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Research Report

Chinese manufacturing moves to Rwanda: A study of training at C&H Garments

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POLICY POINTS

Infrastructure needs to be prioritized in order for Chinese firms to operate efficiently and Rwanda to reach large-scale manufacturing capacity.

Training institutes should strengthen partnerships with the WDA-NEP and C&H, and include significant input from C&H into developing curriculums.

Manager exchanges should be extrapolated to export Rwandan managers to other Chinese manufacturing operations in Africa and increase job opportunities.

Export markets for manufactured goods need to be diversified, and both C&H and Rwanda should seek out ties with buyers in Europe, Asia, and Africa.

Chinese manufacturing moves to Rwanda: A study of training at C&H Garments

Janet Eom

RWANDAN DEVELOPMENT

AS A SMALL, LANDLOCKED COUNTRY WITH FEW NATURAL resources, Rwanda has focused on becoming a knowledge-intensive business and technology hub rather than a labor-intensive manufacturing base. Vision 2020, Rwanda's development agenda published in 2000, focuses on cultivating a skilled workforce to power Rwanda's services, tourism, and information and communications technology (ICT) industries. In 2013, Chinese engagement in Rwanda concentrated on these sectors. New Century Development, a joint venture of 75 percent Chinese and 25 percent local investment, was building the first Marriott Hotel in Sub-Saharan Africa and the Beijing Construction Engineering Group (BCEG) was constructing the Kigali Convention Center, with a five-star hotel, a conference hall, and an ICT office park.

But Rwanda has also shifted strategy. The Economic Development and Poverty Reduction Strategy II (2013-2018) (EDPRS II), published in 2013, describes increasing the "export orientation of firms in Rwanda's manufacturing" under a "Made in Rwanda" push into global textiles. As a senior-level executive of the Rwanda Development Board (RDB) says: "There is a kind of recalibration of our vision: we have realized that in order to curb our trade deficit and create massive jobs, we cannot totally ignore manufacturing."

In July 2018, the United States suspended Rwanda's duty-free access to the US market under the African Growth and Opportunity Act (AGOA) in response to Rwandan tariffs on second-hand clothing imports. However, Rwanda has continued to argue that refusing hand-me-downs will strengthen local manufacturing. Manufacturing is the largest sector in the Kigali special economic zone (SEZ), making up to 80 percent of firms.¹ Moreover, the proportion of jobs created from amount of Chinese investment in Rwanda is highest in manufacturing. In terms of dollar value of Chinese investment, tourism is still highest at US\$343.5 million out of a total of US\$524.3 million; meanwhile, manufacturing makes up US\$40.2 million.² However, in terms of jobs created from Chinese investment, manufacturing is far ahead at 3,498 jobs out of a total of 7,027 jobs; meanwhile, tourism has created 1,025 jobs. In 2015, C&H Garments became one of the first firms in Rwanda to meld an emerging manufacturing focus with the existing training focus.

C&H GARMENTS

NAMED AFTER FOUNDERS CANDY MA and Helen Hai, C&H produces t-shirts, polo shirts, safety garments, army uniforms, and sportswear. The firm also operates in Kenya and Ethiopia and plans to expand to Senegal. In July 2014, the Rwandan government signed a memorandum of understanding (MOU) with C&H, and in March 2015, C&H opened in the Kigali SEZ. By May 2015, C&H had reached the capacity to produce 15,000 branded polo shirts per month; by June 2018, this capacity had increased to 70,000 pieces of clothing per month.³ The first phase of development created a 1,500 square meters workshop with five production lines; in 2017, the second phase created an 11,000 square meters workshop to house 16 production lines.⁴ Hai's goals are to invest US\$10million in five years, create 30,000 jobs, and bring in US\$1 billion to the country.⁵

The factory has set up 80 percent of products for export, mostly to the United States and Europe, and 20 percent for the local market. To be qualified as an export processing zone (EPZ) in East Africa, a zone must export at least 80 percent of products outside the East African Community (EAC) bloc. Garments for local sale include uniforms for the Rwandan military, police, immigration department, and schools.

