China in Ethiopia: About Humanwell

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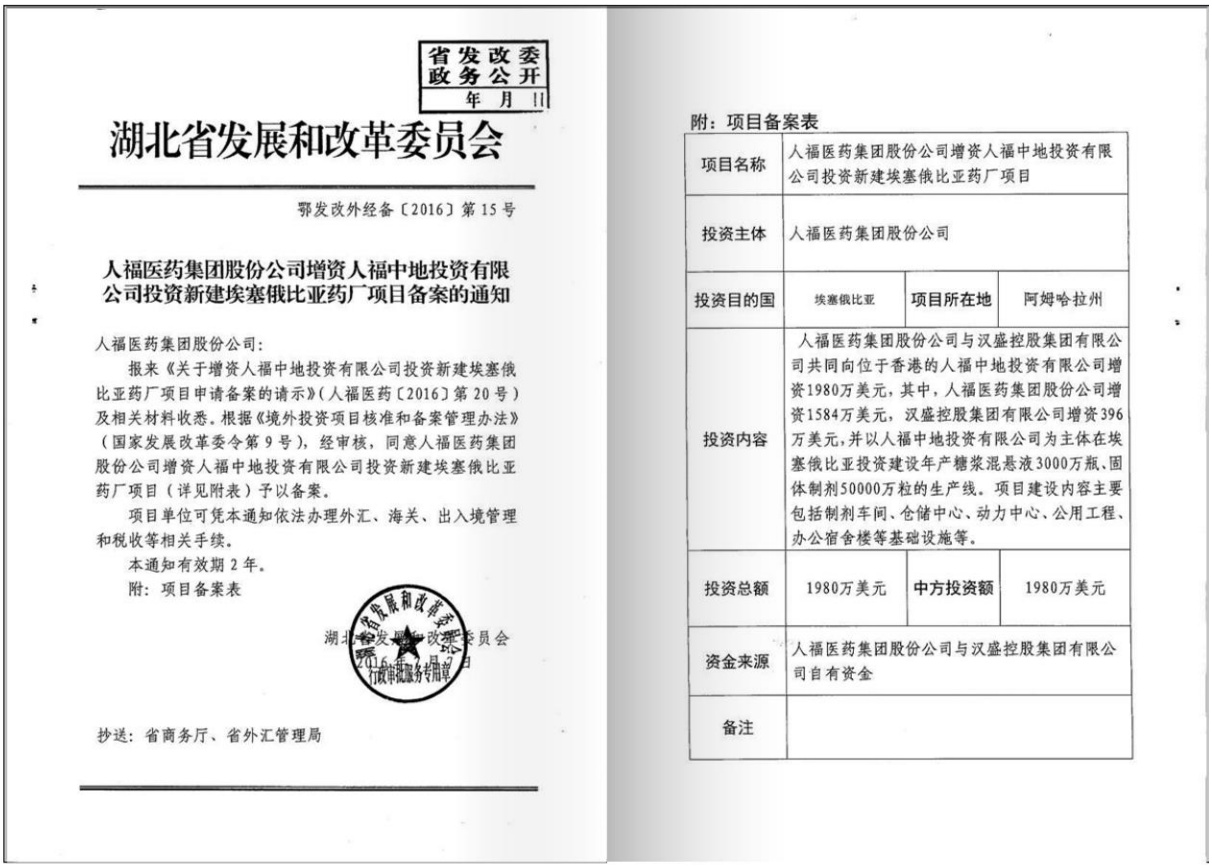
At the second African Forum, held on 7 and 9 December 2017 in Sharm el-Sheikh, Carlos Lopes, former Executive Secretary of the Economic Commission for Africa (ECA), praised the role of Chinese investment in Africa and regretted the "misinformation" surrounding it. Apparently, all the speakers at this Forum read the McKinsey report published in English and Chinese in June 2017, entitled Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve? I have already expressed my doubts about the methodology used in this report in a post for the China Africa Research Initiative blog. In this note, it is not the methodology that I would like to talk about, but the very use made of the information gathered in this Report and other publications.

