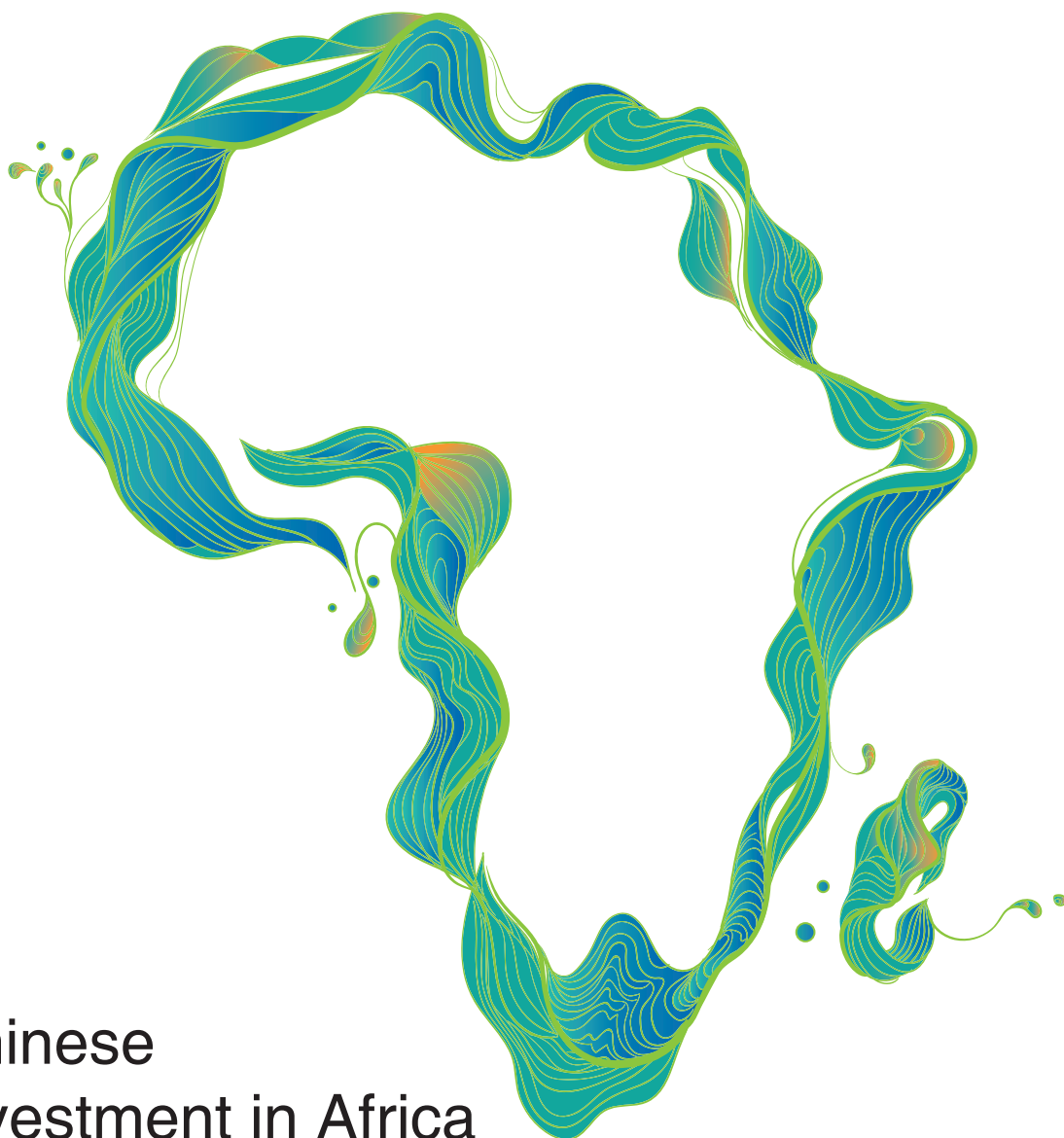




# Market Power and Role of the Private Sector



Chinese  
Investment in Africa

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# Foreword

## A New Milestone

Since the establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000, China and Africa have made great strides in all-round, multi-level and wide-ranging cooperation. High level interactions between China and Africa have become increasingly frequent, and mutual political trust has strengthened. Since the 2015 Johannesburg Summit in South Africa, China and Africa have established a comprehensive strategic and cooperative partnership, opening a new era of cooperation. In 2019, trade between China and Africa exceeded USD 200 billion, 20 times more than that in 2000<sup>1</sup>. For the past 11 years, China has been Africa's largest trading partner with gratifying results<sup>2</sup>. The African Continental Free Trade Area (AfCFTA) was established in 2021 after 6 years of deliberate negotiations. The African continent will further promote regional integration, increase the effective allocation of resources and production, and release new growth potential. China-Africa cooperation is a South-South cooperation that goes beyond traditional North-South development assistance. It combines aid, trade, and investment. While creating jobs and increasing foreign exchange earnings, it helps industrial development in African countries, promotes structural transformation, and achieves broader development goals.



By January 2021, 46 countries in Africa had signed Belt and Road Initiative (BRI) cooperation agreements with China, the largest number of countries from any continent in the world. China-Africa cooperation offers broad prospects. It will help African countries realize industrialization and modernization, eradicate poverty and achieve sustainable development. With the spread of protectionism, anti-globalization, and populism, China-Africa cooperation is also of great significance in upholding multilateralism, enhancing the rights and interests of developing countries, promoting the BRI and addressing a scale of changes unseen in a century.

<sup>1</sup> Yicai, Guo Jinhui, 2020, <https://www.yicai.com/news/100874772.html>

<sup>2</sup> Two Decades of A Shared Journey toward New Heights in the New Era- -Commemorating the 20th Anniversary of the Forum on China-Africa Cooperation, Wang Yi, 2020

Since the outbreak of COVID-19 in 2020, developing countries have been under a huge threat. The Chinese government and its enterprises, together with the people of Africa, have worked to fight the pandemic, demonstrating the profound friendship between the Chinese and African peoples. Chinese enterprises in Africa actively support local containment and prevention measures, promote the resumption of work and normal daily life, provide a large number of materials, vaccines and technical assistance. It has made a great contribution to the fight against the pandemic, set a model for promoting the global community of shared future, and provided an experience for joint responses to various possible global challenges in the future, which also laid a strong foundation for friendly cooperation.

The FOCAC Dakar Meeting in 2021 will be another milestone and a new starting point for China-Africa economic and trade cooperation. China's example over the past 40 years has shown that poverty is not inevitable, and every country can get rid of it. The road to prosperity in any country is to realize industrialization, modernization and globalization by employing its respective market strengths backed up by the state. China-Africa cooperation will share Chinese wisdom with African countries to achieve economic development, promote mutual prosperity, and build a global community of shared future.



**Justin Yifu Lin**

Professor and Honorary Dean of National School of Development at Peking University  
Former Senior Vice President and Chief Economist at the World Bank

## A Look into the Future

**R**eport on Chinese Investment in Africa — Market Power and Role of the Private Sector put together by the China-Africa Business Council chronicles the impact of Chinese businesses and investments in Africa. It is certain that the economies of nations are shaped by the quality of businesses and investments. Africa is a fast-growing continent and needs investment in infrastructure as to improve on the quality of life for citizens. The continent needs partnerships to drive reforms and changes, including new factories and businesses to provide employment for the bulging youth population. The infrastructure gap in Africa is more than USD 400 billion. Any effort to bridge this gap is positive for productivity, output, and growth.

Chinese Private Enterprises (CPEs) have responded to meet the growing requirement for infrastructure and industries across Africa through years of engagement with the political leadership. We have seen a growing investments' partnership between China and Africa for approximately the last fourteen years. The Forum on China-Africa Cooperation (FOCAC) was set up to drive the partnership.

This engagement has led to several reforms, opening of the economies, investment in infrastructure and building of new industries with the level of China's investment in the continent increasing at a steady rate. At the 2018 China-Africa Cooperation Forum, China announced its plans of providing USD 60 billion in financial support to Africa. In 2019, trade between China and Africa hit USD 208.7 billion, and total Chinese FDI in Africa reached USD44.4 billion, grown by 20-fold and 100-fold respectively compared with 20 years ago.

We have seen the building of new deep seaports, airports, roads & bridges, and new industries by the CPEs. Through the collaboration with CPEs, industrial parks have been established in many parts of Africa, resulting in training of local manpower and acquisition of new skills.

