

CHINA-AFRICA TRADE AND INVESTMENT COOPERATION

In recent years, China has become the largest single trading partner and key investor for the African region.ⁱ Yet reliable data on this increasingly important relationship is scarce.

In 2010, the Chinese State Council published its first China-Africa Economic and Trade Cooperation White Paper, which significantly contributed to a deeper understanding of the motives and mechanisms driving the China-Africa economic relationship. It also suggests that the Chinese government is increasingly willing to share trade and investment data.ⁱⁱ The 2010 White Paper provided a general overview of Chinese economic cooperation with Africa from 1950 until 2009, focusing on progress since the first Forum on China-Africa Cooperation (FOCAC) was held Beijing in 2000. It also discussed how this has contributed to enhancing South-South cooperation and equitable global economic development.

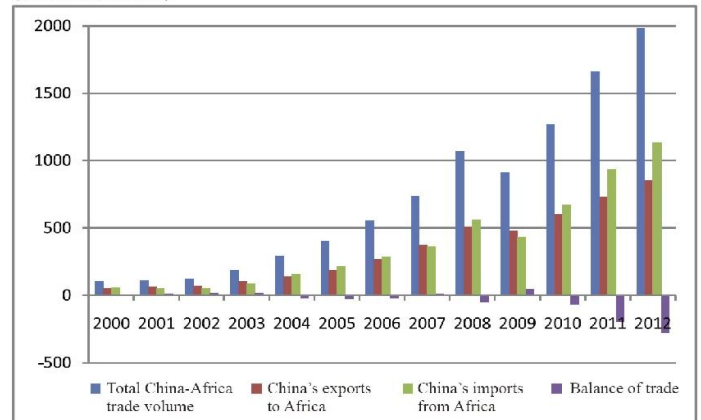
In August 2013, the Chinese State Council published a second China-Africa Economic and Trade Cooperation White Paper.ⁱⁱⁱ The 2013 White Paper focuses on the growth and diversification of China-Africa economic cooperation since 2009, and elucidates how China sees the strategic direction of this relationship in the years ahead. Although some content in the 2013 White Paper is similar to the 2013 Annual Report published by the Chinese Academy of International Trade and Economic Cooperation (CAITEC), the 2013 White Paper is a separate document that supplements the CAITEC Annual Reports.

China-Africa trade relations

In 2009 China became Africa's largest trading partner. In 2012, China extended 30 African states zero tariff treatment for 60 percent of their exports to China. The same year, China exported USD85.319b worth of goods to Africa while Africa exported USD113.171b worth of products to China. Figure 1 shows that in 2012 the total volume of China-Africa trade reached USD198.49b - an annual growth of 19.3 percent and a record high.

Figure 1: China-Africa Trade Volume (2000-2012)

(Unit: US\$100 million)



Source: China-Africa Economic and Trade Cooperation White Paper, 2013, p. 4

China is a major destination for unprocessed African exports and an important source of manufactured goods for Africa. In 2012, the proportion of mechanical and electrical products in China's total commodity exports to Africa reached 45.9 percent." China-Africa trade in agricultural products has also accelerated significantly: Between 2009 and 2012, China's agricultural exports to Africa increased from USD1.58b to USD 2.49b and imports from Africa grew from USD1.16b to USD2.86b.

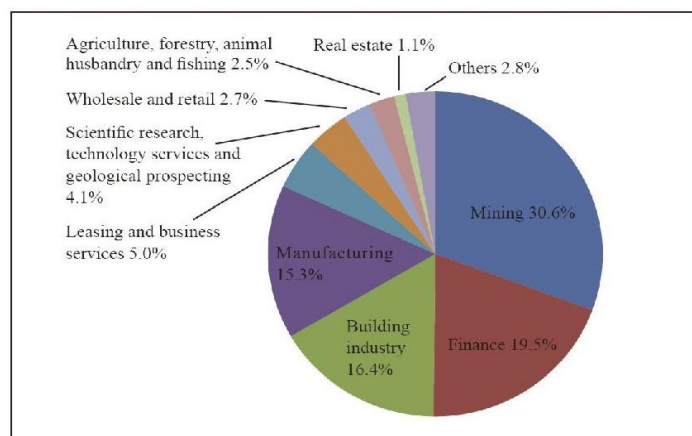
Nonetheless, Africa accounts for a relatively small percentage of China's global trade balance. From 2000 to 2012, the proportion of China-Africa trade as a part of China's total foreign trade volume increased from only 2.23 percent to 5.13 percent."