Irene Sun – one of the leading editors of the aforementioned McKinsey report – published an article on 10 November 2017 in The *Wall Street Journal* entitled Africa's Factories, Made in China. The first paragraph of this article reads as follows: "In 2014, a midsize Chinese pharmaceutical company started looking into building a manufacturing plant in Ethiopia. That same year, a Western company 20 times its size, GlaxoSmithKline, explored the same possibility. Two years and multiple feasibility studies later, the Western firm decided to hold off on investing in Ethiopia, citing the country's limited market size and low income level. By that time, the Chinese firm, Humanwell Healthcare Group, had already broken ground on its new factory in Ethiopia." And the author to praise the valiant Chinese companies replacing the pusillanimous Western companies in Africa. What actually is the backdrop?

Humanwell Healthcare 人福医药集团 is a Chinese SME incorporated in Hubei Province in 1993; it has been listed on the Shanghai Stock Exchange since 1997. In Africa, Humanwell first settled in Mali in 2009, where it first established a commercial structure then set up (with the help of the China-Africa Development Fund) two production lines for plastic vials for infusion and two glucose production lines. According to an article by Chi Jianxin (Party Secretary of the China-Africa Development Fund) published in West Asia and Africa (one of the Chinese Academy of Social Sciences journals), Humanwell also produces sodium lactate Ringer and metronidazole. That is to say, Humanwell in Africa specializes in the manufacturing of products required for hydration and postpartum hygiene. Then, in 2014, Humanwell began to focus on the Ethiopian market for the same products.

Tao Duanfang, a French-speaking Chinese journalist specializing in Africa, in an article published on 27 November 2014 on the penetration of Chinese medicines into Africa, clearly expresses doubts about the relevance of the term "pharmaceutical plant" to describe Humanwell's activity in Africa: "it does not seem to have much to do with a pharmaceutical plant". An authorization was granted on 27 July 2016 to Humanwell by the Hubei Province Development and Reform Commission to invest in Ethiopia with a copy to the Ministry of Commerce Provincial Office and the Exchange Control Bureau (see image below downloaded from Hubei Government website). First of all, the date of the authorization (2016) should be noted. In other words, the studies carried out by Humanwell and Chinese administrative procedures took the same time to reach a decision and thus to launch the operation as the



省发改委
政务公开
年 月 日

湖北省发展和改革委员会

鄂发改外经备〔2016〕第15号

人福医药集团股份公司增资人福中地投资有限公司投资新建埃塞俄比亚药厂项目备案的通知

人福医药集团股份公司：

报来《关于增资人福中地投资有限公司投资新建埃塞俄比亚药厂项目申请备案的请示》（人福医药〔2016〕第20号）及相关材料收悉。根据《境外投资项目核准和备案管理办法》（国家发展改革委令第9号），经审核，同意人福医药集团股份公司增资人福中地投资有限公司投资新建埃塞俄比亚药厂项目（详见附表）予以备案。

项目单位可凭本通知依法办理外汇、海关、出入境管理和税收等相关手续。

本通知有效期2年。

附：项目备案表

湖北省发展和改革委员会
2016年 月 日

抄送：省商务厅、省外汇管理局

附：项目备案表

项目名称	人福医药集团股份公司增资人福中地投资有限公司投资新建埃塞俄比亚药厂项目		
投资主体	人福医药集团股份公司		
投资目的国	埃塞俄比亚	项目所在地	阿姆哈拉州
投资内容	人福医药集团股份公司与汉盛控股集团有限公司共同向位于香港的人福中地投资有限公司增资1980万美元，其中，人福医药集团股份公司增资1584万美元，汉盛控股集团有限公司增资396万美元，并以人福中地投资有限公司为主体在埃塞俄比亚投资建设年产糖浆混悬液3000万瓶、固体制剂50000万粒的生产线。项目建设内容主要包括制剂车间、仓储中心、动力中心、公用工程、办公宿舍楼等基础设施等。		
投资总额	1980万美元	中方投资额	1980万美元
资金来源	人福医药集团股份公司与汉盛控股集团有限公司自有资金		
备注			

studies carried out by GlaxoSmithKline (GSK), contrary to Irene Sun's assertion. Above all, it is worth noting the wording of the investment ("production of vials for glucose suspensions and glucose tablets") and the description of the industrial process: it is not about "manufacturing medicines" (which would translate as *zhi yao* 制药) as written in the *Wall Street Journal*, but about "preparing doses" (*zhi ji* 制剂) in the form of "tablets" (*li* 粒) which implies importing the active pharmaceutical ingredients.

