pulled out some accounting forms and asked her to fill in. She said that was not her expertise. I said that's the basic skills that I paid an accountant for ETB 4,500. She only learned how to match records and print receipts, and how come she thought that worth a high salary? She had little education and received 1,100 as a receptionist. I now give her 2,200 as a financial assistant. If she can improve her skills before asking for more money, I'm OK with giving her 4,000 or 4,500. But for now, it's impossible.[134]

In contrast to the Chinese supervisor's resentment of the local employee's requests for a salary increase, local managers are generally more sympathetic to employees' life circumstances, and believe that the company should provide higher compensation to the workers.

> My country is poor, even the salary is not good. They [the locals] have to work here to make a living. You can't believe how someone lives with ETB 2,000 a month. It can be very hard. […] The Chinese have house and have their car [for free]. How can they feel the pain of struggling to live in a local way? […] They need to show a little bit of respect and understanding. It is good for the company. It's mutual benefits. [135]

The plea for a higher base salary not only results from an increased living costs in Addis Ababa in recent years, but also reflects the locals' calls for a moral obligation on the part of Chinese supervisors. However, offering same economic benefits to all

[134] Interview with the Chinese service supervisor, Addis Ababa, 2016, translated by the author.

[135] Interview with an Ethiopian finance manager in the sales office, Addis Ababa, 2016.

employees regardless of their productivity – the so-called "iron rice bowl" practice in the socialist China – has been abandoned in Chinese private companies (Lee 2009). Salary standards in most companies are now determined by individual productivity, performance, and contributions under a cost-minimizing mentality, rather than the socialist ethos of fair return to labor or moral economic standards.

TRUST, COMMUNICATION, AND INTERPERSONAL ETHICS AT WORK

Local managers, although taking responsibility for the daily management of production, found themselves still constantly taking orders from Chinese supervisors. Their autonomy at work is limited to small- or mid-level decisions; they are not the ultimate decision-making in company affairs. In addition, their work is affected by constant, unwelcomed intervention by the Chinese, a perceived differential treatment, and a high turnover rate of supervisors. The overall lack of communication between Chinese supervisors and local low-level managers is also a main source of misunderstanding and conflict at work.

One local workshop chief from the service station complained that the Chinese supervisor sometimes interrupted his conversations with clients and imposed different opinions on him. Such intervention has not only weakened the chief's reputation among his subordinates and clients, but it also aroused a feeling of not being trusted for his judgement and professional ability.

> I believe I can make decisions based on my judgement. Sometimes when I was telling the customer what's the best plan, the boss stopped by and said no, you must do this and do that. The customer got confused. It's an interruption of my work. […] He [Chinese supervisor] needs to give locals the chance to decide, and believes that we can make the best judgement. The boss [supervisor], instead,

> often challenged us by asking "why you do this" in front of others. If the work is beyond my capacity, I'll ask for his help. But he's not supposed to walk around and give order as he wants.[136]

For some mid-level local mangers, the source of feeling untrusted came from seeing Chinese supervisors who are close to a few managers and constantly invite them to have lunch together outside the office. Those "favorably treated" locals are long-term employees in the company who have good English skills and developed close work and personal relations with the Chinese. They often accompany the Chinese supervisors to meet local officials and clients. Some of them drive a company car for their daily use, and can borrow a fleet of cars for weddings and other family events.

> If the [Chinese] manger [supervisor] is only close to some of the local managers, it makes others feel untrusted and unsafe. Everyone wants to make good relationships with the Chinese. They should be fair and treat all employees equally. Otherwise, I may feel insecure since I barely talk to the Chinese.[137]

Despite the close relationships being developed between Chinese supervisors and a few local managers, communication is still identified as a major issue in the company by both groups. "It has caused eighty percent of the managerial problems in the company, turning small things into big ones and aroused skepticism among locals," said by one Chinese supervisor. The Chinese chief director believed that the headquarters should take part of the responsibility for the inefficient communication since it fails to undertake a careful selection of expatriates. Additionally, the expatriation benefits in Yuqi are not comparable to that in large companies, offering less incentives for the Chinese to stay

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[136] Interview with an Ethiopian workshop chief at the service station, Addis Ababa, 2016.

[137] Interview with an Ethiopian senior assistant at the service station, Addis Ababa, 2016.

long. This has translated to their unwillingness to commit in English-learning and relationship-building in Ethiopia.

> Yuqi can’t double the salary for expatriates. Those [in the headquarters] who have better skills and make good money don’t want to come here. Those who came out don’t want to learn. It makes my work very difficult.[138]

The chief director used to run an informal English class to teach the Chinese expatriates some basic English, but the attention rate was very poor. When being asked how the language skills is the Chinese supervisor, a local manager joked: “he doesn’t speak English, he speaks words.” Other mid-level managers admitted that despite working in the same big office, their communication with the Chinese is minimal.

> We don't have that much communication. The Chinese don't talk to us that much. They are busy, they are [often] not in the office. When they are in the office, they work on their own things. I don't know what they are doing. [139]

In addition, since most Chinese expatriates only work in Ethiopia for one two-year contract term, the high turnover rate is another complaint among local managers. They found that their work performance was being under-evaluated by the new supervisors. The rapid change of supervisors also interrupts their work consistency by the unnecessary adjustment of job duties.

> I have [worked with] four supervisors since I came here. Their working styles are very different. It’s kind of annoying to change supervisors rapidly. When a new supervisor arrives, he’ll make you start everything from zero to follow his style. I

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[138] Interview with the Chinese chief director, Addis Ababa, 2016, translated by the author.

[139] Interview with an Ethiopian senior personnel in the sales office, Addis Ababa, 2016.

> feel like all my work before is nothing to the new one. […] The new guy will give you different tasks and have no interests in what you did before.[140]

Despite the issue of communication, the company does not employ any translators because managers fear that translators who understand Chinese can be potential "trouble-makers" and may in the end exacerbate the management-employee relationship. According to the Chinese supervisor at the service station, he used to hire a local translator who did more harm than good during work.

> I sometimes need to use some business tactics to retain customers. For example, a Chinese came to repair car. I told him that I could repair his car through [insurance] claims. There's some grey space between what's counted as claims and what's not. But when the translator heard, he thought that I was giving special offers to Chinese. He told everyone in the station about it. […] For another example, I could give a Chinese client a 15 percent discount if he wouldn't take receipts. I had that authority. The translator thought that's illegal and might someday report it to local tax office. These things happened all the time in other Chinese companies. [141]

What complicates the issue of distrust and language barrier is the seeming disinterest of Chinese supervisors in exchanging daily greetings with locals. Local managers and secretaries take morning and evening greetings as expressions of care and friendliness in building interpersonal relations. Through the emotional exchange of greetings, social bounds are forged between the two individuals on a basis of reciprocity and mutual respect. Some Chinese expatriates, however, were criticized for their lack of greetings or failure to return greetings by locals in the workplace. The restraint of greetings, however, is perceived as a personal issue rather than a group characteristic of

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[140] Interview with an Ethiopian sales manager in the sales office, Addis Ababa, 2016.

[141] Interview with the Chinese service supervisor, Addis Ababa, 2016, translated by the author.

the Chinese. Locals, therefore, constantly made comparisons between “good” and “bad” Chinese supervisors based on their casual interactions with locals through greetings.

> In the morning if I come here and see good face, I’ll be happy, and the work will be good. […] When you [the Chinese] come and see us, if you say “Hi, Good Morning,” it’ll mean a lot to me. But they pretend not seeing us, just walk passed us to their office.[142]

> Greeting is everything. It makes so much difference. Before, there was a Chinese guy, he’s very good. He greeted us every day. He understands Ethiopia and Ethiopians. [The current supervisor] doesn't do any greetings. The only words he often says is “*tolo tolo*” [the Amharic word for “fast”].[143]

The heavy workload in the service station has made the Chinese supervisor impatient at all times (by constantly saying “*tolo tolo*”). While a short temper can be a personal character, local employees from across several workplaces share the sentiment of the company’s lack of human consideration. To them, the Chinese are more concerned with work and production, not the actual people who work for the company.

> One thing I don't like is that they shout quite often. They [the Chinese] are very rush. But if you are shouting, you are not communicating [effectively] with [the] employees. […] Companies depend on employees. Why are we here? Only for the salary? If I’m happy with my work, then it’s not just the salary that my satisfaction is based on. If I’m communicating with you in a good condition, then I’m happy. If we are happy, customers will be happy, and then the company will make money.[144]

> There’s an old saying in Amharic: “the gold in your hand is counted as silver.” They need to believe in locals and protect them from being stolen from other companies. It’s not helpful to say to workers "you can leave if you want.” It’s not good for workers to hate the management. Companies need to respect the

[142] Interview with an Ethiopian assistant in the service station, Addis Ababa, 2016.

[143] Interview with an Ethiopian secretary in the service station, Addis Ababa, 2016.

[144] Interview with an Ethiopian secretary in the service station, Addis Ababa, 2016.

> employees and make them happy. […] You need to let employees believe that you care for them.[145]

The issues of trust, respect, and humane care are brought up not only as a problem between Chinese supervisors and local managers, but also, in an ironic way, identified by Chinese expatriates as their major dissatisfaction toward officials in the headquarters. The Chinese expatriates joked about being raised "cage-free" in Ethiopia, receiving no training, logistical support, or proper care for their physical and emotional wellbeing.

> They [the headquarters officials] always say: "you go abroad and get some experiences, eat bitterness, and do whatever you can." I didn't have much feelings about the statement at that time. But now I knew it showed their irresponsibility and unpreparedness before sending us out. [146]

> Valuing human resources is not about distributing gifts, it's about if the headquarters truly cares about your circumstances outside. […] It's even not about salary; it's about a sense of belonging. If other things are put in place, the salary can be a secondary consideration. People leave the company for two things, first, not happy with the environment; and second, not happy with the salary. If I sense my value isn't taken seriously, it'll exacerbate my other dissatisfactions with the company.[147]

> A problem with the company [headquarters] is that it has more "generals" than "soldiers." There are a lot of mid-level managers who make little contributions to the company. […] The headquarters sees little of us overseas employees. They made blind decisions, and don't respect our opinions and requests. It's us who spend years here really know about the market and local conditions, and how to survive. [148]

According to the Chinese chief director, the headquarters has planned for an internal reform in the recent years. However, "there is always more talking than doing."

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[145] Interview with an Ethiopian workshop manager in the service station, Addis Ababa, 2016.

[146] Interview with the Chinese supervisor in the assembly factory, Addis Ababa, 2016.

[147] Interview with a Chinese supervisor in the sales office, Addis Ababa, 2016.

[148] Interview with the Chinese chief director, Addis Ababa, 2016, translated by the author.

High officials in the headquarters claim to place professional ability and work performance as the key criteria for promotion, but, in practice, they still prioritize personal relations over everything else. This has led to a sense of unfairness and betrayal among overseas expatriates.

Interviews with Chinese and Ethiopian managers reveal discontent among both groups with respect to trust, care, empathy and value recognition from their higher-level supervisors. They plea for a situated understanding of their circumstances – as Chinese expatriates in a foreign context or as local employees struggling with rising living expenses in Ethiopia. Having received no empathy for their vulnerability, both groups feel abandoned and betrayed in the managerial relations. However, the local employees are by no means incapable bearers of work relations. They have employed both collective and individual agency to improve their economic and social situations. The effectiveness of their agency needs critical analysis.

6 Employee Agency: From Collective Bargaining to individual Mobility

As one of just a few Chinese companies that have a working union, Yuqi Autos provides an important case of investigation into the strength and weakness of employee collective agency. The current union remains a weak organization with a limited capacity to negotiate with the company for employee benefits. Employees, as a result, have largely resorted to individualized practices, including continued education as well as inner- and inter-firm mobility to improve their economic circumstances and opportunities for professional development.

Company Unionization Process

The unionization process in Yuqi Autos began in 2014 after a local manager reached out to the office of Ministry of Labor and Social Affairs to express his interest in establishing a union. Local labor officials visited the company and pressured the Chinese supervisors to agree upon the unionization request. A semi-formal union was then established among Ethiopian workers, and five union representatives were selected: two from the service station, two from the assembly factory and one from the sales office.

Neither Chinese supervisors nor high- and mid-level Ethiopian managers are allowed to join the company union; all low-level managers and rank-and-file workers are automatically included as union members. Each member allocates one percent of their salary each month to fund the union, of which 40 percent goes to the local labor office and 60 percent goes to the collective funds of the company union. The local labor office provides regular training to union representatives on topics of work safety, labor law, tactics of collective negotiation, etc. The five representatives gather in the sales office every Friday afternoon to meet with the local HR manager to discuss union policy.

However, after three years of negotiation, there is no official union document ready to distribute within the company. The intentional separation of union from management – which may imply greater union autonomy – also generates tremendous challenges for union activities. Workers do not have regular opportunities to communicate with Chinese supervisors or to receive prompt information about managerial decisions. As a result, both Chinese and local management are largely inattentive to union requests, and member participation in union activities is limited.

> My only participation in the union is to pay certain amounts of fees. I don't know what[’s] happen[ing] with it. I asked them that I don't want to be a member anymore. I didn't see how I can benefit from it.[149]

The stagnating progress of unionization is also partly due to a constant change of union representative; some left the company because they were not getting along with Chinese supervisors and others jumped to better-paid companies. A Chinese supervisor admitted that they had plans to get rid of any problematic union representatives, especially those who “care more about sending in requests than finishing work on time.” To do this legally, the Chinese supervisor closely watched the work performance of union representatives closely and would send them warning letters[150] as soon as they were caught making any mistakes.

> They [locals] will know if you send them warning letters. Some will behave after the second letter. Others will leave before you send them the third one. […] They are very proud people. If you give them bad face during the day and often criticize them for wrong-doing, they will quit themselves.[151]

Given the lack of member participation and the uncooperative behavior of management, it is uncertain whether the union will become a major player in improving workplace relations and leveraging benefits for local employees. Nonetheless, the union has tried, whilst ineffectively, to draw management attention to several issues of widespread concern in the company. The first issue is salary. According to Chinese supervisors, the union has constantly asked for salary increases but unable to ensure workers’ productivity and discipline in return. The Chinese themselves, instead, believed

[149] Interview with an Ethiopian technician at the service station, Addis Ababa, 2016.

[150] According to local labor law, employer can fire an employee after three warning letters.

[151] Interview with the Chinese service supervisor, Addis Ababa, 2016, translated by the author.

that if the company failed to meet the revenue goals, they would feel ashamed to ask for a salary increase from headquarters.

> All that union cares about is salary. Union leaders used to draw rosy pictures to us. They said workers would work hard and obey the rules once the salary was increased. But they still asked for leaves as before and showed little respect to company rules. […] Our Chinese believed "only if there's food in the pot can there be food in the bowl" [锅里有碗里才有]. We need to make the company profitable before asking to share its benefits. But here, people ask the company to fulfil their personal needs first before making progress in work. They should show their value and ability first.[152]

While the Chinese supervisors insisted that salary is the only concern of the union, union representatives revealed that their real interest is to be included in management decisions. For one, they ask to participate in the yearly decision on a salary increase. For another, they request to be consulted before management sends out warning letters to employees. According to one union representative, management decision-making should be made transparent to the union. In contrast, current management shows an attitude of "if I give you money, you just take it," or "if you don't obey, just leave."

For union representatives, being included in the company's decision-making process also allows the Chinese management to better understand the real needs of employees and so make targeted improvement in the company's welfare provision. For example, the union tries to persuade management to change its current health insurance plan. Right now, each employee is given ETB 10,000 per year for medical spending in two assigned hospitals – one local and one Korean. However, medical service in the local hospital is not good and the Korean one is too expensive. A local worker revealed that the

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[152] Interview with the Chinese chief director, Addis Ababa, 2016, translated by the author.

current ETB 10,000 medical allowance could barely cover two small treatments in the Korean hospital. The union therefore asked the company to either increase the amount of coverage or change to different hospitals of the workers' choice. However, their requests were never answered.

(a) (b)

Figure 5.6 Wastes in (a) Assembly Factory and (b) Service Station
Photos taken by the author

In addition, not all union requests are related to Chinese management. A recent proposal from union representatives expressed their dissatisfaction toward local managers making profits from selling waste goods in the factory (Figure 5.6a) and the service station (Figure 5.6b). They argued that the profit should be distributed among all local workers. The request was, however, considered unreasonable and "not even negotiable" by the Chinese supervisors who insisted that the money was exclusively reserved for local first- and second-level managers as extra bonuses.