CPEs have performed the following functions in Africa; advance industrialization, promote employment, develop infrastructure, and foster the improvement of industrial park management in the host countries.

These CPEs have transferred to Africa some labor-intensive industry that gradually promotes related industrial chains and fosters many local upstream and downstream enterprises. Such massive investments have obvious technology spillover effects on the host countries. Manufacturing enterprises have transferred technologies to the local markets, which advances industrialization in the host countries.

I believe that the vast opportunities that exist in Africa-China synergies should be explored. In Nigeria, the Lekki Deep Sea Port at the Lekki Free Trade Zone will be constructed by China Harbour Engineering Company (CHEC) and financing of over USD 600m provided through China Development Bank (CDB). For us at Dangote Industries Limited, we have collaborated with a number of Chinese partners, especially in manufacturing, and created foreign exchange savings and exports from the Group's Petrochemical and Fertilizer plants.

The African Continental Free-Trade Agreement (AfCFTA), which came into force in January, will assist in driving down economies of scale for production and attracting investment as a unified market on the continent. Africans should be aware of the benefits that come with inbound investment, including jobs, tax revenue and the increasingly active economy.

The report is an excellent resource material as it offers a historical account of the entrance of Chinese businesses especially the CPEs into Africa and the economic results. It offers investors and researchers a detailed report of Chinese private sector activities across Africa as well as the opportunities abounding in the continent. It is a report that laid bare the advantages and reasons for investors to flock to Africa as a preferred investment destination.



### **Aliko Dangote**

Founder and President  
Chief Executive of the Dangote Group  
Lagos, Nigeria

# Preface

Over the past 20 years, China's trade with Africa has increased twentyfold, making China Africa's second largest importer of agricultural products<sup>3</sup> as well as the largest bilateral infrastructure financing partner. China has also emerged as one of Africa's major providers. Since 2000, Chinese investment in Africa has been rising slowly but steadily, with private enterprises as a major player in economic, trade and investment cooperation.



*"To strengthen solidarity and cooperation with African countries is and always will be China's resolute strategy. It is important to arrange the next meeting of the Forum on China-Africa Cooperation, expand cooperation in areas such as free trade zones, public health, peace and security, and climate change, and encourage the international community to join forces and support the development of Africa."*

— Observations from President Xi Jinping during a telephone conversation with Félix Tshisekedi, rotating Chair of the African Union and President of the Democratic Republic of the Congo (DRC) on May 7, 2021

According to data from China's Ministry of Commerce (MOFCOM), China's stock of direct investment in Africa at the end of 2020 stood at USD 47.35 billion. In 2019, MOFCOM pointed out that Chinese private companies accounted for around 70% of Chinese companies' investments in Africa. A 2021 China-Africa Business Council (CABC) survey of nearly 100 key private companies found that the proportion of "reinvestment" in Africa was around 30 percent. Given that a number of companies have not "registered" in MOFCOM's system and that "reinvestment" by companies is not included in the statistics, this report estimates that by the end of 2020, the stock of Chinese business investment in Africa should not be less than USD 56 billion.

This signals that as China-Africa cooperation upgrades and expands in depth and quality, Chinese enterprises are proving themselves to be a strong force, and the presence of Chinese private enterprises in Africa, which dates back to the 1980s, is worth our attention.

Following the "Ten Major Cooperation Programs" and the "Eight Major Initiatives" jointly formulated and implemented within the framework of the Forum on China-Africa Cooperation 2018, investments in infrastructure, manufacturing, mining, agribusiness, industrial parks and other areas have gained momentum. A large number of rail, road, airport, port, power plant and other projects have been successfully implemented, bringing significant changes to the economic and social development of Africa. An increasing presence of Chinese companies can be particularly observed in countries such as Nigeria, South Africa, Egypt, Angola, Zambia, Democratic Republic of Congo, Ethiopia, Kenya, Congo-Brazzaville, Ghana, Algeria and Tanzania.

Recent trends also indicate that "China's Top 500 Private Enterprises" have increasingly shown interest in development and investment in Africa. Given their advantage over Chinese SMEs in terms of capital, technology, talent and

<sup>3</sup> Gao Feng, regular press conference held by MOFCOM. 2021 <http://www.mofcom.gov.cn/article/i/jyjl/202101/20210103033144.shtml>

internationalization, we are led to think that private companies in the Top 500 Chinese Private Enterprises will assume a prominent role in furthering Africa's industrialization and integrated development, and help introduce innovative investment models within China-Africa economic and trade cooperation.

With a more market-oriented approach, and as investments into Africa continue to grow, private companies have an essential role to play in this process. In addition to traditional sectors, Chinese enterprises are exploring and venturing into new areas such as medium and high-tech manufacturing, healthcare and pharmaceuticals, digital economy, aviation industry and more.

Apart from trade and investment, Chinese enterprises are also becoming an important force behind Africa's inclusive economic development. African nations have not only warmly welcomed contributions of Chinese enterprises in industrialization and employment, but also in people's livelihoods. Bringing a unique approach and features to poverty reduction to African countries, Chinese enterprises have met their corporate social responsibilities and most recently, strongly supported local public health efforts in the fight against the current pandemic.

Despite being faced with challenges of the pandemic, global economic slowdown, trade protectionism and rising debt, Chinese companies have remained optimistic and willing to invest in Africa. Chinese enterprises remain committed to continue to improve their aptitude to address their own problems and gaps, particularly gaps in understanding of Africa's diverse cultures, laws and policies, thus, strengthening their capacity to face high risks, explore tripartite cooperation, formulate long-term business plans and successfully integrate into Africa's economic and social development.

As we approach the next FOCAC Meeting to be held in Dakar, both governments and their enterprises will find that more is expected of them and that China-Africa cooperation is entering yet a new cycle of development.



## **Market Power and Role of the Private Sector**

Chinese  
Investment in Africa





# Part I: The History of Chinese Enterprises in Africa

## I. Development Stages of Chinese Enterprises

### (I) A Starting Point from 1980s

Prior to reform and opening up, China's direct investment in Africa was almost zero. In the early 1980s, Chinese enterprises began to invest in Africa in the form of joint ventures and sole proprietorship companies, by undertaking contracted projects featuring small-scale investments. As of 1990, China had invested over USD 50 million in more than 100 projects in Africa.<sup>4</sup>

From the 1990s, Africa saw sound economic growth and its investment environment continued to improve, thus attracting more and more investments from China. From 1995 to 1997, China set up Investment and Trade Centers in 11 African countries to facilitate economic and trade activities in Africa. From 1995 to 1999, China signed inter-governmental loan agreements with 23 African countries, encouraging a group of Chinese enterprises to "enter Africa" through investment and business startups.

### (II) "Rapid Development in Small Steps" since 2000s

Over the past two decades since 2000, China's direct investment in Africa has increased by more than 25% per annum<sup>5</sup>, entering a stage of "rapid development in small steps".

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<sup>4</sup> The Development Process and Future Trends of China's Direct Investment in Africa, Piao Yingji, 2006.

<sup>5</sup> Gao Feng, regular press conference held by MOFCOM. 2021([http://www.gov.cn/xinwen/2021-01/14/content\\_5580065.htm](http://www.gov.cn/xinwen/2021-01/14/content_5580065.htm))

From 2000, China began to encourage its enterprises to “go global,” and Africa became one of the priority regions. Since the establishment of FOCAC, China-Africa economic and trade investment cooperation has been guided forward by established mechanisms under this framework. The 2006 Beijing Summit of FOCAC scaled up China's economic and technical assistance and increased its investment and financing in Africa. In particular, the summit resulted in China-Africa economic and trade investment evolving from trade in goods to processing trade, and from contracted projects to mergers and acquisitions (M&A).

During this period many Chinese enterprises, especially small and medium-sized ones that had been trading with Africa for some time, started to build local factories. Their goals were to save tariffs and logistics costs, and to shorten the supply cycle. Some Chinese enterprises have brought to Africa the processing trade model of bringing raw materials from abroad and selling final products to overseas markets adopted at the early stage of the reform and opening up.<sup>6</sup>

In 2013, President Xi Jinping delivered a speech in Tanzania, presenting the promising prospects for China-Africa cooperation as a “China-Africa community of shared future.” In 2014, China and Africa agreed to cooperate in Railway, Road, Regional Aviation Networks and Industrialization in Africa.<sup>7</sup> In 2015, the FOCAC Johannesburg Summit proposed the “Ten Cooperation Plans,” under which China will continue to strengthen support for Africa's industry, agriculture, finance, infrastructure, public health and other key areas. These plans aimed to upgrade the China-Africa economic and trade investment model dominated by merchandise trade and contracted projects to one that focuses on multi-area investment and multi-dimensional capacity, so as to accelerate Africa's industrialization and increase its independent capacity in sustainable development. In 2018, the FOCAC Beijing Summit proposed the “Eight Major Initiatives,” which drew up a roadmap for China-Africa economic and trade investment cooperation in the new era and promoted high-quality investment in Africa.