China-Africa investment relations

Africa is currently China's largest overseas construction market and its fourth largest investment destination. While overall foreign direct investment (FDI) to Africa has decreased, from 2009 to 2012 Chinese FDI to Africa increased 20.5 percent annually, from USD1.44b to USD2.52b. Over the same period, China's accumulative direct investment in Africa grew from USD9.33b to USD21.23b. In 2012, over 2,000 large-scale Chinese enterprises were investing in Africa.

The 2013 White Paper explains how the nature and sectoral distribution of Chinese investments in Africa are evolving. Cooperation is expanding from mining, construction, finance and manufacturing to other sectors including the intensive processing of resource products, agriculture, logistics, services, scientific research, and real estate. Figure 2 demonstrates that in 2011 the majority of capital inflows from China to Africa were destined for mining (30.6 percent), finance (19.5 percent), building industry (construction) (16.4 percent), and manufacturing (15.3 percent).

Figure 2: Distribution of China's Direct Investment in Africa (by the end of 2011)



Source: China-Africa Economic and Trade Cooperation White Paper, 2013, p. 6

The confluence of Chinese aid, trade, and investments

The 2013 White Paper highlights the confluence between Chinese aid, trade, and investments in Africa as part of an overall “win-win partnership” between China and Africa. Where financial and trade flows from China to Africa focus on infrastructure and other project-based “motors of investment” as levers for development, these are closely linked to development assistance.^{viii} Chinese development finance is often extended through China’s Eximbank, which has an explicit mission to promote investment and trade, and China Development Bank, which is a commercial bank.^{ix}

China-Africa economic cooperation trends

The 2013 White Paper provides a strategic overview of China-Africa economic cooperation, which suggests that China will increasingly take into account the different contexts and development realities of both China and the various African countries with which it conducts business.

This change is exemplified by an emphasis on trade sustainability and local African capacity building, cooperation in agriculture and food security, the diversification of targeted sectors and the utilisation of more multilateral funding and implementation mechanisms. China will continue to implement measures to help Africa in a range of areas such as public amenities, medical and health care, climate change and environmental protection, humanitarian aid, cultural and educational exchanges, scientific and technological cooperation, and the reduction

of African debt. China plans to give guidance to its state-owned enterprises (SOEs) on the establishment of processing and manufacturing bases in Africa, and increase investment in business, transport, consultation management and other service industries.

In March 2013, President Xi Jinping visited Ethiopia, South Africa, and the Democratic Republic of Congo as part of his first official visit abroad. President Xi reaffirmed that China will fulfill its commitment on the provision of USD20b worth of loans to Africa pledged at the FOCAC in 2012.^x China will also implement the “Special Plan on Trade with Africa”, which will expand the scope of the zero tariff treatment for African imports and increase China’s imports from Africa, as well as improve the brand reputation, market channels and quality of China’s exported commodities.

An emerging trend in China-Africa economic cooperation is the growing number of bi-directional investment flows. This suggests that the China-Africa economic relationship is becoming broader, less influenced by SOEs, and that the African private sector is benefitting from the growing presence of China across the continent. While SOEs account for the majority of Chinese investments in Africa, increasing numbers of private Chinese companies are launching businesses in Africa. Concurrently, African enterprises are beginning to invest in China. In 2012, the volume of African countries’ direct investment in China totaled USD14.242b, increasing by 44 percent over 2009 levels. In 2012 African companies invested USD1.388b in China. Investing countries included Mauritius, Seychelles, South Africa and Nigeria, and their investments covered petrochemical industries, manufacturing and processing, and wholesale and retail, among other fields.

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ⁱ International Monetary Fund (IMF) (2013) *Regional Economic Outlook Sub-Saharan Africa* at www.imf.org/external/pubs/ft/reo/2013/afr/eng/sreo1013.pdf

ⁱⁱ Read full text of 2010 White Paper: China State Council, China-Africa Economic and Trade Cooperation (2010) at http://english.gov.cn/official/2010-12/23/content_1771603.htm

ⁱⁱⁱ Read full text of 2013 White Paper: China State Council, China-Africa Economic and Trade Cooperation (2013) at http://news.xinhuanet.com/english/china/2013-08/29/c_132673093_3.htm

^{viii} See Power, Marcus, Mohan, Giles, and May Tan-Mullins (2013) *China’s Resource Diplomacy in Africa; Powering Development?* Basingstoke: Palgrave Macmillan

^{ix} See UNDP China (2013), China’s Aid Flows and Mechanisms, *Issue Brief* No. 1, for an explanation of how China delivers development aid.

^x While these funds are for development purposes, MOFCOM does not consider them as a part of China’s official aid budget. Instead, they are part of other official flows (OOF) for development.

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