> They [local managers] sold the used engine oil and other waste products like used parts, metal and goods, and took the money. They got more than ETB 30,000 [by

> selling the wastes at one time]. The money should be distributed among all employees. […] The Chinese knew about it but still let the managers get the money. [153]

The union, despite receiving some governement support, has remained largely unsucessiful in collective negotiations with the company. During interviews, union representatives failed to provide any examples where the union was able to change the management regime. This inability of the union is a combined result of its historically vulnerable position in Ethiopia and the uncoping behavior of management. Nonetheless, various requests from the union reveal their eagerness to participate in management decision-making and are a plea for better recognition of workers' real needs and expectations. The negotiation also indicates the existence of unequal power relations not only between Chinese and locals, but also between local managers and workers. As local employees do not have much confidence in the capability of the union to change their circumstances, they have resorted to other means of agency.

Inner- and Inter-Firm Mobility among Local Employees

Locals in Yuqi, like their counterparts in Huaxia Telecom, have adopted individualized strategies to improve their work and life circumstances. Many local managers are taking evening classes to pursue additional degrees from local universities. Some senior technicians also expressed their intention to go back to school someday. They are unanimous in the belief that education is the key to their future career prospects either inside the company or in the broader labor markets.

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[153] Interview with an Ethiopian union representative at the service station, Addis Ababa, 2016.

Moreover, some junior and senior technicians have actively sought inter-workplace mobility within Yuqi Autos. Work in the service station is more intense than the assembly factory, which means working in the service station is a better opportunity to earn bonuses than the factory. Technicians in the factory who want to increase their salary can request a switch of post. This change of work site is welcomed by Chinese supervisors who see it as a reward to encourage good performance among local workers. They take the assembly factory as a "local talent pool" in which to train new recruits and junior technicians for the service station. Newly recruited workers first work in the factory, and then, depending on their skills and willingness, will be "transmitted" to the service station. This inter-workplace mobility is also considered a cost-effective practice.

> If we find a new local service technician, they may ask for at least ETB 4,000-5,000. But if we move people from factory to service station, they won't ask for a lot as long as we pay a little bit higher than what they earn in the factory. […] Having them worked in the factory first allow us to select those who are loyal, compliant, and learning fast to work in the service station.[154]

Other than the mutually beneficial strategy of inter-workplace mobility, local workers also enjoy increased inter-firm mobility, particularly after the entry of other foreign assemblers in Ethiopia has intensified competition for local technicians. In 2017, Kia, a Korean auto company, collaborated with a local agent, Belayab Motors, to establish an assembly factory in Adama (Endeshaw 2016). The company hired a local manager who used to work for Yuqi in its early years. The manager contacted his former colleagues in Yuqi and invited them to move to KIA at a higher salary.

[154] Interview with the Chinese factory supervisor, Addis Ababa, 2017, translated by the author.

The individual head-hunter activity soon became a group action of Yuqi's technicians. In less than a month's time, twelve local technicians informed the company about their departure. Among the twelve people, four were senior technicians and foremen who worked for Yuqi for more than five years. Eight were new recruits whose monthly salaries were about ETB 1,600. While shocked by the loss of these employees, the Chinese supervisors were also relived to know that all their first- and second-level managers stayed. To prevent further loss of local employees, the Chinese decided to increase salary for all local employees by 5-20 percent. This increase is considered the highest amount since Yuqi started business in Ethiopia.

> We usually increase their salary by one or two percent each year. […] We can't do this kind of big increase every year. This year it's all because of Kia, and not everyone can get a 20 percent increase. The actual rate depends on their performance and skills, and how badly we want to keep the person.[155]

Meanwhile, the chief director of Yuqi soon scheduled a visit to Belayab Motors in Adama, trying to establish friendly relationships with its management, and softly express his concerns over its "stealing" of his employees. The factory supervisor, meanwhile, doubted if those who left for Kia would find it a good place to work.

> I doubt if they can work long in Kia. Despite our low salary, the work [in the factory] is not tedious. The workers have become very lazy over time. If they work under high pressure in Kia, I bet they will complain a lot and may quit eventually. […] I heard that Kia got an order of a few hundred cars. I wonder how they solve the sourcing dollars problem. If they end up not having such a high production, their salary won't sustain.

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[155] Interview with the Chinese factory supervisor, Addis Ababa, 2017, translated by the author.

Whether Kia will be a better workplace for local technicians is unknown. It is also unclear if inter-firm mobility is sustainable since all foreign assemblers may end up struggling with the same economic and market constraints in Ethiopia. Nonetheless, the competition for human resources does improve local workers' capacity to negotiate with Yuqi for salary increases, something that the union has failed to achieve in past years.

7 Conclusion

As a private flagship company from a less-developed region of China, Yuqi Autos illustrates how small Chinese investors survive and thrive in the Ethiopian market. The subsidiary received limited support from its headquarters and home government, and so has been largely left by itself to figure out how to organize business across three workplaces and also deal with local bureaucracies. Nonetheless, the firm has cultivated good relationships with the Chinese Embassy which has provided needed assistance in times of hardships. Since the other Chinese expatriates are considered less capable and less committed to working overseas, the company relies heavily on local management in daily operations. An examination of management localization in the company reveals multiple levels of power relations among headquarters officials, Chinese supervisors, local managers, and local workers, which complicates the everyday politics of the work regime. As the only case study company that has a semi-working union, the activities of the union highlight the eagerness of local workers to participate in management decision-making. While union requests remain largely unanswered, local workers are adept at improving their economic situation through enhanced inner- and inter-firm mobility.

CHAPTER SIX CHINESE MANUFACTURERS IN THE EASTERN INDUSTRIAL ZONE

1 INTRODUCTION

The extensive and intensive growth of Africa-China cooperation involves more than a numeric growth of trade, investment and number of Chinese firms in Africa. It also involves the sharing of development experiences and transfer of so-called "Chinese models" (Davies 2008). One such model is Economic Zones (EZs)[156], which is considered crucial for China's economic takeoff and rapid urbanization since its national reform in 1978. The success of Chinese EZs as facilitators of job creation, urban development, and national political-economic transformation has generated much hope among African elites who believe that EZs can foster industrialization in their respective countries. Since 2012, eight official Chinese EZs have been developed in six African countries; others are built by Chinese private developers through direct cooperation with host governments (UNDP 2015).

As most of these EZs are in the early years of operation, little is known about whether they can contribute to better development prospects than their western counterparts in terms of generating job opportunities, export-oriented production, and productive linkages with the local economy. Existing studies have revealed minimal

[156] This chapter uses the generic term of Economic Zones to cover all possible forms of designated geographic areas that receive special administrative, financial, and regulatory treatment for economic, industrial, or technological development purposes.

linkages between Chinese developers and local suppliers as well as limited participation in zone design and operations by host-country governments (Bräutigam and Tang 2011). Scholars have expressed concern over Chinese EZs being socio-economically reserved enclaves for Chinese manufacturers to invest in Africa (Dannenberg, Kim, and Schiller 2013; Kim 2013). However, by focusing on a continental-wide survey of zone performance, current research provides few nuances on the development trajectory of particular zones in the specific African context. Also, scholars are yet to unpack the business strategies and management practices of zone-based Chinese companies, especially how their construction of work regimes is similar to or different from those that operate independently in Africa. Moreover, despite the employment of large numbers of local workers (Bräutigam and Tang 2014), individual workers' perspectives toward their work experiences and work relations in the zone are still missing in the discussion.

To address these weaknesses, this chapter examines one of the most developed and widely "modeled" Chinese EZs in Ethiopia, the Eastern Industrial Zone (EIZ). The case of Ethiopia is important due to the adoption of EZs as a key national industrial strategy to drive manufacturing development in the country. This empirical study draws upon interviews with selected EIZ-based manufacturers and a survey with 208 local workers. The research reveals that rather than a closed Chinese investment space, the EIZ also hosts non-Chinese foreign manufacturers who adopt similar management strategies as the Chinese firms. Physical residence in the zone allows for collective management decision-making among Chinese manufacturers who, unlike SOEs or large private companies, are primarily small businesses with few political and social connections in China. However, the nature of the sub-industries and differences in market competitiveness contribute to variations in the actual organization of work on the factory floor, which further leads to varied worker-perceived opportunities and challenges.

The rest of the chapter unfolds as follows. Section 2 discusses the "Going Global" of Chinese EZs and their initial development in Africa. Section 3 examines the incorporation of EZs in Ethiopia's national development agenda. Section 4 traces the history of the EIZ's development. Sections 5 and 6 present the main findings of the case study with EIZ-based manufacturers and workers. Section 7 concludes the chapter.

2 ECONOMIC ZONES: FROM CHINA TO AFRICA

While the idea of EZs did not originate in China (Wu 2009), Chinese EZs have played a crucial role in the country's domestic reform. Economically, EZs are the hot spots for foreign investment under a favorable tax and regulatory regime, the test grounds for liberal economic policies, and an intermediary space for a gradual opening-up of socialist China to the international community (X. Chen 1995). They allow domestic industries to absorb, interact, and co-evolve with global capital through production chain participation, knowledge sharing, and the transfer of technology. Politically, transnational economic networks in the neoliberal spaces of EZs can contribute to political acceptance and eventual integration of disarticulated Chinese territorial regimes into a greater China (Aihwa Ong 2004). Socially, the fast development of EZs has not only reconfigured the geographies of urban living, but also intensified issues of land allocation, environmental sustainability, and migrant well-being – all leading to public and scholarly concerns over the deep marginalizing forces of EZs (Cartier 2001; Yang and Wang 2008).

Despite the controversies surrounding zone-based development in China, EZs have been packaged as part of the Chinese economic miracle and promoted to engender growth and transformation in other developing countries. From border zones[157] to the "overseas trade and economic cooperation zones" (OTECZ) program, EZs have become a new instrument to realize China's international cooperation. The "One Belt, One Road" strategy (B&R) has specified an agenda of "taking advantage of international transport routes, relying on core cities along the Belt and Road and using key economic industrial parks as cooperation platforms" (State Council, 2015). EZs, in forms of domestic economic pilot zones, OTECZs, and cross-border economic cooperation zones, are identified as a key strategy to strengthen China's economic opening-up and international development cooperation (MOFCOM 2015).[158]

In fact, the OTECZ program, now considered a key instrument of B&R, was initiated at the Third Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC) in 2006 (MOFA 2006). Since then, the Chinese governments and enterprises have been involved in the construction and management of eight major EZs in six African countries. They were designed according to successful EZs models in China,

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[157] Cross-border EZs were built in cooperation with China's neighboring countries in the late 1990s. Development linkage was forged based on spatial proximity, ethnic ties, cultural closeness and shared geo-political interests (Chen, 2014; Hoffman, 2011; Nyiri, 2012; Ong, 2004).

[158] In mainland China, plans for building new EZs or expanding existing ones have been made, including the Ningxia Inland Opening-up Pilot Economic Zone in the northwestern region, the Beibu Gulf Economic Zone and the Pearl River-Xijiang Economic Zone in the southwest, and the Shanghai Pilot Free Trade Zone, the Zhejiang Marine Economy Development Demonstration Zone, the Fujian Marine Economic Pilot Zone, and the Zhoushan Archipelago New Area long the south coast (HKTDC 2015). Beyond China's national borders, 77 of 118 Chinese overseas EZs was planned to be built along B&R (MOFCOM 2015). Chinese enterprises who invest or operate in the EZs are eligible to apply for financial support from major national banks (SCIO 2014).

such as the Tianjin Economic-Technological Development Area (in Egypt), the Nanjing Jiangning Development Zone (in Nigeria) and the Suzhou Zhangjiagang Free Trade Zone (in Ethiopia) (Bräutigam and Tang 2014; UNDP 2015). These EZs also receive a standard package of incentives from the host governments, including tax reduction, waivers on import tariffs for raw materials and machinery, secured access to and reduced cost for local facilities, and foreign exchange benefits (UNDP 2015). From zone proposals to the actual operation, they claim to follow market-based logic to forge collaboration between companies and governments from both the Chinese and African sides (Bräutigam and Tang 2011).

A number of "push factors" are identified for the promotion of Chinese EZs in Africa, including the desire to: 1) increase the export of Chinese machinery and industrial equipment; 2) take advantage of the preferable trade policy offered by European (e.g. Everything but Arms) and North American (e.g. African Growth and Opportunity Act) countries to the products from Africa; 3) speed up China's domestic upgrading on the global production chain; 4) assist small and medium-sized Chinese companies in overseas ventures; and 5) increase China's global image (Bräutigam and Tang 2011).

While an EZ-based development strategy is not new to Africa,[159] the Chinese zones demonstrate unique features that differentiate them not only from conventional

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[159] The EZ-led development in Africa has a long history, yet not been as successful as their initiators hoped (Nel and Rogerson 2013). The manufacturing zones in countries such as Mauritius, Madagascar and Lesotho contributed to increasing exports. But the scale of economic growth was hardly comparable to that in China. Neither had these EZs facilitated country-wide industrial development or structural changes in the national economy (Cling, Razafindrakoto, and Roubaud 2005; Wu 2009).

industrial zones but also from typical EZs in China. First, the Chinese EZs have been largely dominated by Chinese investors, rather than an economic space open to all foreign companies. These EZs provide a secured context for small-sized Chinese companies that can be either private or provincial and municipal-government-owned, and who have little experiences and few resources to operate independently abroad. By "going global in groups" (Bräutigam and Tang 2014), these businesses benefit from both standardized management and a familiar "China-like" environment in the EZs to jump-start their overseas venture.

In addition, although the Chinese EZs in Africa were initiated as an official inter-state cooperation program, there is no centralized, hierarchical control over their operations. Rather, the actual construction and management involve a diverse set of institutions and private groups; both developers and investors receive financial support from a mix of public and private sources.[160] However, despite the crucial role played by private parties in Chinese overseas EZs, it by no means suggests that the Chinese governments have lost control on the zones or lack the capacity to intervene. In fact, Chinese ministries and national banks have provided important financial, material, networking, and information support to zone developers and resident companies. The request for bids for the OTECZ program was organized at the national level. Contract winners were offered preferable financial and policy terms to implement the zone project.

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[160] For example, the Guangdong Silk Road Equity Fund has sponsored medium and small businesses to invest in EZs in Africa. The equity fund is supported by a number of public and private organizations, such as the Far Eastern Group, the Wenzhou Chamber of Commerce, and the China Leather Industry Association (NexGen Global Forum 2015). The China-Africa Development Fund also has provided starting funds to some companies to invest in the zones.

In cases where construction stagnated (e.g. the Mauritian and Nigerian zones), the central government formed special committees and worked with host governments and Chinese developers to push the delayed project forward (Bräutigam and Tang 2011). Provincial and municipal governments also adopted an increasingly proactive role in mobilizing local resources toward specific Chinese zones.

Given that most Chinese EZs in Africa are still in the early stages of operation or construction, it remains largely unknown if they can contribute to better development prospects than their western counterparts, or if they will only generate low levels of export-oriented production, host country participation, and limited job opportunities. While various continent-wide surveys have contributed important early assessment of the performance and local impact of Chinese EZs (Bräutigam and Tang 2011; Farole 2011), scholars have yet to examine carefully the development of particular EZs in a specific African context. Such country- and zone-focused investigation can uncover the multilateral endeavors of Chinese and host country agents behind the development of EZs as well as the local impacts on work and skills development. Ethiopia provides an important country for in-depth study due to its active integration of EZs into the national development agenda.

3 Ethiopia: Embracing Economic Zones as a Key Industrial Development Strategy

EZs have become an important instrument to implement China's economic cooperation with developing countries, and are welcomed by host countries for the prospects of boosting local export-oriented production and transferring skills to the local population.

The federal government of Ethiopia has embraced EZs as a key industrial strategy for nation-wide economic transformation (NexGen Global Forum 2015). The section discusses the institutional and policy development in Ethiopia to facilitate zone-based industrial transformation, and proceeds with an overview of the current status of EZ development across the country.

NATIONAL PLANNING OF THE ECONOMIC ZONES

The federal government of Ethiopia has decided to deploy industrial parks[161] as a national strategy to engender growth in the manufacturing sector. However, unlike other African countries, EZs are relatively new to Ethiopia (Rohne 2013), and so the government has intensified its efforts to improve the institutional and policy environments for the development and regulation of EZs. The 2012 Investment Proclamation (No. 769/2012) first specified an agenda for developing EZs to create enabling and competitive conditions for manufacturing-based value creation activities (FDRE 2012b). It required that zone development "shall be undertaken by the federal government or, where necessary, by joint investment of the government and private sector" (p3). The 2014 amendment removed this government control over EZs by allowing private investors to build zones independently (FDRE 2014b).