China's direct investment in Africa reached USD 44.39 billion in 2019<sup>8</sup>, accounting for 4.7% of total foreign investment in Africa and ranking fourth among all investors in that year. COVID-19 struck a heavy blow to foreign investment in Africa in 2020. Reports from the United Nations Conference on Trade and Development show that

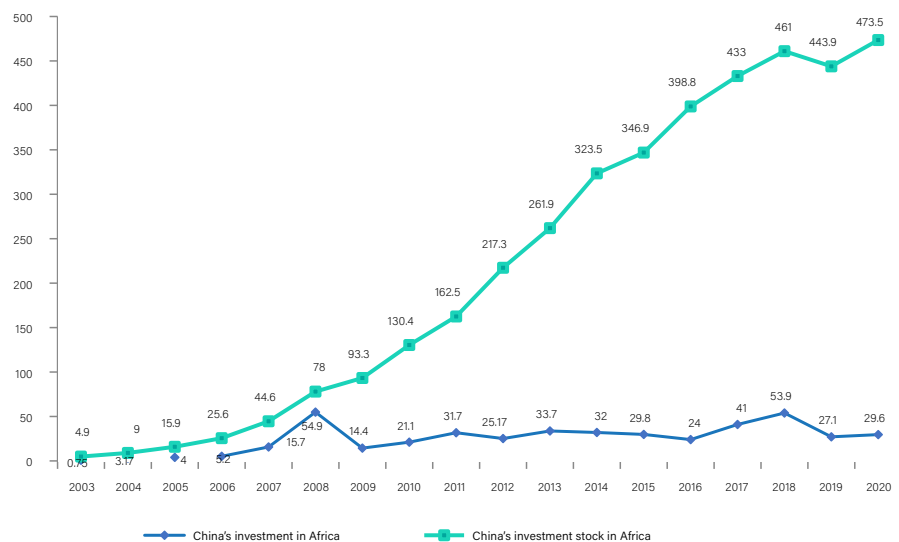
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<sup>6</sup> *Proposing a Resolute and Step-by-Step Reform of the Foreign Trade System, the 13th National Congress of the Communist Party of China, 1987*

<sup>7</sup> *When Chinese Premier Li Keqiang visited the AU headquarters in May 2014, China and Africa agreed to cooperate in Railway, Road, Regional Aviation Networks and Industrialization.* <http://world.people.com.cn/n/2015/0615/c157278-27158874.html>

<sup>8</sup> *Report on Development of China's Outward Investment and Economic Cooperation, MOFCOM, 2020, Page 71.* <http://images.mofcom.gov.cn/fec/202102/20210202162924888.pdf>

the flow of foreign investment into Africa dropped by 15.6% in 2020.<sup>9</sup> However, there are still encouraging factors that will help to restore Africa's ability to attract foreign investment, especially the willingness of Chinese enterprises to explore investment opportunities there.<sup>10</sup>

**FIGURE 1****China's Investment in Africa 2003-2020**(unit: USD 100 million)<sup>11</sup>

Source: Statistical Bulletin of China's Outward Foreign Direct Investment (2003-2019) released by MOFCOM, estimated data for 2020

China's direct investment in Africa reached USD 2.96 billion in 2020 with an estimated USD 47.35 billion stock of direct investment in Africa. Data from MOFCOM reveals that China's direct investment in Africa reached USD 2.96 billion in 2020 despite the impact of COVID-19, and that the new investment covered 47 African countries. In 19 countries investment increased by more than 10%,<sup>12</sup> and in scientific

<sup>9</sup> World Investment Report 2021, United Nations Conference on Trade and Development, June 21, 2021

<sup>10</sup> Global Investment Trend Monitor, No. 38, the United Nations Conference on Trade and Development, January 24, 2021. <http://images.mofcom.gov.cn/fec/202102/20210202162924888.pdf>

<sup>11</sup> Sources of part of data: Statistical Bulletin of China's Outward Foreign Direct Investment (2003-2019) released by MOFCOM, estimated data for 2020.

<sup>12</sup> In 2020, China's direct investment in Africa was US\$2.96 billion, among which private enterprises account for a large part, China-Africa Economic and Trade Expo, April 16, 2021

research, technical services, transport, warehousing, postal services, residential services, repairs, health and social work, and other service sectors investment increased by more than 100%. In addition, MOFCOM pointed out that the investment of Chinese private enterprises (CPEs) in Africa accounts for about 70% of the value of Chinese FDI in Africa.



It is estimated that the stock of China's direct investment in Africa by 2020 should be no less than USD 56 billion. MOFCOM releases data on FDI based on accurate sources, but it is generally recognized that it does not show the whole picture. The reasons are as follows. First, a number of enterprises do not file for registration of their investment in Africa with MOFCOM. Second, reinvestment by enterprises is not included in the relevant calculations. A special survey conducted by the China-Africa Business Council on the reinvestment of nearly 100 key private enterprises from June to July in 2021 finds that the proportion of reinvestment in Africa is nearly 30%. Taking the above two factors into consideration, the stock of China's direct investment in Africa by 2020 should be no less than USD 56 billion.

### (III) Current Achievements of the Private Sector

As Chinese enterprises get to know more about the African market, their cooperation model is gradually shifting from one driven by trade to one driven by investment, and they are entering a new stage under

which investment-driven trade promotes the upgrading of the trade structure. As an important player in the transformation and upgrading of China-Africa economic and trade investment cooperation, CPEs are undergoing a transition from "going to Africa" through "settling in Africa" to "establishing roots in Africa".

The process by which CPEs carry out economic and trade activities in Africa can be roughly divided into three stages.

The first was the “infancy stage” from the 1980s to the early 1990s, when a small number of CPEs conducted small-scale trade with Africa on their own initiative, with very little investment in the retail and catering industries.

The second was the “initial stage” in the last decade of the 20th century. As China-Africa relations expanded, more and more CPEs entered African markets. Goods trade in light industry, food, chemical engineering and native livestock expanded rapidly.

The third is the “stage of accelerated development” since the start of the 21st century. The establishment of FOCAC brought about all-round China-Africa economic and trade investment cooperation. During this period, Africa saw a rapid increase in investment from CPEs, covering more regions, industries and diversified fields.

MOFCOM has pointed out that among Chinese investors in Africa, private enterprises account for more than 70% in terms of volume and value.<sup>13</sup> A McKinsey report shows that there are no less than 10,000 Chinese enterprises doing business throughout Africa, and that 90% are private enterprises. One third of these are in the manufacturing sector, and most of them are SMEs<sup>14</sup>. Many private enterprises such as Huawei, Holley, Jiangsu Yongyuan, King Deer, China-Africa Cotton, Huajian, Transsion Holdings, Sunda International and StarTimes, have invested in a large number of projects in Africa.

Over the 40 years of reform and opening up, enterprises like these have developed an entrepreneurial spirit, a practical experience, and particular skills in high risks and general business management. They launch startups in Africa with great confidence and apply a localized business model. They bring to many African countries an entrepreneurial spirit and an experience in industrialization and market-oriented economic development; in some cases, they even guide national economic growth.

The contributions of CPEs to Africa can be summed up as follows:

<sup>13</sup> China's Vice Minister of Commerce Qian Keming introduced at the 2019 China-Africa Private Sector Cooperation Forum that private enterprises account for more than 70% of the total Chinese investors in Africa in terms of the number and investment, and have become a leading player in the investment cooperation with Africa. <http://news.cctv.com/2019/06/29/ARTI64SQPOyxnCph-p8ettX7190629.shtml>

<sup>14</sup> *Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve?* McKinsey, June 2017

CPEs advance industrialization in Africa. In recent years, CPEs have transferred to Africa some labor-intensive industry that gradually promotes related industrial chains and fosters a large number of local upstream and downstream enterprises. These investments have obvious technology spillover effects on the host countries. In particular, manufacturing enterprises have transferred technologies to the local market, which advances industrialization in the host countries. A survey shows that half of Chinese firms have introduced a new product or service to the local market and one-third have introduced a new technology.<sup>15</sup> For example, Huawei's 4G technology improves network services in the host countries and improves the quality of mobile financial services in Kenya and the whole of East Africa.