The social contribution of this kind of investment, even if the epithet "pharmaceutical" overstates it, is certainly much higher than its immediate economic benefit. However, is this contribution by its nature comparable to that of GSK? We do not say "better", "less" or "worse", but only "comparable", that is, we ask whether we are talking about the same thing?

In parallel to the Humanwell project, GSK announced a five-year plan that involved a series of investments and actions in Africa, ranging from research to the training of health workers (10,000) to the production of relevant products such as antibiotics and respiratory and HIV medicines. GSK planned to expand its production capacities in Nigeria and Kenya and to set up five other production units in Africa, Ethiopia being only one possibility among other under consideration. In any event, it is not risky to say that these two companies – Humanwell and GSK – do not operate in the same divisions. It is therefore abusive to suggest that it is possible to compare and judge the behaviour of the latter against the former on the grounds that GSK did not retain Ethiopia for the benefit of another African country (South Africa) – which, of course, Irene Sun does not specify.

Similarly, McKinsey's consultant overlooks the size of the investments. GSK was considering an investment of $220 million where Humanwell was investing only $19 million and not alone, but with the help of a sub-subsidiary of a company under the Chinese Ministry of Geology and Mineral Resources. She also omits to mention that Wang Xuehai (the CEO of Humanwell) had initially tried to establish his business in the United States, but on his own admission (see his interview to the 21st Century Business Herald – in Chinese) he had to give it up because he was unable to comply with US health standards, hence his departure for Africa (GSK has 15,000 employees living and working across the USA).

Reading the *Wall Street Journal* article makes it clear that the target audience is primarily the African readership, as shown by the interest of *L'Observateur du Maroc et de l'Afrique* who translated and published it on 5 December 2017 under the title "Des usines made in China".

As a result, it becomes abundantly clear that the purpose of Irene Sun's article, as well as the McKinsey report of June 2017 or the *fDi Markets Report* published by the *Financial Times* in May 2017, is to build an image of the Chinese presence in Africa in order to enlist new patrons for these consulting firms. This image is built on two pillars. Firstly, it is a question of showing the inescapable character of Chinese companies, which would make China the main investor in Africa while they are mostly service providers, as we have shown elsewhere. Secondly, it is a matter of attesting to the fact that Chinese companies would be as judicious as they are reliable alternatives and that they would replace the large Western companies which have fallen victims to their own procrastination. These same arguments can also be used to convince Chinese companies wishing to venture into African markets, as McKinsey's effort to disseminate a Chinese translation of his report shows.

The spinning of "misinformation" – as Carlos Lopes put it – and seduction of both African and Chinese actors has a definite consequence: it encourages an alternative globalization without social responsibility or, at best, with limited social responsibility since it would be based on more flexible standards. The National Standards Commission held a conference on 4 September 2017 to reform and boost its work. Among its objectives, "exporting Chinese standards" (*zhongguo biaozhun 'zouchuqu'* 中国标准'走出去') is considered a priority. If the expression is less muscular than that of Xu Huajiang (CEO of the China Harbour Engineering Company Office for the Central Africa Region), the intention is the same. There is even a page on the commission's website that is specifically devoted to this issue within the framework of the new silk roads. Similarly, Article 8 of the new PRC Standardization Law adopted on 4 November 2017 states a willingness to promote the dissemination of Chinese standards abroad. All African countries and all those crossed by the new silk roads, participate – in their defending or not – in a Chinese initiative that does not challenge the principle of international trade, but reformulates its conventions in favour of an ecosystem in which the dominant industrial and economic centre, then soon political, would be China.