As planned in the 2012 Investment Proclamation, a state organization to administer and supervise the development of EZs was officially established in 2014 by

[161] The term "industrial parks" is commonly used in Ethiopia's policies and official statement. To remain consistent, the chapter will continue to use the generic term of Economic Zones.

the Council of Ministers under the Regulation No. 326/2014 (FDRE 2014a). The Industrial Parks Development Corporation (IPDC), is charged with the preparation of a national master plan for EZs and serves as an industrial land bank to lease, transfer and sell lands to developers (IPDC 2016). It is also responsible for the management of EZs and for the provision of necessary infrastructure to zone developers.

In 2015, the Industrial Parks Proclamation No. 886/2015 was published, detailing the rights and obligations of EZ developers, operators, enterprises and residents, respectively. In particular, it highlights the requirements of employment creation and skills transfer of various parties engaged in the development of EZs. For example, developers need to facilitate the participation of domestic training institutions in the design of the EZs, and operators should ensure linkages between zone-resident companies and local manufacturers to develop local technology capacity. In addition, developers, operators, and enterprises can employ expatriates only for top management, supervisory or technical positions, but should commit in the replacement of expatriate personnel by Ethiopians through specialized trainings. These requirements demonstrate the government endeavors to improve the contribution of EZs to local industrial and human resources development.

In addition to the introduction of targeted policy documents, EZs have been included in major national development plans as a key strategy for promoting an agricultural-based, manufacture-driven and export-led development. The second Growth and Transformation Plan (FDRE 2015b) (GTP II, 2015-2020) sets the objectives to establish a number of EZs across the country, particularly through “public-private partnership as well as development partner governments” (57). The plan states:

> Land of 7 million square meters will be made available for investor engaged in manufacturing and related sectors, four pilot agro industry parks will be established which will be linked with millions of smallholders to supply inputs, regional administrations, cities and towns will get the necessary support to develop standardized industrial clusters and parks for those investors promoting from small to medium industries, and hence generate employment opportunities. (pg. 29)

Moreover, an implementation strategy to create conditions conducive for the development of EZs is put forward in the Ethiopian Industrial Development Strategic Plan (FDRE 2013) (EIDSP 2013-2025). The strategy devises three programs with respective objectives to generate a supportive policy regime, provide physical infrastructure, and improve capacity building through need-based skills training in local educational institutions. Its implementation will engage multiple central ministries (e.g. Ministry of Trade and Industry, Ministry of Agriculture, Ministry of Education, Ministry of Water, Irrigation and Electricity) and regional governments and authorities.

Table 6.1 Incentives Provided by Ethiopian Investment Commission

	For Developers:	For Manufacturers:
Land Lease	60-80 years depending on the location	Option to rent or buy factory sheds, or sub-lease developed land
Income Tax	10-15 years depending on location	Up to 6 years depending on sectors, additional 2-4 years for those with at least 80 percent export
Customs Duty	Machinery, construction materials and vehicles, capital goods and accessories, spare parts of 15 percent of capital goods value, raw materials, and automobiles.	Machinery, construction materials and vehicles, capital goods and accessories, spare parts of 15 percent of capital goods value (100 percent for exclusive exporters), raw materials for producing export commodities.
Non-fiscal incentives	One-stop shop for issuing investment permits, business licenses, work permit, customs clearance and banking services Customs facilitation of imported raw materials straight from customs post to factory through bonded export factory scheme Expedited visa procedure and better visa terms of multiple entry for up to five years Guarantee against expropriation The right to own immovable property such as dwelling houses and other property for investment Guarantee for remittance of funds for foreign investors The right to open and operate foreign currency accounts for foreign investors in authorized local banks. Subsidized utility rates	

Data obtained from information published on the website of the Ethiopian Investment Commission

The Ethiopian Investment Commission (EIC) has subsequently issued numerous preferable policies to attract potential zone developers and investors, from tax reductions/exemptions to logistical supports (EIC 2016) (Table 6.1). Particular efforts are made to balance the regional distribution of EZs and to promote export-oriented production. In the former case, developers are given income tax exemption for 10 years if building a zone in Addis Ababa (and its surrounding special zone of Oromia), but for 15 years if construction is happened in other areas. The length of land leasing is also longer for EZs in non-capital regions. In the latter case, a full customs duty exemption on spare parts is granted to manufacturers who exclusively engage in the production of export goods, while partial exporters can only receive exemptions on parts equal 15 percent of the total value of the capital goods. Manufacturers who export 80 percent of their products can enjoy additional years of income tax exemption. Moreover, 10 sectors are identified as prioritized areas of investment including agro-processing, textile and garment, leather and leather products, sugar, chemicals, metal and pharmaceuticals. Under such a supportive policy regime, EZs of various sizes and industrial focuses have been developed across Ethiopia.

SPATIALITY OF ECONOMIC ZONES IN ETHIOPIA

With several years of national planning and institutional development, at least 19 EZs[162] were under operation, construction, or design by the end of 2016 in Ethiopia (Map 6.1).

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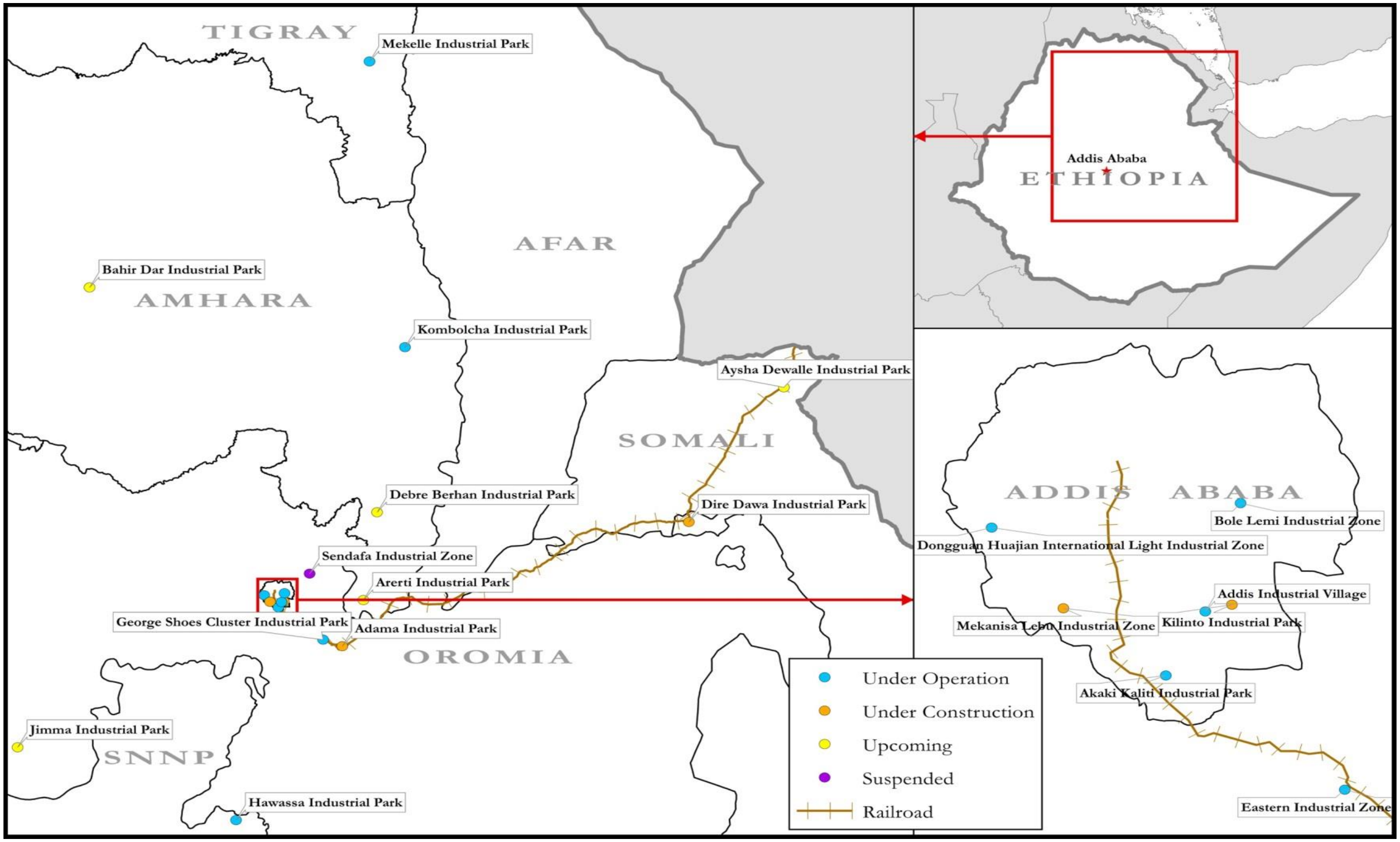
[162] Five additional parks were listed in the IPDC's five-year strategy (2015-2020): the Air Lines Logistics Park. the Awsh Arba Industrial Park, the Andido Industrial Park, the Bishoftu Industrial Park, the Asayta Semera Industrial Park. They, however, are not included on the map due to lack of detailed information about their current development status.

Among these EZs, seven are located in the greater Addis Ababa area, including the Mekanisa Lebu Industrial Zone, the Kilinto Industrial Park, the Addis Industry Village, the Akaki Kaliti Industrial Zone, the Dongguan Huajian International Light Industrial Zone, and the Bole Lemi Industrial Park I & II. Additional EZs are designated in the country's major cities – Adama, Dire Dawa, Hawassa, Jimma, and Mekelle as future regional economic hubs. Most of these zones are supported by the Ethiopian government and managed by the IPDC. Only four are operated by foreign private developers, including the Eastern Industrial Zone (Chinese), the George Shoes Cluster Industrial Park (Chinese/Taiwanese), the Huajian Group Shoes Cluster Industrial Parks (Chinese), and the Sendafa Industrial Zone[163] (Turkish).

[163] The Sendafa Industrial Zone was suspended by the Ethiopian government in 2014 due to potential threat to be posed to the Legedadi Dam and Water Treatment Plant.



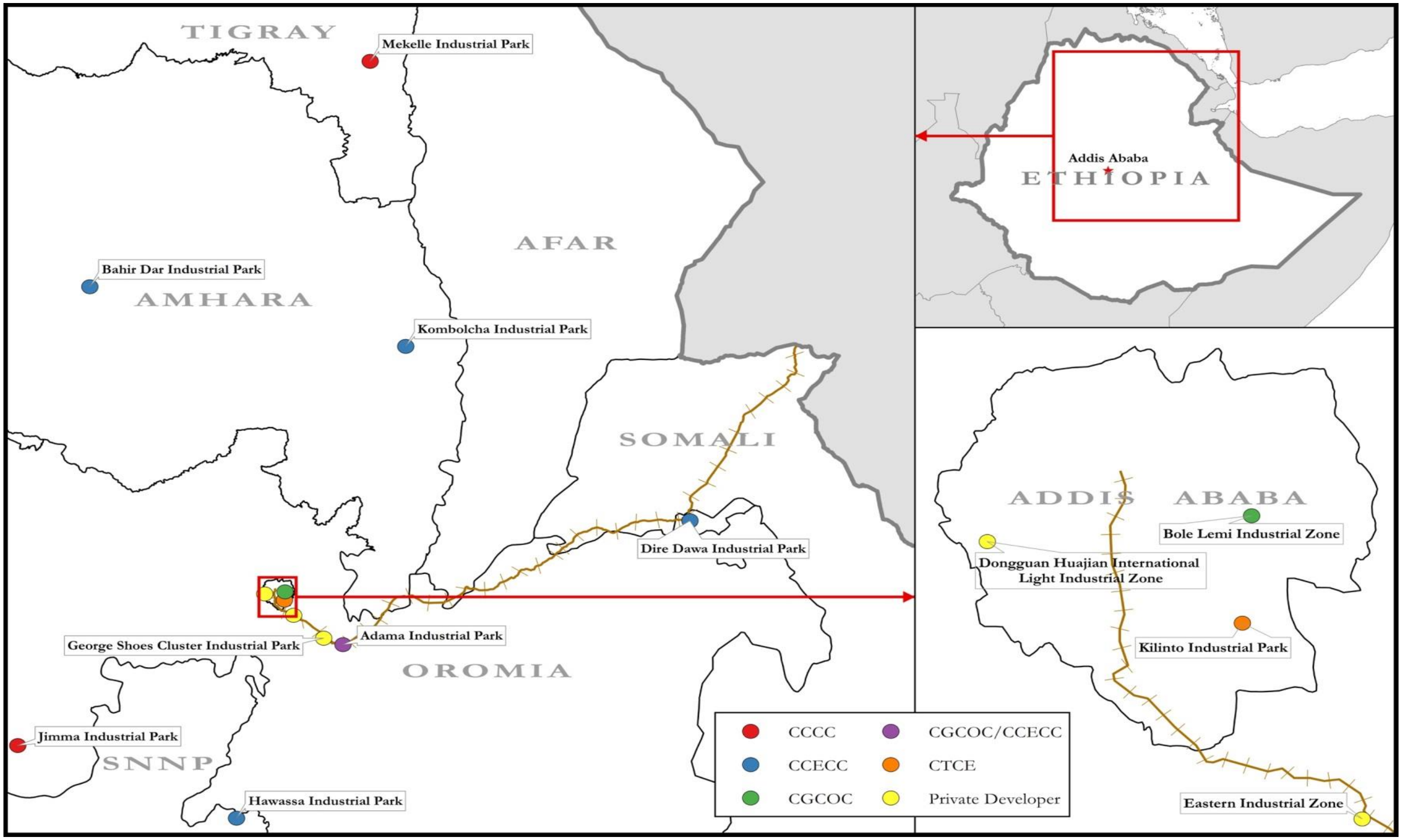
Map 6.1 Locations of EZs in Ethiopia

Data compiled based on information from IPDC website, the author's interviews with Chinese developers in Ethiopia, and internal documents from Chinese contractors, map made by the author.

Despite the authority of the IPDC over the management of most EZs, foreign companies and international financial institutions have played an important role in zone development. Financial support is obtained through international loans from the World Bank, the Euro Bonds, or the EXIM of China (Addis Fortune 2016a; KASSA 2015). The IPDC is also reported to prefer awarding the EZs projects, from design to construction, to contractors who come with their own financial sources (Anberbir 2016; Tesfaye 2015).[164] Additional qualifications include a minimum annual turnover of ETB 6 billion; prior experiences of building at least two EZs; and a sound business track record in Ethiopia.

Although bidding for construction is alleged to be open to both local and international contractors, in practice, government preference has disadvantaged local companies in the competition since most of them are new and lack the same level of experiences and financial capacity as their foreign, particularly Chinese, counterparts. As of 2017, Chinese SOEs and private developers have engaged in the development of 12 out of the 19 EZs in Ethiopia (Map 6.2). Four Chinese SOEs, i.e. the China Civil Engineering Construction Corporation (CCECC), the CGC Overseas Construction Group (CGCOCG), the China Communications Construction Corporation (CCCC), and the China Tiesiju Civil Engineering (CTCE) have won bids for constructing at least nine of these EZs. The building of associated zone facilities, such as electricity grids, Internet, and factory sheds, is also primarily taken by Chinese subcontractors.

[164] The decision was made after the construction of the Bole Lemmi Park I, which took 23 contractors over five years to complete due to financial difficulties. Since then, the government requires contractors to deliver the project in six months' time (Tesfaye 2015).



Map 6.2 Chinese Engagement in Ethiopia's EZs

Data compiled based on the author's interviews with Chinese developers in Ethiopia and internal documents from Chinese contractors, map made by the author.

Almost all nine operational EZs focus on textile, garment, and leather processing sectors.[165] The Kombolcha and Mekelle zones, whose construction were inaugurated in July 2017, plan to host companies in the sectors of food processing and pharmaceuticals. While most EZs target foreign investors, the Akaki Kaliti Industrial Zone, located in southern Addis Ababa, expresses their intention to host those from local or international Ethiopian diasporic communities (Tadesse 2014). According to the Addis Ababa Investment Agency, foreign investors were not prioritized in the zone to allow Ethiopian manufacturers to take advantages of zone-associated benefits (Tadesse 2014).