CPEs promote employment in Africa. The Attractiveness Program Africa released by Ernst & Young<sup>16</sup> shows that since 2005, the number of jobs created by Chinese enterprises in Africa is more than triple the US figure, and that China has become an important contributor to new jobs in African countries.<sup>17</sup> The McKinsey report<sup>18</sup> believes that 89% of the staff in Chinese enterprises in Africa are locals, and about two thirds of Chinese enterprises provide technical training and guidance to African workers. For example, Hisense South Africa employs more than 800 local employees, accounting for 90% of its total in Africa, and indirectly supports more than 5,000 local jobs.<sup>19</sup> In addition to promoting employment, Chinese enterprises' investment in Africa has also significantly increased the incomes of local residents. For example, the average salary of African workers working in textile enterprises in the Eastern Industrial Zone of Ethiopia is about 50% higher than that of workers working in local enterprises.<sup>20</sup>

CPEs generate infrastructure in Africa. Backward infrastructure is one of the main factors hindering the industrialization of Africa, and infrastructure has always been a focus and priority in China-Africa economic and trade investment cooperation. In January 2015, China and the African Union signed a memorandum of understanding to promote the Railway, Road, Regional Aviation Networks and Industrialization in Africa. For example, Hainan Airlines and the China-Africa Development Fund joined

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<sup>15</sup> *Dance of the lions and dragons*, McKinsey

<sup>16</sup> *Attractiveness Program Africa*, Ernst & Young, 2017

<sup>17</sup> <https://www.ey.com/za/en/issues/business-environment/ey-attractiveness-program-africa-2017>.

<sup>18</sup> *Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve?* McKinsey, June 2017

<sup>19</sup> *Hisense's way to deal with Africa*, People's Daily Online, September 11, 2020, [https://www.sohu.com/a/417815923\\_114731](https://www.sohu.com/a/417815923_114731)

<sup>20</sup> Liang Yongmei, Li Gang, *The Influence of the investment by China-invested enterprises in Africa on Local Inclusive Growth—Take Ethiopia as An Example*, *Globalization*, 2020(06):81-92+135-136

with Ghana's SAS Finance Group and the Social Security and National Insurance Trust to establish a joint venture called African World Airlines (AWA).

CPEs promote the improvement of industrial park management in the host countries. In addition to public infrastructure such as transport, power and communications, the construction of industrial parks can provide direct support for industrialization in Africa. Taking industrial parks as an important investment area, Chinese enterprises build upstream and downstream industrial chains based on the characteristics of different parks, thereby driving local industrialization. For example, **Sino-Uganda Mbale Industrial Park in Uganda** specializes in processing of agricultural products, metallurgical building materials, equipment manufacturing, daily necessities, apparel textile, electrical engineering and electronics, pharmaceuticals and chemical engineering, etc. It aims to become an integrated industrial park with interests in processing and manufacturing, import and export, overseas warehousing, investment services and management, and business counseling. **The Zambia-China Economic and Trade Cooperation Zone** is the first of its kind established by China in Africa. It conducts upstream mining of the Chambishi copper mine and downstream smelting of the output. At the same time, it introduces more Chinese enterprises that do business in construction materials to the local market. **Eastern Industrial Zone in Ethiopia** is where textile processing, footwear manufacturing, and garment processing industries concentrate. **Suez Canal Economic Zone in Egypt** focuses on petroleum equipment, auto parts and some high-tech industries. **The Mauritius JinFei Economic Trade and Cooperation Zone** develops commerce and trade logistics, tourism and financial services, taking advantage of the abundant marine and tourism resources in Mauritius.

## II. Reasons to Invest in Africa

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### (I) Internal Motivations

Return on investment. The African market is relatively risky, but it is also one of the regions offering the highest return on investment (ROI) in the world. Before the outbreak of COVID-19, more than half of the 10 fastest-growing countries in the world were African countries. As demand is strong in most African markets, the ROI is often higher than that of other developing countries and even developed countries. Global investment institutions, including private equity funds and venture capital institutions in the United States and Europe, rate investment in Africa highly. Chinese enterprises, especially the private sector, take ROI as one of the most important factors in assessing investment in Africa.

Market expansion. With a population of more than 1.3 billion in 54 countries, Africa is highly attractive to any enterprise. Fierce competition in the domestic market, and heavy technical and trade barriers in European and American markets, led many Chinese enterprises in home appliances, light industry, and textiles into Africa, a new strategic market, during the mid to late 1990s. These enterprises have gradually shifted from goods export and OEM to investment in setting up local factories. One of the examples is Hisense Group, which has established a sales network in more than ten countries in Africa based on its established factory in South Africa, becoming the largest manufacturer of white goods in southern Africa.

Industrial transfer. Africa is rich in resources, and its industrial and supply chains are highly complementary to those of China. Thus, many Chinese enterprises see Africa as another opportunity for capacity cooperation in addition to Asia. In response to rising labor costs in China, some labor-intensive processing and manufacturing enterprises have looked to transfer some of their activities overseas, while Africa, with low labor costs, is an ideal destination. Chinese investment involving industrial transfer will help strengthen Africa's local manufacturing capabilities and bring foreign exchange through exports.

Need for resources. Africa has abundant natural resources, including minerals and petroleum. The booming new energy automobile industry in China spurs high demand for new energy batteries. This has driven upstream and downstream enterprises such as battery manufacturers and copper and cobalt ore producers to increase investment in African countries rich in the relevant minerals. China has also become the second largest importer of Africa's agricultural products. A group of Chinese agricultural enterprises has invested in production, processing and marketing in Africa.





Professor Joshua Eisenman of University of Notre Dame believes that “among many motivations for Chinese to invest in Africa, the pursuit for the maximum profit is perhaps the most important one, even for state-owned enterprises. China’s domestic market is becoming saturated, forcing some enterprise to go overseas for new opportunities. The Chinese government also encourages enterprises to open up new markets and break down trade barriers in certain countries through outward foreign investment. Investing in Africa allows Chinese enterprises to take advantage of the favorable policies in regional and international trade agreements and facilitates the improvement of their advanced technologies and modern production technologies, which is exemplified by the cooperation between China and British Petroleum (BP) in the deepwater exploration and production blocks offshore Angola. Risk diversification and favorable government policies are also the reasons why Chinese enterprises invest in Africa.”<sup>21</sup>

## (II) Advantageous features of Chinese Private Enterprises

CPEs that invest in Africa possess two comparative advantages and demonstrate five characteristics:

<sup>21</sup> *China and Africa: a Century of Engagement*, Joshua Eisenman, David H. Shinn, The Chinese University of Hong Kong Press, 2020

### Private enterprises possess two comparative advantages.

Comparative advantage with China's state-owned enterprises, private enterprises have the following advantages. First, they are more sensitive to the market and are stronger in identifying and managing risk. Second, they have advantages in the allocation of production factors and can effectively control the cost of innovation and risk. Third, they are more flexible in investment and operations, and can grasp market opportunities quickly and accurately.

Comparative advantage with western enterprises: First, CPEs owe their competitive tender strategy to low costs, Second, they are more willing to take the risks in doing business. Most African governments welcome Chinese investment, in particular since 1990 when western investment began to shrink. Third, the African sectors that CPEs are investing in, like infrastructure, manufacturing and agriculture, have been overlooked by western enterprises in recent years.

### Private enterprises demonstrate 5 characteristics.

First, investment targets tend to be the same. Investment from CPEs covers the whole of Africa, but most enterprises will invest in countries with a large population, economic volume and market size.

Second, Industries where private enterprises invest are diverse, covering the primary, secondary and tertiary industries.

Third, the model is mainly greenfield investment, and there are only a few projects conducted in the form of joint ventures and M&A. Most enterprises choose to set up subsidiaries with an independent legal personality rather than agencies, representative offices and branches.

Fourth, private enterprises invest in Africa due to market opportunities and in a market-driven manner. The success of an enterprise will have a demonstration effect on others in the same industry.

Fifth, most private enterprises that invest in Africa are based in China's coastal provinces such as Guangdong, Zhejiang, Jiangsu and Shandong, with a more developed private economy.