NATIONAL EMPLOYMENT PROGRAM

IN 2014, THE RWANDAN GOVERNMENT established the National Employment Program (NEP) as part of a national strategy to create 200,000 off-farm jobs yearly. The Workforce Development Authority (WDA), under the Ministry of Education, implements the NEP. The NEP identified China's role: "Rwanda should aim to attract some of the jobs that China will have to shed in the coming years in light manufacturing (e.g. assembling of consumer electronics, motorcycles, garments, footwear)."

The program has four pillars. Pillar 1, Employability Skills Development, equips middle-level technicians with employable skills. Pillar 2, Entrepreneurship and Business Development, helps Technical Vocational Education and Training (TVET) graduates acquire start-up kits to develop their own businesses. Pillar 3, Labor Market Interventions, develops the skills of workers on public works projects so they can transfer skills after walking off. Pillar 4, Coordination, Monitoring, and Evaluation, aims to maximize impact by avoiding duplication of efforts.

The capacity building arrangement between C&H and the Rwandan government is funded under a Targeted Rapid Response Training intervention program under Pillar 1. Under this intervention, the Rwandan government supports an investor

who invests in a sector without skilled labor, to quickly train local staff that will then be employed by the investor. The investor identifies the needed skills and enters an agreement committing the Rwandan government to cover the cost of training. Later on, the investor reports on the progress of the training and subsequent employment of the agreed-upon number of staff.

NEP-C&H TRAINING AGREEMENT

TO START, THE WDA IDENTIFIED YOUNG Rwandans with preliminary training at a local technical institution and presented the list to C&H as potential employees. Subsequently, C&H could start operations with these Rwandans, but only after it had successfully brought them through a training program.

In September 2014, the factory recruited 200 Rwandans as the first batch of trainees. C&H also brought in 10 Kenyan trainers (previously trained by Chinese managers) from operations in Nairobi to train the Rwandans. In early 2015, the factory trained 300 additional Rwandans who would go on to form the core production team. In February 2016, the factory implemented the training and hiring of 600 more Rwandans. Half of these trainees would be trained in garment manufacturing, while the other half would be trained in embroidery; approximately 30 trainees would go to China for specialized training.

The six-month, partially salaried training program consists of lessons in using sewing machines, cutting fabric, trimming garments, and checking finished products. Afterwards, Rwandans can work at C&H or be hired by other manufacturing firms. The NEP-C&H arrangement has continued to expand, and the factory currently has 1,500 Rwandan employees. The partnership aims to expand to 4,000 employees by the end of the fourth year of operations.

To recruit trainees, the WDA placed advertisements in local TVET schools and also drew from its database of qualified students. There are over 350 TVET schools in Rwanda, and the number of TVET providers continues to rise. Most trainees have been offered employment contracts after completing the training. The training program dropout rate has only been 2 percent, but over 70 trainees have left voluntarily to start their own local businesses, contributing to skills transfer and job creation in the local textile industry.

Although the NEP-C&H training program is aimed at low-skilled workers, C&H also trains and hires managers. The factory has two tiers of Rwandan management: Supervision managers oversee assembly lines on the factory floor and should speak

English and be at least six years out of high school, while Office managers must usually have a college degree.

QUALITY CONTROL AND LIFESTYLE TRAINING

ONE TYPE OF TRAINING FOR RWANDAN supervision managers focuses on overseeing assembly line output and quality control. The “Quality Control Teaching Plan” describes the quality control manager as having “very important work, equivalent to a police [officer].” These managers ensure workers make solid products, but not at the expense of efficiency and production speed. Another type of training focuses on technical aspects. Managers are taught how to use a tape measure and different types of stitches such as “low edges, loose stitch[es], parallel lines, run off, and open seam[s]” to ensure workers use the correct techniques.