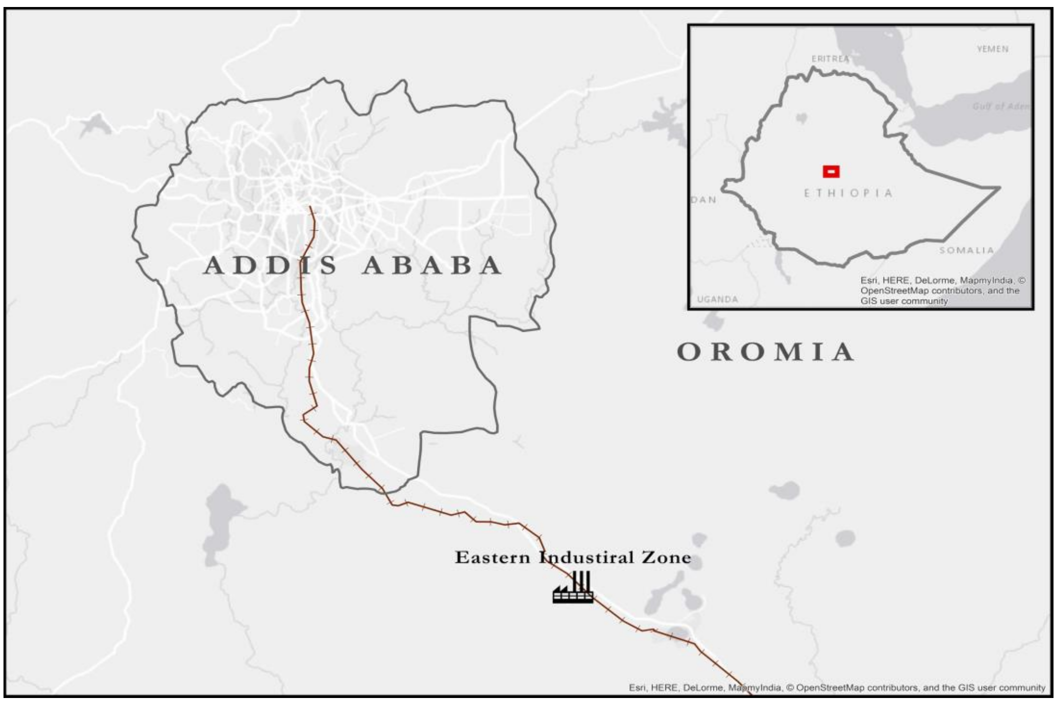
Despite the rapid growth of EZs, limited empirical information exists regarding their long-term impact on the country's economic development. While a few studies have acknowledged the initial contribution of EZs to local employment (Bräutigam and Tang 2011, 2014; UNDP 2015), they lack nuance on the development process of particular zones, the management practices of zone operators and manufacturers, and the situated experience of expatriate and local workers. The rest of this chapter closely investigates these nuances based on a empirical case study in the first and most developed Chinese zone in Ethiopia – the Eastern Industrial Zone.

4 THE EASTERN INDUSTRIAL ZONE: AN UNEASY PATH OF DEVELOPMENT

The Eastern Industrial Zone (EIZ) is Ethiopia's first private zone and one of eight official Chinese OTECZs approved under the FOCAC. It is developed by a consortium of three

[165] Two EZs are to be inaugurated in late 2017, the Dire Dawa Industrial Park and the Adama Industrial Park. Both were built by the CCECC at a cost of USD 190 million and USD 125 million respectively.

private Chinese companies from Zhangjiagang, Jiangsu: the Qiyuan Group[166], the Yangyang Pipe-making Company and the Jianglian International Trading Company. The zone is located about 32 kilometers south of Addis Ababa, between two towns of Dukem and Debre Zeyit/Bishoftu in the Oromia Region, along the Addis Ababa-Djibouti Highway (Map 6.3). The Djibouti Port, which handles most of Ethiopia's overseas trade, is about 730 kilometers east of the zone.[167] Similar to a few other Chinese EZs in Africa, the EIZ obtains technical assistance from the Jiangsu Zhangjiagang Free Trade Zone based on a contractual agreement (Bräutigam and Tang 2011).



Map 6.3 Location of the Eastern Industrial Zone

Map made by the author

[166] The Qiyuan Group was formed in 2006 by five private companies from the Zhangjianggang that specialize in pipe-making, metallurgical equipment, and steel products.

[167] Ethiopia accounts for around 70 percent of the trade volume at the Djibouti port (Railway Technology 2016). Due to the distance to the port, the EIZ was initially considered not an ideal location for the zone.

Given that legal documents and supportive policies were not put in place until the mid-2010s, the early years of the EIZ development were not smooth, signifying a deep learning curve for both the Chinese developers and the Ethiopian government. The original OTECZ tender for EIZ was obtained in 2007by Qiyuan Group and a different company from Zhangjiagang, the Yonggang Group.[168] Land acquisition by the Ethiopian government started later in the year (Biruk Gizaw 2015). However, the project was halted in 2008 due to the global financial crisis and unexpected institutional and logistical difficulties in Ethiopia. The Yonggang Group later left the project, leaving Qiyuan to search for additional financing, locate potential investors, and coordinate with the Ethiopian government to ensure preferential policies toward EZs (UNDP 2015).

Construction resumed later with financial support from the EXIM of China as well as the Jiangsu provincial and Zhangjiagang municipal governments (Bräutigam and Tang 2014). Yet the originally-planned 5 square kilometers were reduced to 2 square kilometers, with the amount of investment also scaling down from USD 146 million to USD 101 million (UNDP 2015). Land development started in 2010 and the construction gradually became discernable from satellite imagery in 2013 after land in the zone area was cleared and construction of two sections of factory was finished (Figure 6.1).

[168] The Yonggang Group is a private steel company from Zhangjianggang.

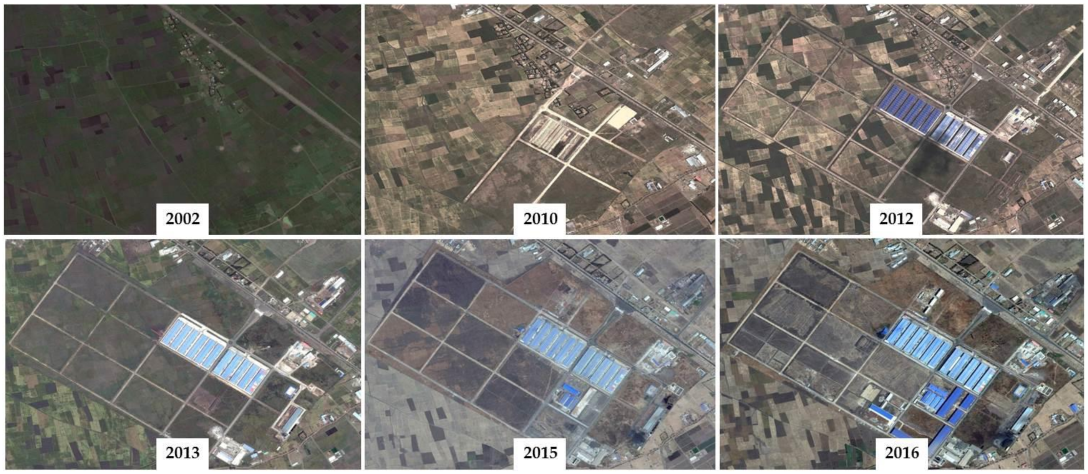


Figure 6.1 Imagery of the EIZ Land Area, 2002-2016
Individual imagery downloaded by the author from the Google Earth

In addition to slow land development, there was also a running sense of uncertainty and pessimism about the future of the EIZ among investors who started to operate in the zone in the 2013-2014 period. Those new investors encountered many challenges in the process of relocating their businesses in Ethiopia, such as the difficulty in obtaining Chinese government subsidies due to large amounts of upfront investment required to qualify for the application, the overall shortage of foreign exchange in Ethiopia, the absence of qualified local suppliers of raw materials, the limited capacity of local facilities, high transportation costs, a lengthy shipping and custom clearance process, slow bureaucratic approvals, etc. (Biruk Gizaw 2015; UNDP 2015). More importantly, sub-lease of lands from the developer to investors in the zone was not allowed by the Ethiopian government, which became a major concern among Chinese investors (Y. Xu and Xu 2017). To increase the confidence of potential investors, the Qiyuan Group actively negotiated with the Ethiopian government and pushed forward the publication of the first Industrial Park Proclamation in the country, which legalizes the transfer of land parcels in the developed zone by the developer or operator to resident companies (FDRE 2015a).[169]

The inception of legal frameworks was soon followed by the establishment of financial incentives and logistical supports from both Chinese and Ethiopian governments. In 2015, the EIZ was certified as a national-level OTECZ by the Ministry of Finance (MOF) and Ministry of Commerce (MOFCOM) of China (EIZ 2013). A reimbursement of RMB 110 million was then granted by the central government for infrastructural development. The Jiangsu government also offered RMB 100 million as compensation to the developer (Y. Xu and Xu 2017). In addition, the Ethiopian government agreed on a reimbursement of 30 percent of the cost for building zone facilities (e.g. power transmission lines, water supply, waste treatment), and the provision of land on a concessional basis (Farole 2011). Additionally, four officers from the Ministry of Industry and the Oromia regional government started to work full time in the EIZ, which greatly expedited local administrative procedures (UNDP 2015).

Incentives are also provided to investors in the EIZ. The Ethiopian government offers various types of preferable treatment to foreign manufacturers, ranging from tax reduction to foreign currency retention on export earnings. The Chinese central government gives investors specialized grants for pre-investment evaluation and compensations on property and for expatriate insurance (MOF and MOFCOM 2005). Lower levels of the Chinese government, particularly Jiangsu and Suzhou, issue

[169] To achieve this, it was reported that Qiyuan Group invited Ethiopian government officials on a tour of China. The officials visited a number of EZs in China and learned what kinds of policy provisions are important for the success of zones (Y. Xu and Xu 2017).

insurance credits and cost compensation on logistics and expatriation expenses for local investors relocating to the EIZ (Jiangsu Government 2010; Suzhou Government 2013).

With financial support from home governments and the overall improvement in Ethiopia's institutional and policy context for EZs, more land was cleared for the expansion of the EIZ in 2016. Additional factory sheds were built, and continued land transformation occurred both inside the EIZ and in its surrounding area (Figure 6.5). The price of land in the area also skyrocketed from ETB 1 per square meter in 2008 to ETB 68 per square meter in 2015 (Q. Zheng 2017). Meanwhile, as the chief developer and operator of the EIZ, the Qiyuan Group has diversified its sources of profit over the years through the sale and rental of factory sheds, the collection of management and facility fees from investors, and investment in a few factories inside the zone (e.g. steel, cement, and pharmaceutical). It reported a in 2015, showed a revenue of RMB 100 million in 2016, and is expecting steady growth in the coming years (He 2017).

The number of investors in the EIZ also has grown rapidly in the past several years. As of 2016, the EIZ attracted 64 manufacturers, among which 31 were under operation (MFA 2016). These manufacturers engage in diverse economic sectors: textiles, garments, footwear, construction materials, auto assembly/parts, food processing, household products, etc. In the initial years, most companies in the EIZ came from the southern and southeastern provinces of China, primarily Jiangsu and Guangdong. It now hosts investors not only from different parts of China but also from other countries. The fact that eight non-Chinese foreign manufacturers reside in the zone provides counterevidence to the popular portrayal of Chinese EZs being enclaves reserved for Chinese investors.

Contributing more than 8,000 local employment opportunities, the EIZ has now been promoted to a national model whose experiences will guide the development of other EZs across Ethiopia (MoFA 2016). In the meantime, both the Ethiopian and Chinese governments have shown increasing political commitment to the EIZ by making it a popular destination for official and business delegations. In less than four months' time (late July to mid-November) in 2017, the EIZ received 17 delegations from both countries. In the context of expansion of EIZ in terms of size, number of investors and national influence, it is imperative to carefully examine the operations of manufacturers in the zone, particularly the implications for and impact on local skills development.

5 Investing in Ethiopia: Chinese Manufacturers in the EIZ

This section and the following present the findings of a mixed-method research project conducted in 2016 to study the operational strategies of resident companies and the work and social interactions between expatriate and local workers in the EIZ. Participant observation of the production process and key informant interviews with Chinese managers, expatriate technicians and local foremen were conducted in selected factories. An opinion survey was carried out with 208 local workers to learn about their experiences of work in the zone. This section focuses on Chinese manufacturers in the EIZ, their motivations and challenges in Ethiopia as well as the development of zone-based communities and inter-firm learning.

Motivations and Challenges of Investing in Ethiopia

Most Chinese investors in the zone are private manufacturers engaged in labor-intensive production. They are different from SOEs who came with strong financial and political resources, or large private multinationals who have relatively rich experience in managing overseas branches. Their investment in the EIZ is driven by multiple push-and-pull factors, including rising costs and regulations in China under domestic restricting as well as Ethiopia's low labor costs, pro-investment policies, sizable potential market, and the quota-free access to North American and European markets.

> Many textile companies in Shaoxing are closed. The labor cost is rising rapidly in China. Some companies turned into other businesses. […] The quality standard in China is also very high. Clients are so picky about the quality and design of the textile products. It's getting harder to sell in local [Chinese] market. In Ethiopia, there's less competition, and whatever we produce can sell at good prices.[170]

> The labor cost [in Ethiopia] is one seventh of that in China. Electricity cost is half of that in China. But the logistic spending is 50 percent more. But we enjoy zero tariffs for exporting to Europe, compared to 37 percent if we export from China.[171]

However, as new overseas investors, Chinese manufacturers have encountered many unexpected difficulties in launching their businesses in Ethiopia. These include the unfamiliar foreign environment, language barriers and limited support from the zone management office or from local authorities. Some investors struggled for months to get local work IDs for the Chinese expatriates. Others got stuck in the middle of business registration due to the complex paperwork and lengthy administrative process.

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[170] Interview with a Chinese technician from a textile factory, 2016, translated by the author.

[171] Interview with a Chinese technician from a garment factory, 2016, translated by the author.

However, variations exist in Chinese manufacturers' ability to deal with local administrative and bureaucratic difficulties. Huajian, a shoe manufacturer for many famous brands worldwide, had a relatively smooth start given its close relationships with the Ethiopian government. The company entered Ethiopia after receiving a personal invitation by the late prime minister Meles Zenewi during his visit to Guangdoing in 2011 (The World Bank 2012). Since then, the company has become a leading shoe producer and exporter in Ethiopia, owning two factories in the EIZ. It also started to build its own industrial park of 1.37 square kilometers in greater Addis Ababa (AAO 2014).

Despite the advantaged status, local operations of Huajian are still impacted by the same challenges – in terms of local facilities and overall economic conditions – as experienced by other Chinese manufacturers. The constantly interrupted electricity and water services have degraded product quality. The absence of a qualified local supply chain has forced companies to rely on imports of raw materials from China despite the high transportation costs and a long shipping time. Due to these challenges, Huajian can only move their production chain for lower-end shoe brands such as Guess, Nine West, and Naturalizer to Ethiopia, while keeping that of more exclusive brands such as Coach and Ivanka Trump in China (AAO 2014).

> [I]n Dongguan [which is an industrial city in the Pearl River Delta of China], freight transportation only costs 1.5 percent of the output value, so that for exported goods to the value of US$100,000 the freight cost will come to US$1,500. In Ethiopia, the freight cost can be as much as 4.5-5 percent of the total output value due to poor infrastructure. […] With local supply chains for shoes manufacturing missing, the company must import 60 percent of the raw materials, except leather, from China. (Z. Zhang 2017)

For Chinese manufacturers in labor-intensive production in the EIZ, the low labor cost in Ethiopia is a major incentive. As a result, daily production in the zone is heavily reliant upon the local workforce. The localization rate ranges from 80 to 99 percent in factories, showing a much higher rate than Chinese SOEs and large private companies. The management structure is also much thinner with very few Chinese in managerial or supervisory positions. For example, a textile company employs only six Chinese who supervise over 500 locals. Besides a general manager, the remaining five Chinese include one accountant and four technicians who take turns supervising day and night shifts. Local management includes 10 local foremen who each manage 40-50 locals. Arrangements of this kind are largely pursued in other factories in the zone.

In addition, while being identified as a distinctive feature of Chinese companies, the use of foreign managers and technicians is also commonly practiced in Indian and Dutch factories in the EIZ. For example, a South African branch of a Dutch company purchased a factory in the EIZ and was in the midst of installing machinery and training local workers during the research. Its workforce included 80-100 locals, 30 Indians, and 20 South Africans. The use of expatriate South African and other foreign workers is to fasten the start-up process since they are familiar with the machinery and production procedures. Hence, expatriation is less of a unique Chinese practice but is considered more as a rational business strategy by foreign investors.