### III. Africa's Attractiveness

#### (I) The AU Agenda 2063

African countries have put forward a range of economic strategies based on their respective national conditions. The core goal is to achieve sustainable development and promote inclusive growth that benefits more people.<sup>22</sup> In 2015, the African Union listed inclusive economic growth as one of its important goals in AU Agenda 2063.

The major measures taken by Africa to achieve inclusive economic growth are as follows: first, to drive overall economic development through industrialization; second, to create more jobs through agriculture and service industries; third, to generate more momentum for economic development through infrastructure.

As AU Agenda 2063 is brought in line with the BRI, Africa has become an important partner for China in economic and trade and investment cooperation, and Chinese enterprises have engaged deeply in Africa. Chinese enterprises' investment in Africa plays a greater role in achieving inclusive economic growth in Africa. They make consistent and practical contributions and have a positive influence on the economic and social development of host countries.

#### (II) Resilient Growth and Unleashed Potentials

African Economic Outlook by the African Development Bank forecasts that the economic growth rate of Africa is expected to reach 3.4% in 2021.<sup>23</sup> Africa's Pulse released by World Bank in April 2021 forecasts that if vaccination accelerates, about 60% of Sub-Saharan African countries will see an economic growth rate of more than 4% in

<sup>22</sup> AfDB, *Africa Competitiveness Report 2013: At the Center of Africa's Transformation—Strategy for 2013–2022*, 2013.

<sup>23</sup> AfDB, *African Economic Outlook 2021*, 2021, p. 7.





2022.<sup>24</sup> In general, the African economy will show resilient growth after it begins to rally, which is specifically reflected as follows:

Africa's demographic dividend will gradually be released. While the global population is aging, young people are dominant in Africa's age structure, and the labor force is consistently growing. This is a great advantage in international competition. By 2034 the working-age population is expected to be 1.1 billion, larger than either China or India<sup>25</sup>. The demographic dividend will gradually be released in the process of industrialization, and the expanding local market will also become the driving force for various industries. Africa has the youngest age structure in the world. According to United Nations statistics, Africa had 252 million young people aged 15-24 in 2019, accounting for 19.3% of the total population, and the population under age 35 accounted for 74.5% of the total in Africa.<sup>26</sup> Population growth and the

<sup>24</sup> World Bank, *Africa's Pulse*, April 2021, Vol.23, p.1.

<sup>25</sup> *Lions on the Move II*, McKinsey Global Institute (MGI), 2016.

<sup>26</sup> Online database of the United Nations Conference on trade and development, <https://unctad-stat.unctad.org/ReportFolders/reportFolders.aspx>



increasing proportion of young people mean that Africa will have access to a more abundant labor force and a broader consumer market.

Africa is the world's fastest urbanizing region. It is estimated that over the next decade the urban population of Africa will grow to nearly 200 million. Between 2015 and 2045, the urban population will grow by an average of 24 million per year, compared with 11 million in India and nine million in China<sup>27</sup>. Urbanization has a strong correlation with the rate of real GDP growth, because productivity in cities is more than double that in the countryside.

Africa's manufacturing industry has great potential. Manufacturing is the engine of economic growth, and low labor cost brings outstanding advantages to African manufacturing. McKinsey<sup>28</sup> forecasts that Africa's manufacturing has the potential to double its output to USD 930 billion by 2025 and create 6-14 million stable jobs in the next decade. Industries related to manufacturing will see more opportunities, such as wholesale and retail, food and agricultural products processing, healthcare, financial services, light manufacturing, and construction.

Africa has abundant reserves of resources. Africa has 60% of the world's undeveloped arable land<sup>29</sup>, and its reserves of various minerals rank first in the world. At present, Africa's oil and gas exports account for 10% of global exports, copper ore accounts for 9%, and iron ore accounts for 5%.<sup>30</sup> African bulk products are price-competitive, which ensures the future development of the African economy.

Africa is benefiting from a new round of technological revolution. African countries are embracing the wave of digitalization. With digital transformation strategies in place in Kenya, Rwanda and other African countries, Africa is experiencing an important revolution in which digital technologies stimulate business vitality, reshape lifestyles and change consumption habits. In 2019, mobile technology and service industries accounted for 9% of GDP in Sub-Saharan Africa, contributed more than USD 155 billion in output value, and directly and indirectly created nearly 3.8 million jobs<sup>31</sup>. At the same time, Africa is gradually becoming one of the centers

<sup>27</sup> McKinsey Global Institute (MGI).

<sup>28</sup> *Lions on the Move II*, McKinsey Global Institute (MGI), 2016.

<sup>29</sup> Jerry Zhang, CEO of Standard Chartered Bank (China) Limited, 2014. [http://www.gov.cn/xinwen/2014-05/05/content\\_2671515.htm#:~:text=%E9%9D%9E%E6%B4%B2%E6%8B%A5%E6%9C%89%E5%85%A8%E7%90%8360,%25%E5%85%B7%E5%A4%87%E7%81%8C%E6%BA%89%E8%AE%BE%E6%96%BD%E3%80%82](http://www.gov.cn/xinwen/2014-05/05/content_2671515.htm#:~:text=%E9%9D%9E%E6%B4%B2%E6%8B%A5%E6%9C%89%E5%85%A8%E7%90%8360,%25%E5%85%B7%E5%A4%87%E7%81%8C%E6%BA%89%E8%AE%BE%E6%96%BD%E3%80%82)

<sup>30</sup> Foreword // Yao Guimei, *China-Africa Direct Investment Cooperation*, Beijing: China Social Sciences Press, 2018.

<sup>31</sup> Reporter's Observation: *Challenges and Opportunities in Africa's Digital Economy Development*, China-Africa Cooperation Brings New Impetus, Gao Ge and Xu Xiangli, 2020, <http://world.people.com.cn/n1/2020/1009/c1002-31885264.html>

of mobile wallet, with the mobile payment penetration rate in Kenya, Uganda, Nigeria, South Africa and other countries ranking among the first in the world. Harvard Business Review included Kenya, Nigeria and South Africa on the list of digital economies with the fastest mobile payments in the world.

## IV. The Forum on China-Africa Cooperation



*"The Forum on China-Africa Cooperation (FOCAC) was created to cement the relationship between the continent and China.*

*FOCAC draws its strength from the China Africa policy, which is anchored on the commitment of China to adhere to the principles of peaceful coexistence, respects for choice of political system and development path, non-interference in internal affairs, supports for just struggles for independence, sovereignty and territorial integrity, support for stability and unity, as well as the promotion of the development of society and the economy.*

*Furthermore, the policy supports African unity and cooperation as well as the African Union for self-improvement; the strengthening and development of a long-term; stable political relationship with Africa featured by friendship, mutual trust and cooperation through visits and exchanges; economic assistance with no political conditions attached. In addition, the policy recognizes FOCAC as a platform for engaging in various forms of economic and trade cooperation, focusing on the areas of agriculture, infrastructure building and human resources development."*

— Dung P. Sha, Musa E. Umar and Usman Sarki from Nigerian National Institute of Policy and Strategic Studies<sup>32</sup>

FOCAC is the first and most successful collective cooperation mechanism between China and developing countries. The China-Africa comprehensive strategic and cooperative partnership promoted by the forum is a classic example of a new model of international relations. Since 2000, seven FOCAC events have been held successfully, of which the third in 2006, sixth in 2015 and seventh in 2018 were upgraded to summits. Over the 21 years since its establishment, the Forum has grown to be the most important platform for China-Africa cooperation in the political, economic, cultural, and security fields.

Reflecting on the different priorities of China-Africa cooperation in different phases, FOCAC has gone through three stages.

The first stage was from the first to the fourth ministerial conference (2000-2009), when there was a shift in the priority area for China-Africa cooperation, from largely trade to equal emphasis on trade and investment.

The second stage was from the fourth ministerial conference to the Johannesburg Summit (2009-2015), when the two sides continued to expand economic and trade cooperation and at the same time strengthened cultural and people-to-people exchanges.

The third stage ran from the Johannesburg Summit to date (2015 to the present), when economic cooperation expanded from building industrial capacity to industrial matchmaking and joint construction of the BRI. Peace and security became a priority, and exchanging experience in state governance was an important new feature.<sup>33</sup>

<sup>32</sup> Model for China-Africa Cooperation: the highlights of China-Nigeria cooperation, 2021, Dung P Sha, Musa E.