Chinese management also incorporates lifestyle training. The “New Worker’s Training Plan” includes lessons on “specialized skills in [a] class program to be able to reach the company’s culture” of discipline. Signs hanging above each production line read “Diligence,” “Commitment,” “Gratefulness,” and “Sincerity” as workers cut, sew, and assemble clothing below. This reflects the tendency for Chinese managers to try to impart a “more modern work ethic and discipline” to African workers.⁶ Each week, C&H holds “competitions” to improve output and performance: assembly lines “compete” against each other to produce garments as efficiently as possible. Winning and losing teams are recognized with “best” and “worst” signs placed above their respective assembly lines.

CULTURAL AND LINGUISTIC CHALLENGES

THE LANGUAGE BARRIER BETWEEN Chinese and Rwandans is a challenge. In response, factory management has placed a whiteboard on the factory wall with “Learn Chinese” written across the top. Underneath, there are three columns, “Kinyarwanda,” “English,” and “Chinese,” with the words “responsibility” and “discipline” written in all three languages. There is also the possibility of attracting Chinese-speaking Rwandans from the Confucius Institute in Kigali or those that have studied abroad in China to solve the language barrier.

More importantly, C&H has brought Kenyan managers from C&H’s operations in Nairobi to lead quality control training. The barrier between Chinese and English or between Chinese and Kinyarwanda is partially remedied when Kenyans speak Swahili with Rwandans. Moreover, there are shared East African cultural norms. As a representative of the WDA says, “There is

an issue of language. New trainees don’t know English, but they can communicate in Swahili. Also, being in the region, Kenyans understand much of our culture.”

POLICY RECOMMENDATIONS

THE RWANDAN GOVERNMENT’S SHIFT towards creating jobs in manufacturing, and implementation of requirements for training and hiring locals, have been key to negotiating an agreement with a Chinese investor that supports technology transfer. Given the potential for the C&H arrangement to further propel structural transformation in Rwanda, this case holds significant policy implications.

1. **Infrastructure.** C&H set up in Rwanda due to low corruption, fiscal incentives, and streamlined registration processes. However, most materials are still imported from China, and the lack of access to large suppliers, transportation, and energy at a competitive price may outweigh the benefits of cheap labor. Therefore, it is important that lack of infrastructure continue to be addressed. The Kigali SEZ provides roads, electricity, water and firefighting systems, and sewage and fiber optic cables; such infrastructure needs to be scaled in order for Rwanda to reach large-scale manufacturing capacity, including spillover effects to indigenous firms outside the SEZ.
2. **Training institutes.** The WDA-NEP has partnered with local training institutes to supply Rwandans for training and hiring at C&H. These partnerships should be intensified, with significant input from C&H into developing the content of training institutes’ curriculums from the start. This will increase the relevance of workers’ baseline skills for employment at C&H and other firms. In addition, given Rwandans have been brought to China for further training after enrollment in the C&H training program, trips to China could be extended to start at the training institutes themselves.
3. **Manager exchanges.** The import of Kenyan managers to train Rwandans should be extrapolated to export Rwandan managers to other Chinese manufacturing operations in Africa. Rwandan managers speak French, and this is helpful in many African countries. In addition, Rwandan managers benefit as their job opportunities increase outside Rwanda. This will require collaborations with other countries’

development agendas: In particular, there must be institutional buy-in and willingness to finance training programs from national governments and synergy between industry needs across countries.

4. **Export markets.** Given the current volatility of AGOA benefits, diversification of export markets is crucial. In the future, neither the Rwandan government nor C&H can rely on the US market for the majority of exports; therefore, both parties should seek out ties with new markets in Europe, Asia, and Africa. In Europe, C&H has so far garnered interest from Belgium, Germany, the United Kingdom, and France. The Rwandan government can leverage its status in East Africa to develop exports to other EAC countries and take advantage of the new African Continental Free Trade Area (AfCFTA) agreement. ★

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