Despite the inclusion of non-Chinese foreign investors in the EIZ, the zone is still dominated by Chinese manufacturers. Scholars have acknowledged the potential of Chinese zones to create economies of scale for overseas investment, through which those inexperienced, small- or medium-sized Chinese companies globalize "in groups"

(Bräutigam and Tang 2014). Less is known, however, regarding community development among Chinese manufacturers in the zone, or how the zone offers an opportunity for inter-firm learning that is less available for companies that operate independently.

Community Development and Inter-firm Learning in the Zone

Physical bonds of being inside the zone as well as their similar economic status and organizational structures have fostered a sense of community among Chinese manufacturers. The Qiyuan Group, operator of the EIZ, regularly organizes knowledge exchange sessions to update investors on policy changes and new incentives in the country. A virtual discussion group on WeChat – a popular Chinese social media application on mobile phones – is set up to enable timely communication between and among the operator and investors with regard to management strategies, local administrative procedures, and tactics to deal with local bureaucracies. The WeChat group has also become a platform where inter-firm businesses are forged in casual ways. For example, an informal deal was reached between a garment manufacturer and a few other manufacturers, under which the former will produce workers' uniforms for the latter as part of its training exercise for local workers. Also, a quilt manufacturer sells its bedding sets at a discounted price to Chinese expatriates inside the zone.

In addition to a large, business-oriented WeChat group, numerous small groups have also developed among Chinese expatriates for planning social activities. Most Chinese expatriates work abroad on a 2-to-3-year contract and spend most of their time inside the zone. They live in dorms with basic accommodations in their factory sheds; in most cases, they share a room with one to three other Chinese. The WeChat group offers an opportunity to socialize with Chinese from other companies. Engaging in small talk in the discussion group has become a major past-time during the work day; group-based activities also fill up their spare time in the evenings and on weekends.

Through frequent work and social interaction among Chinese expatriates, manufacturers become increasingly consistent in factory management strategies. For example, managers from different companies try to make sure their policies remain "somewhat similar" to others in the zone, from specific work rules and regulations to employee benefits, such as the number of holidays, amounts of annual bonus, and transport compensations. New investors are especially keen to hear the lessons that have been learned by their predecessors, deeming it an effective way to reduce start-up costs.

Not only have companies' shared residence in the EIZ increased managerial and social contact among Chinese expatriates, having multiple factories of the same sector in close proximity also improve employment opportunities for local workers. Such low-cost job mobility adds to workers' agency toward Chinese management, and is an important reason for managers to offer similar salaries as their peers at other factories in the year.

> Words travel fast in the zone. If one worker knows another factory is paying more, he will just quit. I don't know how they get to know each other; they just know. So it's safe to just pay an amount similar to others.[172]

Therefore, when Chinese employers recruit local workers by interviews and other screening methods, locals also closely evaluate their employers based on salary standards, work environment, job intensity, sociability, and personal characteristics. If the

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[172] Interview with a Chinese manager from a textile factory, 2016, translated by the author.

work conditions in one factory are unsatisfactory, workers will leave for a neighboring company. In some cases, the switching of employer is a group activity among local workers as the one who finds a good place to work may persuade their friends in the previous workplace to leave together for the new company. Such individual- and group-based job mobility, however, is inciting collective resistance on the part of Chinese management. Chinese managers from a number of factories have reached a verbal consensus that they will not recruit local workers who quit other factories in the zone; however, in practice, it is hard to keep track of individual workers.

Chinese manufacturers have also adopted a collective voice toward local government regulations, which increases the companies' leverage in times of negotiation and resistance. For example, a manager of a textile factory revealed that only one company in the zone allows for the establishment of labor unions.[173] Whenever a local labor officer pays a visit to his factory to request unionization, the manufacturer will enlist other bigger and more profitable investors who do not yet have unions. "I will allow workers to unionize as long as all other companies have done so," the manager commented. Making references of such a kind allows investors to avoid their obligations to follow local regulations.

Another occasion for inter-firm collectivity happens in times of local policy change. In early 2017, there were rumors about a new policy to be put forward by the EIC, which requires that all foreign textile and garment investors have to engage in

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[173] The one exception is Yuqi Autos discussed in detail in Chapter 5. The company already had a union before it opened the assembly factory in the EIZ.

export-oriented production. Those who exclusively cater to the local market can no longer get their business license renewed. The new policy was viewed as a major blow to the Chinese textile and garment investors in the EIZ as over half of them heavily rely upon the local market. If the policy becomes official, these small manufacturers are at risk of going out of business. By the time I left the field in March 2017, multiple meetings and informal discussions had been organized among these investors who aim to argue against the policy change with officials in the EIC. They have actively sought for help from the management team of Qiyuan and planned to build a greater alliance among other large investors in the zone.

While the specifics of the negotiation process are unknown from that time on, the case shows the potential to form collective action among Chinese manufacturers in the EIZ. Residing in the zone has increased opportunities for inter-firm learning, mutual support, and social interaction among Chinese investors. These community resources are especially valuable to small- or medium-sized companies who have limited overseas experience and business capacity to operate independently in Ethiopia. The physical closeness of companies in the zone also increases the job mobility of local workers, although a greater employer agency can weaken their flexibility to move among factories. While some consistency in management tactics is observed, Chinese companies still differ in subtle ways in the organization of the day-to-day production process. The variation comes from the company’s sectorial focus, market competitiveness, and industrial and institutional linkages in home countries and in Ethiopia. They also have implications for individual workers’ situated experiences in the zone.

6 Work and Life in the Zone: Local Workers' Perspectives

Existing case studies and media reports have acknowledged the EIZ's contribution to local employment (Biruk Gizaw 2015; He 2017; Rohne 2013). However, beyond the abstract numbers of people being employed, less is known about how individuals are organized, trained, and managed to work in different companies. Their perceptions of management practices, the efficiency of skills training, and the development of social relations are also underexplored. This section addresses these weaknesses by examining the characteristics, work and training experiences, and situated perspectives of local workers in the zone.

Characteristics of the Local Workforce

A randomized survey was conducted with 208 local workers in the EIZ, covering about 2.6 percent of total local workforce. The survey, while not presenting a structured sample, revealed a number of characteristics of the local workforce in the EIZ. First, a majority of the workers are single, young individuals who do not have extensive educational backgrounds. They are between 16 and 28 years old (both the average and the median age is 22). Fewer than half of them have received post-secondary education, of which only 4 have college degrees; the rest went to Technical and Vocational Education and Training (TVET) schools[174].

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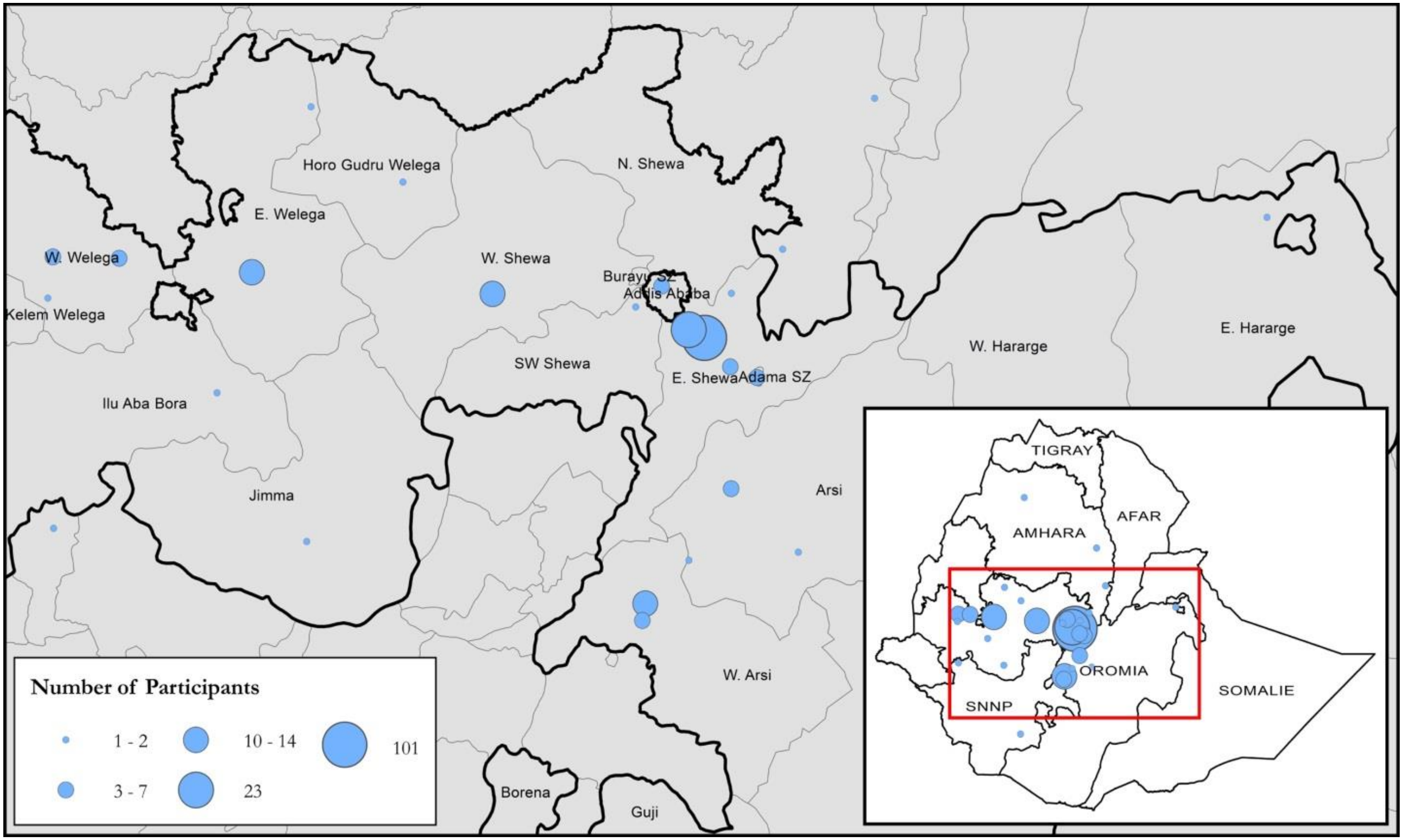
[174] TVET in Ethiopia presents an institutionally separate track from the formal educational system. It emulates the German apprenticeship style with students spending 70 percent of their time as interns. Students will take a centrally-organized exam after grade 10, managed by the National Education Assessment and Examination Agency (NEAEA). Those who pass the exam

Second, gender composition varies according to the specific sector of production: textile and garment factories recruit more females while steel and cement factories have more males. The survey, however, captures more male than female respondents – 146 versus 62. During the survey, some female workers declined the survey request as they were in a rush to go back home after a day's work; some appeared very shy to talk to the researchers; while others were illiterate and so could not read the survey.[175]

Third, the geographic sources of the local workforce are mainly in the immediate local region where the EIZ is located (Map 6.4). The Oromia region, particularly the nearby towns of Dukem and Debre Zeyit/Bishoftu, is home to 94 percent of the surveyed workers. A large scale inter-regional labor migration driven by the development of EZs – as widely witnessed in China (Fan 2002) – is hence not yet evident in the case of the Ethiopian EIZ. In fact, interviews with a few employers in the zone revealed that the local government of Debre Zeyit/Bishoftu required that large scale recruitment should be sourced by its labor office or police station. By so doing, the local government ensured that local residents have the prioritized access to employment opportunities in the EIZ. Chinese investors, at the same time, are relieved from the tedious work of advertising for jobs and organizing background checks of workers.

(about 30 percent) will continue to college preparatory schools, while others are admitted into TVET. The latter then will stay in the TVET for 1-3 years (i.e. 10+1, 10+2, and 10+3), according to their national exam score. Those in the track of 10+3 are considered equivalent to completing the first year of college education upon graduation (Krishnan and Shaorshadze 2013).

[175] To promote female representation the survey, two local assistants were asked to work with female workers, reading the survey to them in local languages and writing down their responses.



Map 6.4 Geographic Origins of Surveyed Workers

Map made by the author

Fourth, given the overall young age of the local workforce, only a small portion of workers have previous employment experience. For 83 percent of the surveyed workers, the current factory work is their first job. Among the 35 individuals with previous work experience, 25 have worked for Chinese companies for an average of 12 months, and 10 for non-Chinese companies for an average of 9 months. Together, 190 of the 208 workers have only worked for Chinese companies since they entered the job market, which signifies the contribution of Chinese investors to the employment and training of local young adults.

Fifth, the surveyed workers are employed by different companies in diverse sectors. Overall, two primary groups of employers exist in the EIZ: the zone developer/operator of the Qiyuan Group and zone investors (Figure 6.2). Locals employed in the first group are either construction workers who build factory sheds and other infrastructure inside the zone, or service personnel such as security guards and cleaners. While Qiyuan also recruits a small group of local managers, translators, and officers, they are not included in the survey. The second group of employers includes 17 investors in five sectors of footwear, industrial materials (e.g. cement, steel pipe, and metal), textile and garment, auto parts, and household products (e.g. soap, shampoo, and detergent). The diversity of employers contributes to various arrangements of work and provisions of training for local workers. This warrants a comparative analysis between firms and across sectors.

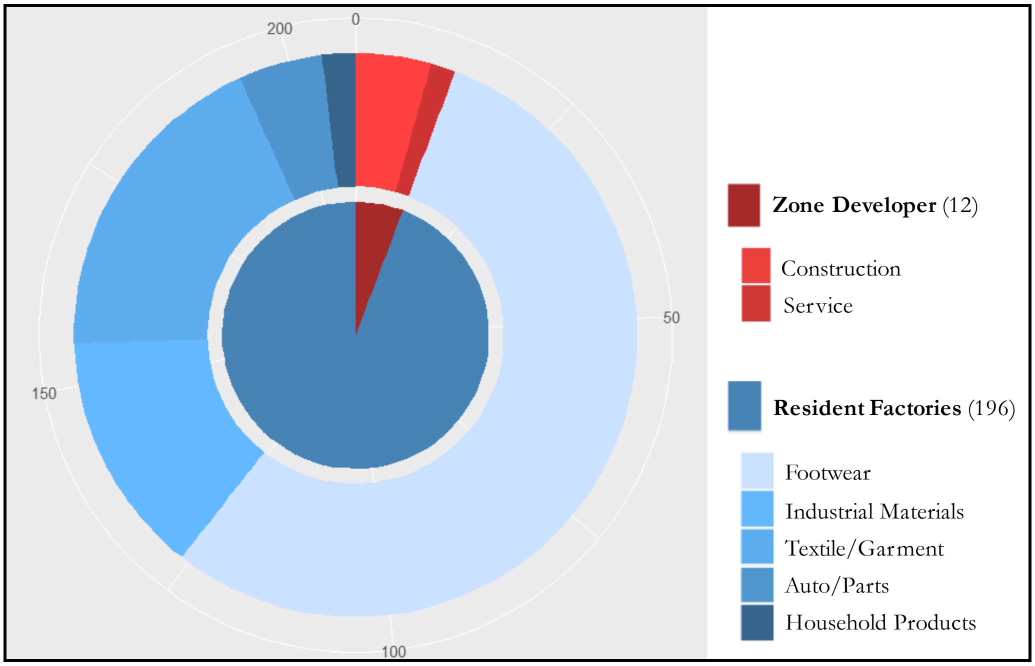


Figure 6.2 Sectorial Distribution of Surveyed Workers

Figure made by the author

The Making of A New Manufacturing Generation

The fact that 91 percent of surveyed workers have only worked for Chinese employers indicates that Chinese companies are playing an important role in shaping the new "manufacturing generation" of Ethiopia where an industrial culture is yet to be fully developed. At the same time, while low labor cost is an important incentive for Chinese investors, the lack of a skilled workforce has lowered factory productivity. One Chinese technician complained: "a typical Chinese worker can run 7-8 machines, but it takes two locals to run one." Therefore, training in Chinese companies has become a necessity rather than a bonus. However, the arrangement of work and the provision of training vary between companies and across sectors.