<sup>33</sup> SHEN Xiaolei, "Inception, Development and Achievements of FOCAC", *Pacific Journal*, Vol.28, No.3, 2020, pp.80-86.

The three summits held in 2006, 2015 and 2018 have had far-reaching influence on Chinese enterprises in Africa.

### **The Beijing Summit in 2006: Eight Measures**

- China's direct investment in Africa tripled from USD 520 million in 2006 to USD 1.57 billion in 2007.
- The establishment of the China-Africa Development Fund at the 2006 Beijing Summit.
- China became Africa's largest trading partner for the first time in 2009, and has since maintained this status.

### **The Johannesburg Summit in 2015: Ten Cooperation Plans**

- First, the trade structure was optimized.
- Second, the areas of investment were more diverse.
- Third, the infrastructure projects had been accelerated.
- Fourth, the assistance continues to deliver better outcomes.

### **The Beijing Summit in 2018: Eight Major Initiatives**

- "Five Nos" approach in China's relations with Africa.
- Economic and trade investment cooperation has entered a new stage with equal emphasis on scale and quality.
- China and Mauritius signed a free trade agreement in October 2019
- Matchmaking between the AfCFTA and the BRI accelerates and the development strategies between China and Africa are further aligned.

## **(I) The Beijing Summit in 2006: Eight Measures**

The FOCAC Beijing Summit was held in November 2006, attended by China's leaders and 48 heads of state and government or representatives in Africa. The Beijing Summit established a new type of China-Africa strategic partnership and announced eight measures to strengthen practical cooperation between China and Africa.

The 2006 FOCAC was upgraded to a summit for the first time as a new starting point for Chinese enterprises in Africa. Following the first Beijing Summit, China's investment in Africa grew rapidly in scale and extent. China's direct investment in





Africa tripled from USD 520 million in 2006<sup>34</sup> to USD 1.57 billion in 2007.<sup>35</sup> In 2008 direct investment in Africa more than doubled from 2007, to reach a record high of USD 5.49 billion<sup>36</sup>.

The China-Africa Joint Chamber of Commerce and Industry held a China-Africa Business Cooperation Conference in Egypt in May 2007, which was attended by more than 500 Chinese and African entrepreneurs. The China-Africa Private Investment Forum was held in Tanzania in April 2008, attended by more than 300 representatives from China and Africa who held exchanges on strengthening cooperation between Chinese and African private enterprises. To encourage and support Chinese enterprises to invest in Africa, the Chinese government announced the establishment of the China-Africa Development Fund at the 2006 Beijing Summit. The Fund came into operation in June 2007. In October 2007, the Industrial and Commercial Bank of China (ICBC) and Standard Bank of South Africa announced that the two parties had reached agreement on equity transactions and strategic cooperation. ICBC became the single largest shareholder of Standard Bank after paying 36.6 billion rand (USD 5.46 billion) for a 20% stake.<sup>37</sup> China-Africa trade maintained rapid growth after the Beijing Summit. The trade volume surpassed USD 100 billion for the first time in 2008, reaching USD 106.8 billion, a year-on-year increase of 45.7%<sup>38</sup>. China became Africa's largest trading partner for the first time in 2009<sup>39</sup>, and has since maintained this status<sup>40</sup>. In 2010, the stock of China's direct investment in Africa exceeded USD 10 billion for the first time.

<sup>34</sup> Zhang Chun, Zhao Yaping, *The Strategic Direction and Future Trends of America's Policy towards Africa, West Asia and Africa*, 2021(02): 3-25.

<sup>35</sup> 2006 Statistical Bulletin of China's Outward Foreign Direct Investment, MOFCOM, National Bureau of Statistics, 2006, Page 18. <http://images.mofcom.gov.cn/fec/201512/20151204091145650.pdf>

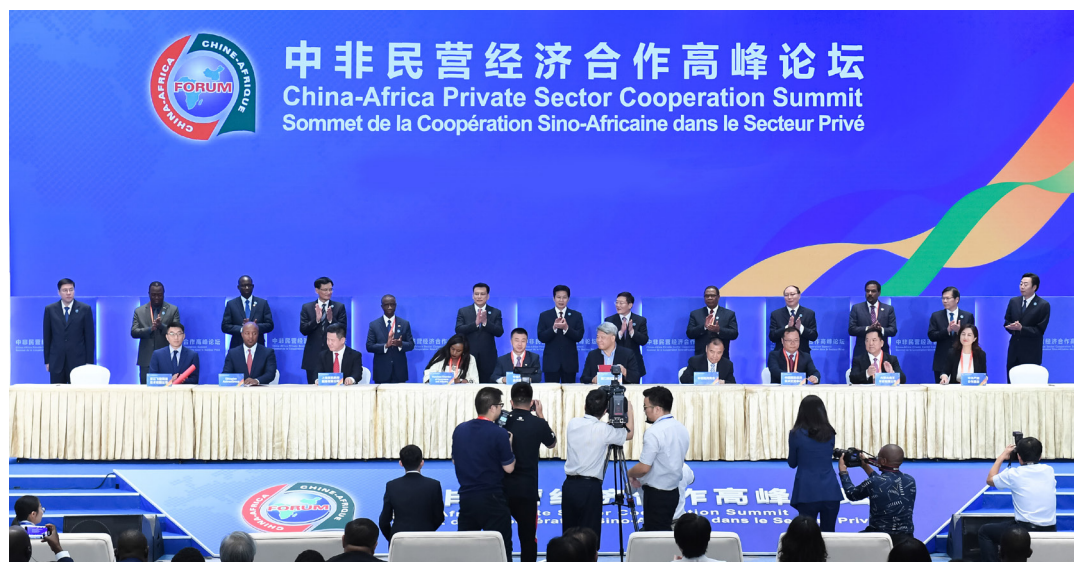
<sup>36</sup> Statistical Bulletin of China's Outward Foreign Direct Investment, 2013

<sup>37</sup> ICBC paid USD 5.46 billion for a 20% stake in Standard Bank of South Africa, Xinhuanet, October 25, 2007. <http://news.sohu.com/20071025/n252867417.shtml>

<sup>38</sup> [Stocktake] The results of follow-up actions of previous FOCAC, Embassy of the People's Republic of China in the Republic of Kenya, 2015. <https://www.fmprc.gov.cn/ce/ceke/chn/zfgx/t1328367.htm>

<sup>39</sup> China-Africa Economic and Trade Cooperation, State Council Information Office, 2010. [http://ligboy.cc/zwgk/2010-12/23/content\\_1771638.htm](http://ligboy.cc/zwgk/2010-12/23/content_1771638.htm)

<sup>40</sup> Review on the "First Times" in Sino-African Exchanges (Economic and Trade Exchanges), Du Yifei, ([https://www.sohu.com/a/46011545\\_119703](https://www.sohu.com/a/46011545_119703))



## (II) The Johannesburg Summit in 2015: Ten Cooperation Plans

At the FOCAC Johannesburg Summit held in December 2015, China and Africa decided to establish and develop a China-Africa comprehensive strategic and cooperative partnership and rolled out the “Ten Cooperation Plans”, covering industrialization, agricultural modernization, infrastructure, finance, green development, trade and investment facilitation, poverty reduction, public health, cultural and people-to-people exchanges, and peace and security.

The Johannesburg Summit was of great significance for China-Africa economic and trade investment cooperation, as it built upon past achievements and led the cooperation into a new stage. In 2014, China-Africa trade reached a historical peak of

USD 222 billion<sup>41</sup>. In 2015, China-Africa trade was worth double than that of the United States and Africa and was about four times than that of Japan and Africa. In 2014, the stock of China's direct investment in Africa exceeded USD 30 billion for the first time.<sup>42</sup>

By the time of the Johannesburg Summit, China-Africa economic and trade investment had reached a relatively high level, and the summit served as a new engine for both sides to expand cooperation. At the summit China pledged a USD 60 billion financial package to support Africa's development, including USD 5 billion of grant and interest-free loans, USD 35 billion of preferential loans with more favorable terms and export credit lines, an increase of USD 5 billion to the China-Africa Development Fund and a special loan fund for the development of African SMEs. The China-Africa Fund for Industrial Cooperation (CAFIC) was established with an

<sup>41</sup> A history of 15 years for FOCAC 15, China-Africa trade volume in 2020 will reach USD 400 billion, *People's Daily Online -Finance Channel*, 2015. <http://finance.people.com.cn/n/2015/1204/c1004-27889802.html>

<sup>42</sup> MOFCOM, *Economic Daily*, 2015. <http://www.mofcom.gov.cn/article/ae/ai/201511/20151101197747.shtml>

initial contribution of USD10 billion<sup>43</sup>. In addition, China also wrote off outstanding intergovernmental interest-free loans due by the end of 2015 for least-developed countries in Africa.