With large numbers of factories and workers, EIZ is busy during the day and throughout the week. Overall, workers work for five to seven days a week and six to fifteen hours per day. Variations in specific work length reflect sectorial differences. The zone service personnel work the longest time per day for an average of 11 hours, followed by textile workers for 10 hours, and those in footwear for 9.5 hours. Light manufacturers operate one to three shifts a day for a full week. For example, a textile factory employs about 100 local workers and organizes two shifts: one between 7:00 am and 6:30 pm and the other between 7:00 pm and 6:30 am, with only a one-hour break during each shift. Workers in construction, industrial materials, auto assembly/parts and household products work about 8 hours per day. The manufacturer of household products also operates two shifts a day; but it was still in the early stages of internal product line installation during the survey, so only a portion of the factory was under operation.

In addition to sectorial differences, the work schedule also varies from time to time, influenced by market demands, and financial and logistical conditions. Textile and footwear manufacturers, in particular, constantly adjust their shift schedules and workforce size based on delivery deadlines set by the clients. In slack production seasons, workers can have two days off in a week. For example, Huajian, the largest employer in the EIZ, recruits about 4,600 locals and 160 expatriates in total. Yet, during the time of survey, there were only about 2,400 workers in two workshops of the factory.

Sectorial difference is also observed in the provision of training to local workers. Overall, 61 percent of surveyed workers reported having received training before starting the job. Training on average took 9 days at 7.6 hours per day. In industrial material companies, training was provided to technicians, but not to the manual workers. Textile and footwear companies in general provide more training, but there are also inter-firm variations. For example, one garment manufacturer provides the longest length of training – an average of 20 days – to new workers. Their products are mostly exported to the European markets, which imposes higher quality requirements.

Training is also delivered in different forms in the factories. On-the-job training is the most common approach. Due to the limited number of Chinese technicians, most companies follow a “trickle-down” scheme, in which Chinese technicians train a small group of local foremen and have them teach other local workers. Companies with more financial capacity, such as Huajian and Yuqi Autos, also send a select group of local employees to their headquarters for advanced learning. Especially for Huaxian, large groups of local workers are sent back to their home factories in Dongguan or Ganzhou for 1-3 years of language immersion studies. Managers in Huajian believe it offers an “eye opening” experience for the locals since they can see, with their own eyes, how fast a typical Chinese worker performs the tasks (Z. Zhang 2017).

Training in Huajian over the past years has efficiently promoted the Chinese language as the working language among expatriate and local managers. However, not all manufacturers are interested in having translators or Chinese-speaking locals in their factories. In fact, some have intentionally avoided “too much contact” between Chinese and locals. One manager from a quilt and comforter manufacturing company revealed that he wants to minimize non-work-related communications on the shop floor to ensure productivity, prevent friction, and reduce the unnecessary information leak to the local workers through translators.

Other than the promotion of Chinese languages, manufacturers have also tried to instill a set of qualities to local workers, such as efficiency, discipline and job commitment. In the opinion of some Chinese managers, local workers were "herding or farming in their villages yesterday and became a factory worker this morning." They, therefore, see an urgency to transform local workers' mentality and work habits to fit with the busy factory life. In most factories, discipline and efficiency are enforced by a strict timetable of work as well as monetary punishment for arriving late, leaving early, or for unexcused absence. All are similar to the management tactics found in early generations of Chinese factories in the post-reform era (Lee 1998b). Such strict roles are imposed on both local workers and the Chinese technicians. For example, a textile company stipulates the following monetary punishments to the expatriates.

Table 6.2 Example of Monetary Fine for Rule Violations

3. Punching time card before having breakfast is not allowed. Those who stay in the kitchen area after 7:30 am will be fined RMB 100 per person per time.
4. Those start late for less than 30 minutes will be fined RMB 100. Every additional 30 minutes will be fined an extra RMB 100 until reaching the limits of a whole day's salary.
5. Those absent won't receive the day's salary and will be fined an additional RMB 100.
6. Smoking in the production area will be fined RMB 1,000.
10. Sleeping during the night shift will be fined RMB 100.

Source: Employee rules of a textile company, translated by the author

Strict rules of these kinds are also inscribed within the physical setting of factories. Some manufacturers put up large boards at the gate of the factory that stipulate regulations on workers' behaviors. Others keep a "warning times list" at the front door that publicizes the number of warnings that each worker receives. A distinctive spatial inscription of rules in a Chinese factory is the hanging of red banners with lofty slogans in the factory space. The slogans, printed in Chinese, English and Amharic, write "Punctuality is integrity," "Focus on efficiency," "Pure gold fears no fire." They resemble those banners in Chinese factories during the socialist era that aim to boost workers' morale and commitment to work.

Figure 6.3 Training in Huajian's Factory Compound
Photo taken by the author

One exceptional discipline strategy is adopted by Huajian. As part of the company's tradition, all workers, Chinese and Ethiopians, must participate in physical training three times every day, during which time workers march and jog around the factory campus and listen to exhortation from local managers (Figure 6.3). The marching is considered a way to improve workers' coordination and obedience, thus helping to build a common identity among workers. In the morning training, a team leader will review the day's work content, report work progress and emerging issues with product quality, restate company rules, and sometimes name and scold individual workers who made mistakes during work. The crowd will then sing a factory song together as part of a corporate cultural education to implant a sense of belonging in workers.

The importance of time as a disciplining focus is not only evident from strict work timetables, but is also implied in employer's control over the schedule of non-work activities. To ensure productivity, punctuality and management efficiency, a number of companies – particularly those who maintain a large workforce – provide transport shuttle and lunch to local workers (Figure 6.4). Among the 208 surveyed workers, lunch is provided to 142 workers from 11 companies and shuttle to 94 workers from 7 companies. This collective management of workers' meal and transportation also prevents large chunks of workers from wandering inside or near the zone during break or after work, and so also reduces the management and security workload of the zone operator. Manufacturers with smaller sizes of workforce, however, decide not to provide lunch due to the high logistical cost and potential issues with food sanitation.

Figure 6.4 Workers Rushing to Catch the Shuttle Bus
Photo taken by the author

Both similarities and differences exist in the daily organizations of work among companies in the EIZ. Various disciplining tactics are inscribed in spatial, temporal, managerial, and logistical structures in the Chinese factories. Overall, training is provided as a necessity due to the lack of skills among local workers. The level of employer commitment to training locals, however, is contingent upon the sophistication of skills required to produce the goods in that factory which is further determined by the firm's positionality in the international market. Manufacturers with better financial capacity are more inclined to diversify their training provisions. Having learned the work arrangements and training provisions, it is also imperative to examine the perceptions of local workers, particularly their evaluation of training effectiveness and the incentives for and challenges to work in these companies.

WORKERS' PERCEPTIONS

How does the new generation of industrial workers perceive the intense, disciplined, and in some cases boring factory lives in the EIZ? To investigate workers' perception of work, the survey provided a set of statements on work intensity, co-worker collaboration, management, and training that workers would evaluate based on their level of agreement on a scale of 0-5 (Table 6.2). The results indicate that workers generally agreed that the schedule of work was acceptable and the Chinese were competent in professional skills. A slightly higher rate was given to the level of collaboration between Ethiopian co-workers than that with Chinese expatriates.

Table 6.3 Evaluation of Work Experience in the 0-5 Scale

Statements	**Average**
The Chinese are competent in the professional skills.	3.9
You work closely work Ethiopian colleagues in the company.	3.6
Your professional skills improved after working in the company.	3.6
Your daily communication with Chinese colleagues is effective.	3.5
On-the-job training in the company is helpful to improve your skills.	3.4
Your work time and schedule is acceptable in the company.	3.3
You work closely with Chinese colleagues in the company.	3.3
The work process is well-managed in the Chinese company.	3.1
You often socialize with Chinese colleagues beyond working hours.	1.8

To further unpack the sectorial difference in workers' perceptions, each surveyed worker was asked to identify and rank three major incentives and challenges of work in the current company. The results were then converted to numeric ranks and mapped out onto two dimensions (Figure 6.5). The horizontal dimension reveals the total number of times (i.e. incidence) that one particular incentive or challenge was mentioned by workers. The vertical dimension shows the level of significance (i.e. rank) of the factor. The results show both similarities and differences in worker perceptions across the three major sectors covered in the survey, namely industrial material (29 workers), footwear (114 workers), and textile and garment (39 workers).

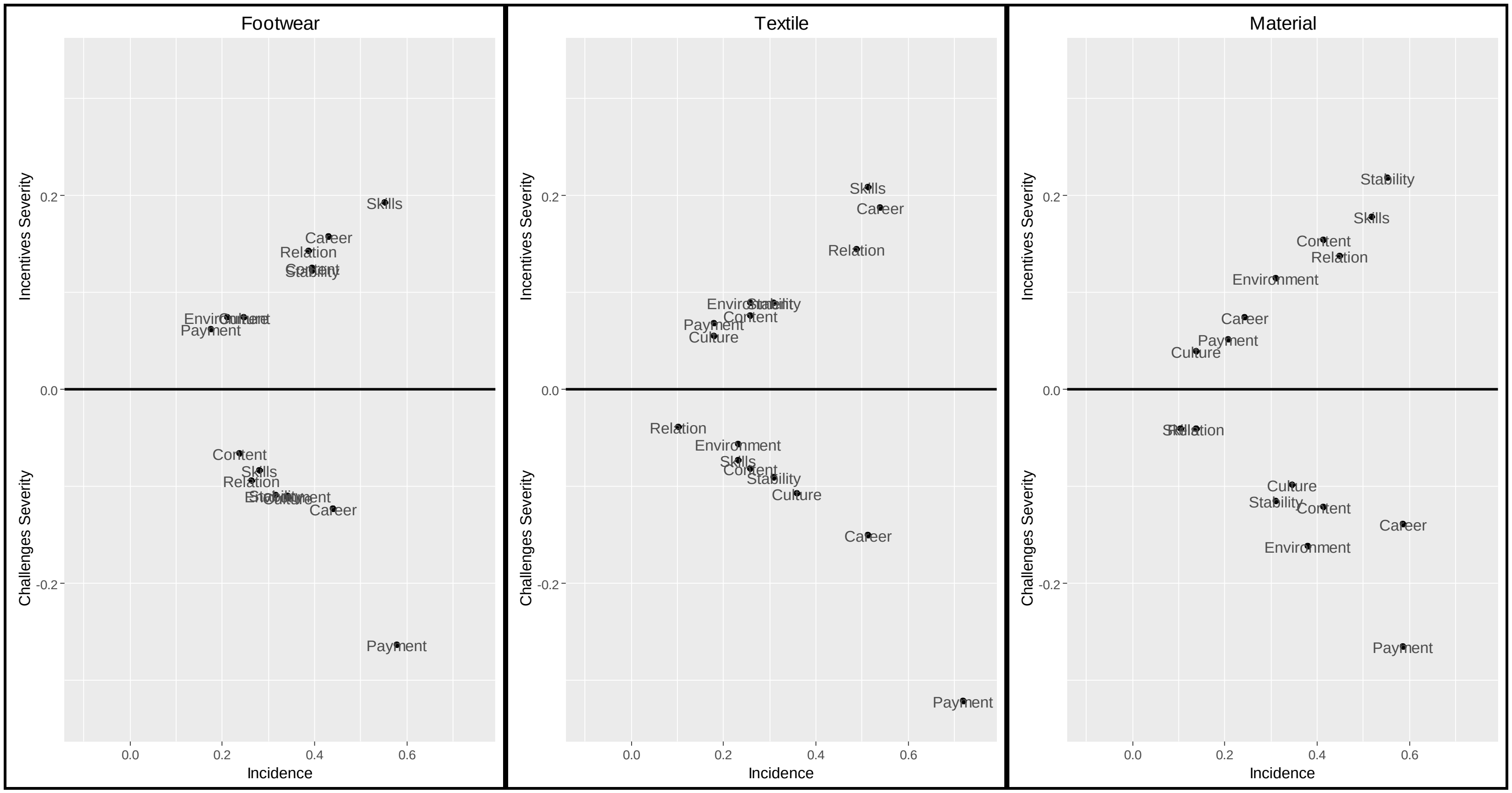


Figure 6.5 Worker-perceived Incentives and Challenges of Work

Figure made by the author

Overall, skills development was identified as a key incentive of work. This result provides counterevidence to the popular notion that local workers are playful and unmotivated to learn. On the contrary, workers are conscious of the importance to improve their skills through work. Workers in industrial material production put job stability as their top incentive. The boom of infrastructure development in Ethiopia has dramatically increased the consumption of building materials in the country. The success of Chinese companies in securing construction contracts or sub-contracts, at the same time, have attracted many Chinese building material manufacturers to invest in Ethiopia. Companies in the EIZ enjoy a relatively large share in the domestic market, particularly through Chinese clients.[176] Working in this sector is considered a stable job compared, for example, to being employed as a manual worker in a construction company.

As for worker-perceived challenges, low payment was identified as the top one across all sectors. Workers typically received a monthly payment of between ETB 1200 and ETB 2200, with the amount slightly lower in textile and higher in industrial materials companies. A local manager can earn up to ETB 6,000 per month plus bonus and other benefits. In most companies, the highest salary was offered to local translators who spoke Chinese, English, and one or more of the local languages. Their salary could be more than ETB 10,000. While the Ethiopian government does not enforce a national minimum salary, payment offered by the companies is in fact higher than the national average of

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[176] For example, a manager from a steel pipe manufacturer revealed that his company occupies at least 30 percent of the local market.

ETB 1,100 per month[177]. Nonetheless, this amount is not considered sufficient by most workers given the high household expenses and the number of unemployed family members who are dependent on the factory income.

Meanwhile, career development potential emerged as both an incentive and a challenge for workers, especially in the footwear and textile sectors. While workers believed that their work experience will expand their career choices in the future, they were concerned that there is little room to get promoted within the current company. Even senior technicians and managers saw themselves as subordinate to the Chinese expatriates, and could not participate in management decision-makings. Chinese managers, on the other hand, expressed their willingness to promote locals but said they were unable to do so given the limited number of qualified and skilled candidates.

> It takes at least 10 years to train a good Chinese manager. The locals have much lower starting point. I don't think them can be promoted to top managers in a short time.[178]

While workers identified a number of challenges they faced during work, most did not report having experienced or witnessed conflicts in their companies. Among all 208 surveyed workers, 70 had encountered an average of 6.5 instances of conflict in their companies. More male workers reported conflicts (57 out of 146) than did female workers (13 out of 62). Interviews with Chinese managers revealed that some workers, in times of conflict, will just leave the company, while other may reach out to the local police station or union office for intervention. In a few factories, a mistreated local

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[177] Ethiopia's per capita income is USD 590, World Bank data, 2016

[178] Interview with a Chinese manager from a garment factory, 2016, translated by the author.

worker can arouse a collective resentment of all local workers. As one Chinese manager recalled, once he issued a harsh monetary penalty to a local worker for his misbehavior, and then all workers in the factory began to make a long whistle together to express their contempt. Another Chinese manager almost got hurt when locals threw shoe molds at him after he fired a local worker.

Besides the sometimes-hostile relations between Chinese and local workers, social interactions remain minimal in most factories, as revealed by workers' evaluations in Table 6.2. Nonetheless, there are cases of good work and personal relations being developed on the factory floor. One evening, a senior Chinese textile technician was pacing outside the factory after dinner. It was about the time to start the night shift and workers were walking into the factory shed in groups. As they passed by, girls waved and greeted the Chinese technician, calling him "papa," while the boys came up to shake his hands and bump the right shoulders. The warm greetings show the love of locals for the Chinese technician, who is known for his even temper and his kindness, and who always takes care of local workers when he is on duty to oversee production shifts.

> They [the locals] are not mentally and physically prepared to work on night shifts. Some of the young girls and boys passed out in the midnight when they just started, probably due to low blood sugar. I'll prepare some candies and water when it's my turn to supervise the night shift. […] We start the evening shift at 7:00 p.m. sharp. Anyone who are more than 5 minutes late will be fined by ETB 5 per half hour. But they earn so little. Sometimes when the boss is not around, I will not record those who came in late.[179]

[179] Interview with a Chinese technician from a textile factory, 2016, translated by the author.

While language barriers and production imperatives have been listed as major reasons for the lack of social integration in Chinese companies in Africa (Chang 2013; Snow 1989), this example illustrates the development of social interaction between individuals who not necessarily speak each other's language. The expression of patience, care, and empathy is also inscribed in one's body through the exchange of greetings and the delivery of small favors during day-to-day encounters.

7 CONCLUSION

The case of the EIZ adds to the heterogeneity of Chinese economic engagements in Ethiopia, one that signifies the local adoption and learning of a Chinese "development model." After years of institutional and policy development, EZs have become part of Ethiopia's industrial transformation agenda. The planning and construction of EZs throughout the country further necessitate timely evaluations of the existing ones so as to inform future development of EZs.

The large numbers of Chinese manufacturers in the EIZ contribute a different type of business organization than that of the conventional SOEs and large private companies from China. Being small investors with limited government relations, financial resources, and overseas experience, these manufacturers have actively learned about management decisions and operational strategies from their fellow investors and have taken up collective actions in times of local policy change. Physical residence in the zone, therefore, allows small Chinese manufacturers in different sectors to develop certain levels of uniformity and collectivity when engaging with local officials and workers.

Overall, investors in the EIZ have relied heavily upon the local workforce for production activities and day-to-day management. Nonetheless, both similarities and differences exist in work arrangements, management practices and training provision between companies and across sectors. Manufacturers are generally demand-oriented and will adjust their work schedules according to purchase orders and market conditions. While informal training exists in most companies, its sustainability and effectiveness are uneven and variable. Those engaged in export-oriented production tend to invest more time and effort in training than those who cater to the local market, primarily due to the high-quality standard required by the international clients.

Inter-firm and inter-sectoral similarities and differences are also evident in the worker-perceived incentives and challenges of work. Local workers value the learning opportunities in Chinese companies and agree that their employment is contributing to their skills learning. However, the salaries offered by companies, while higher than the national average, are not considered sufficient to cover rising household expenses. Local government agencies, while occasionally intervening in times of work conflict, have not taken an active measure to ensure workforce training, unionization, or workers' welfare. Skills transfer, despite being stipulated in numerous local policy documents and constantly mentioned as a key beneficiary of EZ-based development in official speeches, has not been actualized in systematic or concreate ways in factories within the zone.

PART III CONCLUSION

CHAPTER SEVEN

CONCLUSION: VARIEGATED WORK REGIMES

1 INTRODUCTION

How does Africa-China cooperation look from individual Chinese expatriates and African employees who are the immediate yet under-studied participants of the intensifying relations? What state and corporate conditions have shaped their subjective experiences of work, which then produce varied forms of employee agency? After all, are Chinese companies a different kind of employers compared to the traditional western powers? The dissertation attempts to tell a layered story about the interwoven relations between state strategies, business practices and individual experiences under the Africa-China cooperation. The main thesis is as follows. In Ethiopia, where China is taken not only as an important economic partner but also as a source of political legitimacy for the dominant party, different work regimes haven been constructed with Chinese characteristics, generating varying influences on both expatriate and local employees. Each company's work regime is socially- and spatially-embedded in the home- and host-country contexts with regard to the political and financial resourcefulness, market conditions and industrial relations, as well as in the personal histories, interests and motivations of individuals who seek to improve their life circumstances or career chances through work. Employees, therefore, are subject to multiple forms of empowerment and disempowerment, contingent upon their positionality in production relations, seniority, skillfulness and relationships with the Chinese management. While collective agency through company unions is largely non-existent or extremely weak in all studied companies, employees are capable of utilizing individualized and group-based strategies to exploit company resources for their own social and economic benefits.

Comparative case studies with different Chinese companies in Ethiopia extend current western-driven scholarships on the politics of production and labor agency to the influences and forces emerged within the Global South. The focus on individual companies and work regimes fills an important gap in Africa-China studies that have favored analyses of either state-level development strategies or personal-level livelihood practices. Choosing firms as the unit of analysis contributes a meso-level understanding of inter-state relations and industrial policies on the one hand, and individual perceptions and strategies on the other, which collectively shape the dynamics of the real-world impact of Chinese overseas investment.

This chapter lays out the main theoretical contributions and empirical findings of the dissertation research. Section 2 reviews the main elements of the variegated work regimes under the Global China. Section 2 discusses the empirical findings of the dissertation at the three levels of states, firms, and individuals, and their interrelationships that constitute the day-to-day power geometries of Chinese workplaces in Ethiopia. Section 3 concludes the chapter by a brief reflection on policy implications.

2 Variegated Work Regimes under the Global China

The dissertation argues that the existing typology of work regimes (e.g. despotic hegemony, localistic despotism) is inadequate to capture the dynamics of capital-labor and labor-labor relations observed in Chinese companies in Ethiopia. Chinese overseas companies have demonstrated uneven levels of political and financial resourcefulness, local embeddedness and management strategies. At the same time, individual employees in the companies also come with varied structural and material histories of subordination and resistance and different positionalities in relation to management and other employees. A notion of "variegated work regimes" is therefore proposed to understand the complex social and territorial configuration of production politics and workers' agency under the Africa-China cooperation.

The term variegated, derived from the "variegated capitalism" approach in economic geography (Peck and Theodore 2007), emphasizes the "always embeddeded" nature of economic activities and a relational perspective into the local development specificities on the one hand, and the universal capitalist forces on the other, in shaping the economic landscape of a particular country. Hence, rather than singling out Chinese economy as distinctive to the capitalist modes of growth, it is taken as a variegation of the global capitalism. In particular, the variegated approach contests the national coherence of institutional regulation and economic practice by demonstrating the subnational unevenness of development trajectories embedded in local space economies and variably connected to the global production systems (Lim 2010; Peck and Zhang 2013; J. Zhang and Peck 2014).

The dissertation endorses such an emphasis on the universal capitalist logics and the unique Chinese subnational characteristics to view China's globalization as the externalization of sub-national varieties of economic activities and governance arrangement. It pushes forward the variegation approach by arguing that overseas ventures of Chinese economic players are also contested, negotiated and reshaped by institutions and agents in the host countries. Therefore, the variegated work regimes approach brings together a path-dependent perspective into the (sub)national rootedness of economic activities, a global understanding of the capitalist development, and a critical examination of the host country contexts – government strategies, industrial relations, market conditions, and individual practices – as the key elements that influence the development of capital-labor and labor-labor relations in Chinese companies in Africa. Such an approach complicates the conventional state-private dualism in understanding the Global China by situating the activities of states, capitals and individuals in the particularities of home and host countries.

Analytically, a comparative-analytical framework has been employed in the dissertation to unpack the uneven capacities of Chinese overseas capitals, the dynamics of local conditions, and the complex realities of employee experiences that define the variegation of Chinese work regimes in Ethiopia. Comparative case studies with Zhonghua Construction, Huaxia Telecom, Yuqi Autos, and a group of small manufacturers in the Eastern Industrial Zone (EIZ) reveal the heterogeneous composition of Chinese economic actors in Ethiopia and their diverse sources, forms, and effects of day-to-day organization of local workplaces. While all the case study companies are profit-oriented economic actors, they differ in terms of the capacities to mobilize resources in home and host countries and to incorporate expatriate and local employees in productive relations. The comparative lens, therefore, extends the traditional economic geographic focus on a single location or a single industry (Peck and Theodore 2007) to a critical investigation into the similarities and differences among firms and industries.

In addition, a relational perspective emphasizes the interrelationships between management strategies and employee agency that shape the micro-dynamics of power in Chinese workplaces. It rejects seeing either capital or labor as homogeneous and static elements in work regimes, but emphasizing the dynamic, shifting relations between a diverse group of management and a heterogeneous team of employees. The connectivity between the two sides is stretched across geographical space and embedded in particular workplaces. Neither the management nor the employees are treated as atomistic elements (Yeung 2005), but are interdependent subjects whose capabilities are embedded in the broader social, political and economic contexts as well as in their own identities and situated relations with other actors. Employee agency – defined as the ability to excise power upon the management – is therefore always relational, spatially and temporally variegated, and never completely autonomous (Coe and Jordhus-lier 2010).

Through the comparative-relational framework, the dissertation unpacks the “black box” of Chinese work regimes by identifying the institutional forces, corporate logics, and managerial and personal relations that constitutes the day-to-day realities in Chinese companies in Ethiopia. Rather than presuming a single economic-driven rationality, it contends that Chinese companies are sites of contested ideologies, cultures, and political economic representations among different actors in specific territorial and socio-economic conditions. The next section provides a synthesized summary of the major findings of the dissertation to illustrate these points.

3 Variegated Work Regimes under China in Ethiopia: A Synthesis

The dissertation adpots a “path-dependent” view of globalization, seeing it as an externalization of particular (sub)national forms of captialisms in particular historical periods. The Global China in Africa is neither a coherent state-led project nor a constellations of capitalist profit-seeking activities. Rather, the process is embedded in multiple contigent relationships between diverse political economic institutions and actors in the home country – governments, financiers, suppliers, expatriates. Such relationships will translate to varied managerial capacities and corporate competitiveness while operating in Africa. At the same time, doing business in Africa is inevitably embedded in relations with the host country institutions and actors – government regulations, client relations, maket conditions, labor skills and agency. This section offers a sythesized account of the major themes emerged from the empirical case studies in the dissertation. Discussions center on three groups of actors/relationships – states, firms, and individuals – that together shape the variegated work regimes under China in Ethiopia.

Inter-State Relations and Government Agency

As discussed in Chapter Two, the rapid growth of Chinese investment in Ethiopia is the result of close inter-state cooperation that fulfills mutual geopolitical and economic imperatives of both Chinese and Ethiopian governments in their respective hisotorical moments of domestic development. For China, Ethiopia is a strategic diplomatic partner in the East Africa and an important market for infrastructure contracts and destination of export goods. For Ethiopia, China represents an alternative development model that fits the leadership’s needs for the political legitimacy and economic development in the post-

2005 election era. These mutual imperatives further indicate that Africa-China relations cannot be simply reduced to a single-street transfer of development experiences, as often implicated by the North-South relations.

The state-driven economic cooperation is an important prism to understand Ethiopia-China relations. As scholars have revealed, under various frameworks such as “economic diplomacy” and “politicalized capitalism,” Chinese economic activities often have political overtunes and so cannot be simply apprehended by a profit-maximizing rationality (Nee and Opper 2005; Yeung and Liu 2008). Similarly in Ethiopia, the federal government has retained a massive presence in the national economy and tightly controlled strategic industries and large development projects. The government has been the primary client of Chinese companies such as Zhonghua Construction and Huaxia Telecom. Especially for the latter, access to the local contract market is largely contingnt upon the relaitons with officials in the Ethio Telecom.

At the workplace level, the importance of state politics and regulatory capacities of various levels of instituions in shaping the politics of production has been thoroughly discussed by economic geographers and industrial sociologists (Burawoy, 1982; Kelly, 2001). Empircal cases studies in the dissertation have also highlighted a myriad of ways that state actors – both Chinese and Ethiopian ones – directly and indirectly influence Chinese companies’ local operations. First, given the entanglement of state in economic activities, political connections of Chinese companies back in China influence their local competitiveness in Ethiopia. The Chinese government institutions – especially the central governemnt and national banks – have played a crucial role in building Chinese companies’ local business records and reputation. For example, both Huaxia Telecom and Zhonghua Construction had worked on small projects in Ethiopia before being assigned to undertaking major Chinese-financed projects. It is these projects that give the two companies the opportunity to grow into a competitive player in the local market.

Meanwhile, municipal and provincial governemnts are also actively channeling domestic resources to sponsor or support their local companies to invest abroad, as the case of Yuqi Autos and Zhonghua Construction's subcontractor from Nantong illustrates. The two companies benefit form the paradiplomatic relations being forged between their home municipal govenremnts and Ethiopia. Their private ownerhips status further challenges the assumptions that only state-owned enterprises are the beneficiaries of the Chinese government support. On the contrary, the dissertation shows that provincial SOEs from less-developed regions – e.g. the case of Changzhi Grid from Jilin – do not hold a competitive adventangeous position due to its lack of home provincial support to sustain overseas businesses. As a result, Changzhi Grid, while having worked in Ethiopia for much longer time than the other construction companies, has encountered increasingly firece competition from more resourceful SOEs and private companies, and has been pushed down on the local business hierarchy from a main contractor to a subcontractor. Therefore, the uneven political and financial capacities of case study companies in overseas businesses are rooted in the entrenched central-local and inter-regional disparities in China.

Second, it is also pratically important for Chinese companies to deveop congenial relations with Chinese official instituions in Ethiopia, including the Chinese Embassy (especially the Economic and Commercial Consellor's Office under the Ministry of Commerce), the China's Mission to the African Union, and the Chinese Business

Association. A good relationship with local Chinese officials can translate into the companies' assets when applying for loans from home banks, as banks will require a performance statement from the Embassy for loan evaluation. Chinese officials are also important intermediaries to connect Chinese companies with the Ethiopian authorities. For example, the presence of the Chinese Ambassador at Huaxia Telecom's product release event gave the company the opportunity to invite an Ethiopian Minister of similar or higher ranks. Even small, private invesotrs like Yuqi Autos benefited from connection with the Chinese Embassy to appeal its tax case to the Ethiopian authorities.

Third, firm relations with the host government are also crucial for developing local businesses. In fact, Chinese companies, from large SOEs to small private firms, have been proactive to forging relations with Ethiopian government in order to increase their competitive advantages and secure their access to public projects. Connections with local officials are of particular importance to small, private companies. Huajian, a private leather shoe manufacturer from Guangdong, while having no affiliations with the Chinese government, has developed close relationship with the Ethiopian government. Being "invited" by Ethiopia's late prime minister Meles Zenewi has placed Huajian in a favorable position to receive local governemnt incentives and enjoy expediated administrative process.

Fourth, while the Chinese state's control over its overseas companies is quite ambiguous in real-world practices, the political pressure from official bodies does place some regulatory influences on the companies. Companies are aware of the political needs of building a sound local image of China in Ethiopia, and so actively participating in Embassy-initiated social welfare programs and taking them as implicit "political orders."

Chinese managers are also consciously minimizing disputes with local governments and community, and trying to contain labor issues within the confinement of workplaces. Therefore, whilst imperfectly, the Chinese government is capable of casting important regulatory influence on overseas Chinese companies.

Fifth, the Ethiopian government also employs various approaches to regulate how foreign firms run business locally, which rejects the popular notion of African government being lack of agency in economic cooperation. The dissertation reveals a number of instances when Ethiopian government take purposeful actions to increase local participation in Chinese contracted projects or tighten control over Chinese companies. For example, the amount of local input was specified in contractual terms in government projects. The tightening of foreign work ID is a way to promote local employment. The new economic zone regulation also stipulates a requirement for gradually replacing foreign expatriates with local workers. In the case of Huaxia Telecom, the Ethiopian government proactively introduced the French telecom as a third-party regulator of Ethio Telecom's business with Huaxia, and later invited another Chinese ICT company to increase its leverage in contract negotiation. The introduction of Guoxin Telecom to the domestic market, according to Huaxia's manager, indicates that decision-making in the Ethio Telecom is not simply driven by economic rationality. Rather, the governemnt officials are willinging to sacrifice short-term economic interests to break Huaxia's local monopoly. Moreover, even low-level govenremnts can exert influences on Chinese companies. The government of Debre Zeyit/Bishoftu has successfully negotiated with the Chinese manufacturers in the EIZ to ensure that employment opportunities are reserved to its local residents.

INTER-FIRM RELATIONS AND INTRA-FIRM ORGANIZATIONS

The variegation of Chinese work regimes is not only reflected by the uneven political resourcefulness of firms, but also revealed by the diverse forms of inter-firm relations and intra-firm organization. Inter-firm relations are the vertical or horizontal connections being developed between firms in the same or related sector, while intra-firm relations are the organizational, spatial, and institutional arrangements of a particular company. The complex inter- and intra-firm dynamics are the key contributing forces to extend firms' strategic strength from ownership–specific advantages to a greater integration of production components and relational assets across various geographic scales (Stahl and Björkman 2006; Yeung 2005).

Given the global capital's interest in investing in local relations of production (Kelly 2001), inter-firm relations have the potential to developing the backward and forward linkages between Chinese companies and local Ethiopian businesses, hence making contributions to the transfer of knowledge, skills, expertise, and resources. However, the dissertation discovers very different forms of inter-firm relations from what is often discussed in the literature. First, very limited business linkages have been developed between Chinese and local companies. Rather, inter-firm relations are primarily maintained between Chinese companies. The case of Zhonghua Construction, in particular, illustrates the networked globalization of Chinese companies, which is led by a large contractor SOE and followed by smaller companies as subcontractors and material suppliers. Such inter-firm collaboration on overseas projects is also evident from other case study companies, which is often justified by a shared language and a similar management style to ease business coordination and improve work efficiency. Whenever local suppliers or subcontractors are used, they are often recommended by the Ethiopian clients and only undertaking non-essential parts of the construction or engineering work.