The measures proposed at the Johannesburg Summit advanced China-Africa economic and trade investment cooperation to a new level.

First, the trade structure was optimized. From 2016 to 2018, China implemented more than 150 aid-for-trade projects in Africa. Those projects promoted the transition of China-Africa trade areas from consumer goods, energy and mineral resources to high value-added products and agricultural products with special characteristics. China imports coffee from Ethiopia, cocoa beans from Ghana, black tea from Kenya, peanuts from Senegal, oysters from Namibia, honey from Zambia, red wine from South Africa, carpets from Egypt, sapphires from Tanzania, tea sets from Tunisia, and wood carvings from Rwanda, all of which are popular among Chinese consumers.

Second, the areas of investment were more diverse. From 2016 to 2018, China actively promoted China-Africa industrial matchmaking and industrial capacity cooperation, encouraged the economic and trade cooperation zones to gather industries and promote development in neighboring regions, and provided software and hardware for establishing and upgrading a number of economic and trade cooperation zones in Africa. China also signed agreements with Egypt, Mozambique, South Africa and Ethiopia on the construction of economic and trade cooperation zones, to

provide services and guidance in the construction, development, and investment promotion of the zones. Chinese enterprises are investing in Africa in emerging areas as finance, manufacturing of equipment, medicine and technology.

Third, the infrastructure projects were accelerated. From 2016 to 2018, China completed or implemented more than 200 infrastructure projects in Kenya, Côte d'Ivoire and Ghana, covering transport, power, telecommunications, and energy. Of these, the most notable are the Addis Ababa-Djibouti Railway and the Mombasa-Nairobi Standard Gauge Railway. The former is the first electrified standard gauge railway in East Africa and a landmark project for China-Africa cooperation, with the section in Ethiopia completed and opened to traffic in October 2016, and the section in Djibouti completed and opened to traffic in January 2017. The Mombasa-Nairobi Standard Gauge Railway, the largest infrastructure project in Kenya since its independence, officially opened to traffic in May 2017. Overall, the 200 projects already completed or under construction will add and upgrade about 30,000 kilometers of highways, 2,000 kilometers of railway<sup>44</sup>, 85 million tons per annum of port throughput capacity, more than nine million tons per day of clean water treatment capacity, about 20,000MW of power generation capacity, and more than 30,000km of transmission and transformation lines<sup>45</sup>.

Fourth, the assistance continued to deliver better outcomes. From 2016 to 2018, China implemented a large number of aid projects in Africa to improve people's lives, trained more than 200,000

<sup>43</sup> Open A New Era of China-Africa Win-Win Cooperation and Common Development, address by President Xi Jinping at opening ceremony of the FOCAC Johannesburg Summit, China Investment, 2016 (01): 10-12.

<sup>44</sup> Africa Construction Trends Report 2018, Deloitte, Page 52.

<sup>45</sup> China has become Africa's largest trading partner country for nine consecutive years, Liu Xiaodong, 2018

African professionals<sup>46</sup>, guided nearly 100,000 African farmers in agricultural modernization<sup>47</sup>, and sent 728 senior experts and consultants in various fields to Guinea-Bissau, Sierra Leone and the African Union.<sup>48</sup> China also enabled access to satellite TV programs in more than 10,000 villages in 25 African countries including the Republic of the Congo and Nigeria<sup>49</sup>, and provided emergency food aid worth more than RMB 1 billion to 18 El Niño-impacted countries including South Sudan and Niger<sup>50</sup>.

### (III) The Beijing Summit in 2018: Eight Major Initiatives

In September 2018, at the new Beijing Summit of the FOCAC, President Xi Jinping presented the "Five Nos" approach in China's relations with Africa:

- No interference in African countries' pursuit of development paths that fit their national conditions;
- No interference in African countries' internal affairs;
- No imposition of its will on African countries;
- No attachment of political strings to assistance to Africa;
- No seeking of selfish political gains in investment and financing cooperation with Africa.

Committed to building an even closer China-Africa community of shared future, the summit launched "Eight Major Initiatives" in industrial promotion, infrastructure connectivity, trade facilitation, green development, capacity building, healthcare, people-to-people exchange, and peace and security.

To support the implementation of the eight initiatives, China pledged to extend USD 60 billion to Africa in the form of government financing as well as investment and financing by financial institutions and companies. This will include USD 15 billion of

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<sup>46</sup> China has trained 200,000 African professionals in the past three years, Xinhua News Agency, September 22, 2018. [http://www.gov.cn/xinwen/2018-09/02/content\\_5318691.htm](http://www.gov.cn/xinwen/2018-09/02/content_5318691.htm)

<sup>47</sup> China-Africa agricultural cooperation has been fruitful. The first Forum on China-Africa Cooperation in Agriculture was held in Hainan in September, Yicai, June 28, 2019. <https://www.yicai.com/news/100240997.html>

<sup>48</sup> Wang Dong, Forum on China-Africa Cooperation: A Power Source Leading the Prosperous Development of China-Africa Economic and Trade Cooperation, International Business Daily, 2019-02-11 (006)

<sup>49</sup> [BRI in action] "Access to Satellite TV for 10,000 African Villages" allows African people to "connect to the world", Economic Daily, April 9, 2019. <https://www.fmprc.gov.cn/zfhzlt2018/chn/zfgx/jmhzt1652570.htm>

<sup>50</sup> China will provide RMB 1 billion of emergency food aid to disaster-stricken countries, China Broadcasting Network, December 4, 2015. [http://china.cnr.cn/gdgg/20151204/t20151204\\_520693570.shtml](http://china.cnr.cn/gdgg/20151204/t20151204_520693570.shtml)

grants, interest-free loans and concessional loans, USD 20 billion of credit lines, a USD 10 billion special fund for development financing, and a USD 5 billion special fund for financing imports from Africa. China will encourage Chinese enterprises to make at least USD 10 billion of investment in Africa in the next three years<sup>51</sup>. In addition, China wrote off the interest-free loans payable at the end of 2018 by Africa's least developed countries, heavily indebted and poor countries, landlocked developing countries, and small island developing states (SIDS).

The 2018 Beijing Summit saw a meeting of the development strategies of China and Africa, and China-Africa economic and trade investment cooperation has entered a new stage with equal emphasis on scale and quality. As an important measure to implement the "Eight Major Initiatives", the first China-Africa Economic and Trade Expo was held in Changsha, Hunan in June 2019. The expo attracted more than 10,000 visitors, including delegations from 53 African countries and international organizations. A total of 81 cooperative agreements were signed during the expo and the total business value amounted to more than USD 20 billion<sup>52</sup>.