The establishment of EIZ has generated a common physical and economic space for small Chinese manufacturers to foster inter-firm learning and cooperation on daily overseas operations. These firms have developed strong collective strength and tactics to deal with the local bureaucracies and to resist possible policy changes in Ethiopia. The physical residence in the suburban zone also provides more opportunities for social mingling among firms and expatriates than those operated independently in Addis Ababa.

In addition to the contractual or cooperative relations, competitive relations are also emerging among Chinese firms. Competition between Huaxia and Guoxin has been intentionally manipulated by the Ethiopian government to ensure the best ICT deal. The inter-firm competition to some extent has pushed forward internal reforms in Huaxia Telecom, especially the initiation of the workforce localization project. However, what remains unclear is whether the Ethiopian government has the capacity and determination to maneuver the internal competition between Chinese companies for the benefits of local industrial advancement and labor skills development, rather than encouraging companies' corruptive behaviors during contract bidding and project execution. The dissertation research has identified contradictory impacts of inter-firm competition on local workers. On the one hand, a competitive market may lead to cost-minimizing practices of Chinese companies, such as salary cut, labor dismissal and increased workload, all of which will transfer the management pressure down to the individual employees. On the other hand, increased competition may improve workers' job mobility as they become more valuable in the labor market. Both Huaxia Telecom and Yuqi Autos have suffered from various degrees of local talent loss to their competitors, pushing the companies to increase salaries and benefits to retain key local workforce. In these cases, competitor companies have enhanced employees' positionality in the local labor markets and contributed to their bargaining power with the Chinese management.

Other than the resources or pressures generated from inter-firm relations, the variegation of Chinese work regimes is also evident from the organization of work in particular companies. One important dimension of the intra-firm organization for multinationals is the headquarters-subsidiary relation that has important implications for subsidiary autonomy, expatriation strategies, and capabilities of firm's human resource management (Andersson, Bjorkman, and Forsgren 2005; Zheng 2016). Zhonghua Construction, Huaxia Telecom, and Yuqi Autos all maintain a close headquarters-subsidiary relation. Meetings among leaders from the headquarters and Ethiopian subsidiaries are organized on a regular basis, and daily communications between certain departments are routine. The heavy reliance on decision making of the headquarters, however, has undermined the autonomy of subsidiary management. The exclusive use of Chinese language by the headquarters officials further eliminates the participation of local leadership in any high-level decisions-making in the companies.

In addition, while existing studies tend to take the Chinese expatriates as powerful agents of Chinese overseas capital, the dissertation reveals a problem-laden nature of the expatriation process. A successful expatriation should fulfill both the company's needs for subsidiary development and the individual's interest in career progression, a process involving multiple dimensions of candidate selection, training, placement, performance evaluation, and repatriation (Baruch and Altman 2002). However, the dissertation research has found that neither rigorous candidate selection nor proper prior-expatriation training has been provided by the companies. Dissatisfactions among Chinese expatriates run high, particularly with regard to issues of management autonomy while abroad and repatriation opportunities once returning. Overseas work experience is not sufficiently valued in the headquarters and the Chinese have reported troubled experiences of securing a good position upon return. Chinese expatriates, especially those positioned in the lower-end of the company hierarchy, are by no means agents of the Global China, but to some extent subjects of the state and corporate neglect of their physio-psychological wellbeing and professional development.

A second dimension of intra-firm organization is the internal hierarchical structure, which is often determined by firm's ownership status. Large SOEs like Zhonghua Construction and Huaxia Telecom have very complex internal structures and rigid hierarchical power relations among different levels of managements. In contrast, smaller firms like Yuqi Autos and the manufacturers in the EIZ have streamlined structures and flexible organizations of work relations. The hierarchy of power relations is often spatially inscribed in the layouts of the workplaces, which facilitates management surveillance, enhances labor control, and ensures work productivity (Herod 2003). In Zhonghua Construction, the spatial arrangement of sub-compounds effectively segregates contractor and subcontractors in their respective zones. In Huaxia Telecom, the spatial setup of an open office area ensures that individual employees are under the constant gaze of their supervisors. The three separate work locations of Yuqi Autos effectively divide up the large local workforce, hence allowing for relatively easy management of each workplace by the small group of Chinese managers.

The spatialized labor control also extends beyond the workplaces to the residential arrangements of Chinese expatriates. Chinese in Huaxia Telecom and Yuqi Autos live in gated residential houses rented by the companies. Those who work for Zhonghua Construction and the manufacturers in the EIZ, however, live "on site" in simple dormitories. They are also subject to strict exit control and are largely confined to the compound or the zone for work and social activities. The control over workers' social lives is a lengthening of the working hours, allowing for flexible access to the labor power during the day. Material accommodation of the dorms in terms of room facilities and the number of roommates also reflects the power hierarchy in the company, with managers having much better living conditions than rank-and-file employees. Such a "dormitory labor regime" (Pun and Smith 2007), which primarily applies to Chinese expatriates, has begun to be extended to local workers in the case of Zhonghua Construction as a reward to the top performers.

A third dimension of the intra-firm organization is the building of corporate culture and the development of firm-specific social capital (i.e. trust relationships) within the companies. The construction of a shared corporate culture is particularly evident in the pursuit of an "ox" culture in Huaxia Telecom. The company intends to establish itself as a more humane and sympathetic employer than its competitor. Although other studied companies do not identify an explicit company culture, they have sought to promote a set of traits of good, hard-working employees. The employee characters promoted by Chinese managements emphasized a hybrid of neoliberal beliefs in individualized and socially-isolated labor to ensure cost-effectiveness on the one hand, and the Confucian values of loyalty, discipline and sacrifice for the collective good on the other (Parfitt and

Wysocki 2012). Various mechanisms are employed to forge a sense of commitment and discipline in Chinese companies, from the spatial imprint of work ethics and company regulation in the workplace, to the organization of physical training, to the enforcement of bonus and elimination systems based on work performance.

In addition, companies have sought to construct a common language regime for Chinese and Ethiopian employees – either one of "pidgin English" or one of Chinese – to facilitate daily communication in the workplace. Despite such an effort, language communication remains a chronic problem in all case study companies. It not only influences the work efficiency and the transfer of tacit knowledge to the Ethiopian employees, but also impedes the development of trust relationship between Chinese and Ethiopians in the workplace. Moreover, the widespread use of Chinese language in company documents and internal systems is also a structural impediment to realize the work potential of local employees. Consequently, the ability to speak Chinese has become a local short-cut for promotion and an asset to negotiate for better payment.

After all, Chinese companies are not a homogeneous actor abroad but embody multiple and sometimes conflicting relations during real-world operations. Workplace is a contested site of power relations among individual actors. There is no single logic that binds social actors in the firm together, but a range of diverse personal interests, desires, and challenges (Ettlinger 2003). It is therefore crucial to examine the individuals within the firms, how their interests align or conflict with those of the companies, and the implications for employee agency.

EMPLOYMENT RELATIONS AND EMPLOYEE AGENCY

The variegated approach to Chinese work regimes not only recognizes workers' capacity to impose their social and economic visions on the landscape of capitalism, but also argues that "labor" is not an undifferentiated category, but comprised of competing groups of individuals whose vested interests can generate different behaviors and situated strategies. The subjective experience of work and interpersonal interactions at the workplace reveals multiple rationalities associated with various spheres of employees' life (Ettlinger 2003). Therefore, labor agency always needs to be situated in particular material landscapes of economic activities, as well as in the multiple rationalities and identities that individuals have in work encounters.

Although studies on labor agency primarily focus on collective actions by the trade unions, in countries of the Global South, as Kelly (2002) correctively observed, "it is the absence of viable organized labor movement that is notable, rather than their strategies or successes (p.395). Findings from the dissertation support such an argument. Neither China nor Ethiopia has a strong presence of trade union. Unions, as a state organ, lack the capacity to represent workers' interests in front of foreign capitals. In addition to the weak national institutions for unions, uncooperative corporate management further prevents a full-fledged union to come into being. Among the case study companies, only Yuqi Autos has a half-working company union to help organize collective negotiations with the management. The collapse of unions in Huaxia Telecom and the managerial refusal to establish unions in other companies illustrate a very dim future for the potential of unions to taking an active role in overseeing the behaviors of Chinese companies. By and large, the employment relations in the companies are still largely shaped by the

Chinese expatriate managers. From employment contract to salary floors to performance evaluation and promotion, Chinese managers retain the ultimate decision power, leaving little room for negotiation by individual employees.

Power of collective agency is also undermined by the flexible organization of work and the use of outsourcing and subcontracting firms, which has enforced a multi-dimensional fragmentation of the workforce. Both Zhonghua Construction and Huaxia Telecom employ two types of employees – formal ones who receive formal company contract and outsourced ones who are managed by professional staffing companies. In the construction sector, precarious employment is commonly practiced due to the short-term nature of projects. The use of outsourced employees frees the management from recruitment duties and allows for in-time adjustment of workforce size according to company's workload, productivity, and profitability. In the EIZ, such a flexible adjustment of workforce size is achieved through the manipulation of work time – in terms of shift schedules and the length of the working day.

Despite a weak union presence in Yuqi Autos, the union's attempts to negotiate with the Chinese management reflect the collective voices of local workers over the "politics of redistribution" and "politics of recognition" in the company (Fraser, 1995). In the former case, union request for a share of the monetary gains from selling used products entails a struggle for equal distribution of material benefits between local managers and local workers. In the latter case, the request for participation in the company's decision-making is a call for recognition of union power that has been long denied and constrained. Together, these requests demonstrate union's attempts to challenge the workplace hierarchy. In Zhonghua Construction and EIZ, non-union-based collective agency is expressed by the instantaneous stoppage over delayed payment or management misbehaviors.

In addition to collective agency, the dissertation also finds the exercise of individual agency by both Chinese and Ethiopian employees in all case study companies. Despite lower-than-expected salary, some local employees choose to put off their dissatisfaction because their households are reliant on the modest income and they could not find a better job in the market. Yet they stay tuned to the job market conditions, always getting ready to jump to another better-paid company. For a majority of Chinese expatriates, working in Ethiopia is not significantly contributing to their career development. They come for the monetary returns to alleviate their household burdens back in China. In this sense, both Ethiopian and Chinese invest their time in current companies for an imagined future located "elsewhere." Moreover, while most local employees do not have long-term plans in current companies, some of them have instilled the Chinese value of hard-working and self-learning. An increasing number of locals have begun to pursue academic degrees or professional training at local universities. The investment in continued education is another important aspect of individual agency that employees exerted to improve their competitiveness in the job market.

Employees' compromise with current work conditions for future benefits and their investment in education highlight an important temporal dimension of labor agency. This temporality of individual agency is also evident from workers' ability to seize critical moments to exercise power. For example, a group of local workers from Yuqi Autos successfully negotiated a salary increase with Chinese management when a new foreign auto assembler started to operate in Ethiopia.

In addition, while job-hopping is considered an individual activity, the dissertation reveals that it often happens in groups and through interpersonal networks among local employees. Such group- and network-based mobility increases the negotiating power of local employees. It, however, is not enjoyed by Chinese expatriates, despite them being transnational actors. The Chinese are bound by their local work visa and employment contract that stipulates harsh punishment for unexcused terminations.

The multiple subject positions of employees indicate that they have to constantly negotiate with the complex and variable landscapes of opportunity and constraint in Chinese workplaces. For some, their positionality in the power geometries may offer some "wiggle room" in day-to-day work relations. For others, their agency to shape management decisions is circumscribed by multiple overlapping forces at the state, corporate and household levels. Therefore, a nuanced understanding of the real-life circumstances of employees in Chinese companies requires situating agency in both the structures and the personal histories that individuals have to live with.

4 China in Africa: Policy Implications

On a Saturday evening in early August 2017, a gas cylinder exploded near local workers' dormitories inside Zhonghua Construction's National Stadium compound. This led to a deadly fire that claimed the lives of seven local workers and caused various degrees of burning injuries to dozens more. However, the accident was kept secret by the company while the injured workers were poorly compensated and ill-treated in local hospitals (Bogale 2017). It was not until a month later that a local journalist reported the accident. The report immediately drew nationwide attention to the substandard working and living conditions for local workers in the Chinese compound. With the outburst of media and public criticisms, the Chinese Embassy in Addis Ababa soon responded by calling an immediate meeting with major Chinese companies, during which time Zhonghua Construction was named and criticized for failing to prevent the fire accident and to properly handle the public resentment afterwards (Getachew 2017). Officials from Chinese Embassy also urged companies to act as "exemplar" firms and citizens in Ethiopia. It was said that right after the meeting, Zhonghua Construction reworked on their compensation packages to the injured and killed workers.[180]

This accident reveals at least two things. First, mismanagement does exist in Chinese companies, particularly with regard to local workers. In Zhonghua Construction's fire accident, what media reports failed to note is that the local workers are in fact employed by the Chinese subcontractors. It was said that before the fire, 19 dorms were built in the compound to house almost 400 local workers (Bogale 2017). As the dissertation has revealed, the provision of local dorms was considered a strategy to reduce commuting time and to encourage long working hours of the locals. The neglect of safety standards in the local living area is partly resulted from the contractor-subcontractor arrangement that leaves very thin profit margin to and high productivity pressure on the Chinese subcontractors, pushing them to adopt cost-saving activities.

Second, the Chinese government – in this case the Chinese Embassy – has retained strong regulatory power upon Chinese companies operating in Ethiopia. Maintaining a sound local image is of pivotal concern among Chinese officials who will

[180] Personal discussion with an Ethiopian official, November, Beijing, 2017.

then cast political pressures to companies who undermines such an effort. While the Embassy does not oversee the behaviors of Chinese companies on a day-to-day basis, it does actively intervene in times of local disputes, particularly when popular criticisms became widespread in the local society. In the case of Zhonghua Construction, the local media has played an important role in "escalating" the fire accident beyond the confinement of the compound, pushing the Chinese officials to intervene.

The fire accident in Zhonghua Construction reiterates a main argument of the dissertation: the dividing lines between state strategies and corporate interests are rather blurred in Chinese overseas investment practices and business operations. Government relations are critical to Chinese companies as they are either wired in the companies' ownership background (e.g. SOEs and quasi-SOEs at various administrative levels) or deemed as a crucial asset for firms' local competitiveness in Ethiopia. Therefore, economic and political concerns are mutually embedded in each other in firm decisions, even though the pursuit of profits may sometimes undermine the government objective of maintaining a sound image of "China in Africa." Nonetheless, the political sensitivity of Chinese companies makes them more susceptible to government or media supervision and more willing to accommodate local demands than their western counterparts, as long as effective regulatory mechanisms are put in place to check on firm behaviors.

Then, to what extent can the local government and workers exploit Chinese companies' political pressure for local image-building to increase their negotiation leverage is a contingent issue. As the dissertation has shown, despite various incidence of conscious government agency, there is yet to be a strong determination or effective enforcing mechanisms to impose regulations on the foreign investors. At the same time, entrenched structural issues given the incomplete internationalization of Chinese companies have also constantly undermined the effects of employee capacity building and widened the power gaps between Chinese and Ethiopians and within each group. While there are signs of improvements on the part of Chinese managements (e.g. greater workforce localization and promotion of local managerial class), a full realization of local empowerment may not come to fruit in short period of time.

Taking skills transfer as an example. Skill transfer is more than an activity of training employees, but a complex process of governmental negotiations, business management, and employee relations, through which inequalities are produced and reproduced. In the case of Zhonghua Construction's National Stadium project, skills transfer to local workers was stipulated in the contractual agreement and encouraged by an additional bonus to Chinese foremen. Despite these requirements and incentives being put in place, the plan of on-the-job training runs against the productivity-based payment structure used by the subcontractors. With no effective reinforcing and overseeing measures, efforts to promote skills transfer are often undermined by the pressure for fast completion. In addition, employment-entitled training opportunities and exposure to new technologies are neither consistent between different sectors of investment nor equally distributed among employees in the same Chinese company. Skills transfer, in some Chinese companies, has become less about training or learning, but more associated with becoming an insider of the Chinese management through work relations, language ability and personal sociability.

The Global China presents both opportunities and challenges during its the daily operations in particular African contexts. The dissertation has unraveled both the promising elements of the Chinese work regimes and the enduring inequalities that they have generated for both Chinese and local African employees. It shows the urging need for an active role of both Chinese and local institutions in the design, implementation, supervision of policies to monitor firm behaviors and ensure labor welfare. With a proactive intervention from government and non-government institutions and the strategic activities initiated by individual employees, and given the Chinese companies' imperative of delivering difference, it is possible to achieve a mutually-beneficial result of Africa-China cooperation.

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