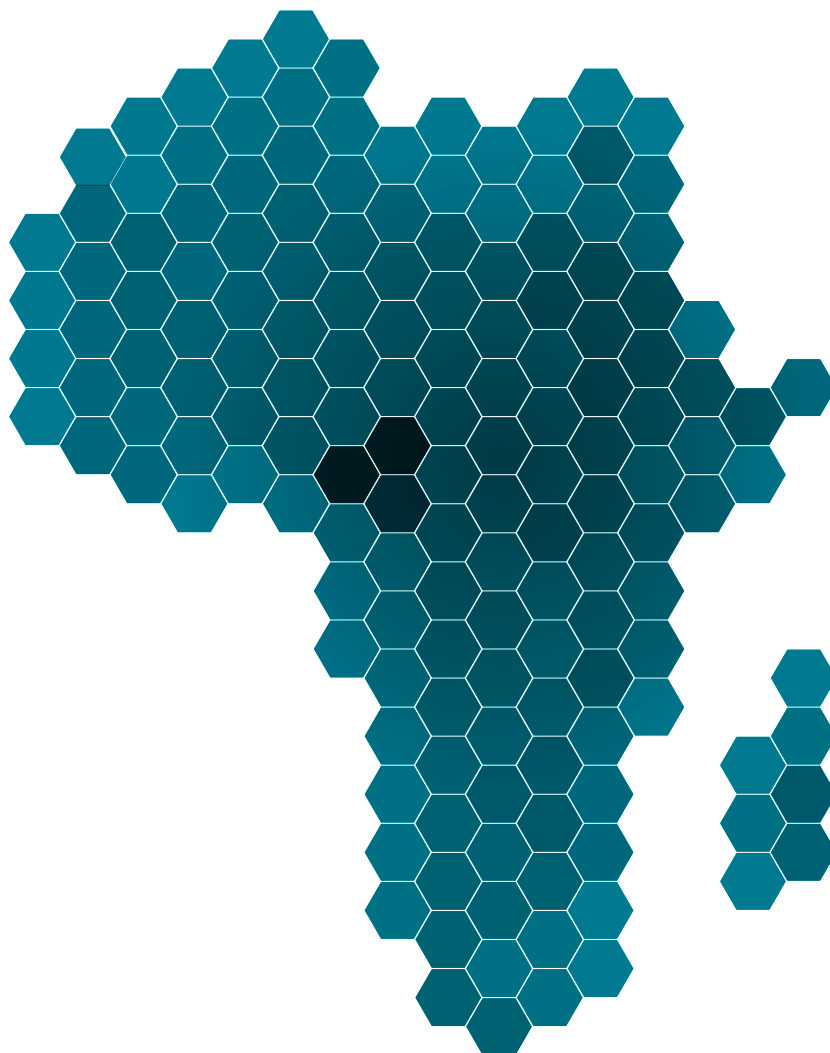
China and Mauritius signed a free trade agreement in October 2019, the first of its kind between China and an African country. In 2019, China-funded projects in Africa accounted for 20.4%, second only to the African governments' own figure (22.8%). China continues to dominate as the most prolific (and single-country) builder of projects across Africa, constructing 31% of projects in Africa.<sup>53</sup> Jushi Egypt Company's 200,000 Ton Fiberglass Production Base was built and commissioned<sup>54</sup>, representing a total investment of USD 580 million. It is China's largest overseas fiberglass production base, as well as the only one of its kind in Africa.

<sup>51</sup> The opening ceremony of the Beijing Summit of the Forum on China-Africa Cooperation, Xi Jinping, 2018

<sup>52</sup> Accelerate the Implementation of the "Eight Major Initiatives" of the FOCAC Beijing Summit and Promote the Steady Development of China-Africa Economic and Trade Cooperation, MOFCOM Information Office, January 18, 2020. [http://www.mofcom.gov.cn/article/zt\\_swxs/lanmuelev-en/202001/20200102928622.shtml](http://www.mofcom.gov.cn/article/zt_swxs/lanmuelev-en/202001/20200102928622.shtml)

<sup>53</sup> Deloitte, Africa Construction Trends Report 2019, P 8.

<sup>54</sup> The Beijing Summit Injects New Momentum into China-Africa Economic and Trade Cooperation, MOFCOM, December 28, 2018. [http://www.mofcom.gov.cn/article/zt\\_qsgswgzhh2018/sswgh/201812/20181202821197.shtml](http://www.mofcom.gov.cn/article/zt_qsgswgzhh2018/sswgh/201812/20181202821197.shtml)



Zambia Industrial Park, funded, built and operated by China National Building Material Co., Ltd., was completed and commissioned<sup>55</sup>. It is planned to invest a total of USD 500 million in this industrial park, which will directly or indirectly create nearly 3,000 local jobs. The Maputo-Catembe Bridge, the longest suspension bridge in Africa, was built by China Road and Bridge Corporation. Transsion Holdings, a Chinese mobile phone manufacturer whose main target market is Africa, was listed on the China Science and Technology Innovation Board at the end of September

<sup>55</sup> Creating a new business card for Belt and Road Initiative, the development process of Zambia Industrial Park, China National Building Materials Co., Ltd., September 30, 2018. <http://www.cbmf.org/cbmf/xylj/qyjd/6826423/index.html>

2019. At that time, mobile phones of different brands produced by Transsion had a market share of 52.5% in Africa<sup>56</sup>.

The AfCFTA was launched in January 2021. It is the largest body of its kind in terms of the number of participating countries since the formation of the World Trade Organization, covering a market of 1.3 billion people with an estimated combined current GDP of USD 2.5 trillion<sup>57</sup>. According to the UN Economic Commission for Africa, the AfCFTA has the potential to see trade volumes rise by 50% in the five years following implementation.<sup>58</sup> As the AfCFTA brings more trade opportunities to Africa, the continent will become an attractive destination for investment, where Chinese enterprises will have access to more investment opportunities and enter into a larger, more efficient, and highly integrated consumer market.

China has expressed its support for the AfCFTA on many occasions. To date, 46 African countries have signed the BRI cooperation agreement with China, accounting for about 80% of the member states in the AfCFTA, and 30% of the countries that have signed BRI cooperation agreements with China<sup>59</sup>. As the matchmaking between the AfCFTA and the BRI accelerates and the development strategies between China and Africa are further aligned, Chinese enterprises will enjoy two-way dividends and dual policy safeguards for their development in Africa.

<sup>56</sup> Securities Research Report, April 14, 2021, P 5. [https://pdf.dfcfw.com/pdf/H3\\_AP202104141484734434\\_1.pdf?1618415055000.pdf](https://pdf.dfcfw.com/pdf/H3_AP202104141484734434_1.pdf?1618415055000.pdf)

<sup>57</sup> Answers to questions about the AfCFTA, Economic and Commercial Office of the Mission of the People's Republic of China to the African Union, 2019

<sup>58</sup> "The AfCFTA Has Crossed the Ratification Threshold What's Next?" <https://www.africancfta.org/news/the-afcfta-has-crossed-the-ratification-threshold-whats-next>.

<sup>59</sup> Zhang Ying, Xia Fuwei, *The Matchmaking of Development Models for China and Africa*, *Modern International Relations*, 2020(12): 51-58+34+60.



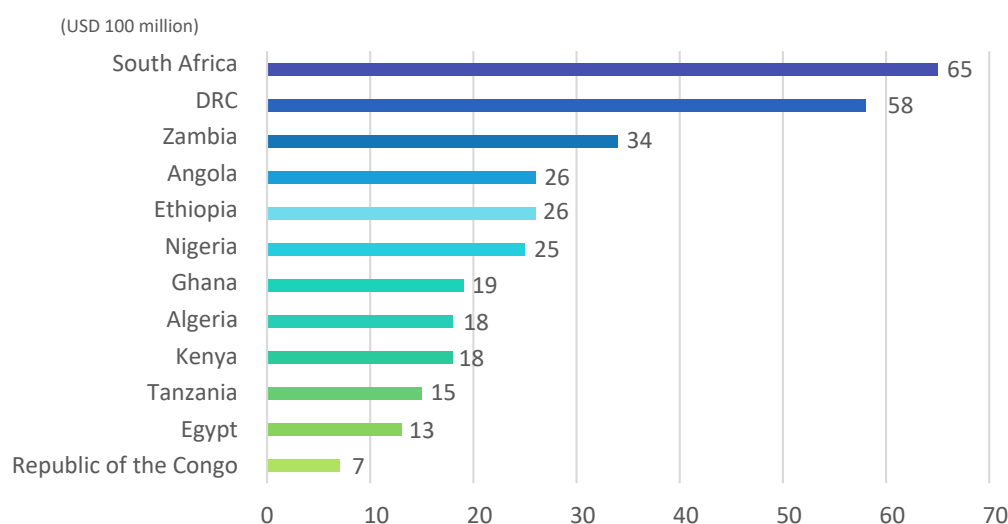


# Part II: The Role of Chinese Enterprises in Africa

## I. The Performance of Chinese Enterprises in Major African Economies

Investment by Chinese enterprises in Africa is widely distributed in almost all African countries. According to statistics from China's Ministry of Commerce (MOFCOM), as of the end of 2020, the total stock of Chinese enterprises' investment in South Africa, DRC, Zambia, Angola, Ethiopia, Nigeria, Ghana, Algeria, Kenya, Tanzania, Egypt and the Republic of the Congo was about USD 32.4 billion, accounting for about 68% of China's direct investment in Africa. Due to the huge differences among African countries in natural endowments, economic conditions, business environment, and relations with China, the investment of Chinese enterprises in different countries also has different characteristics. We categorize the 12 countries where China's investment is relatively concentrated into three groups, namely middle-income countries, resource rich and non-resource rich countries, and analyze the characteristics of Chinese enterprises' investment.

Middle-income countries include South Africa and Egypt; resource rich countries include Nigeria, Angola, the Republic of the Congo, Zambia, Ghana, Algeria, and DRC; and non-resource rich countries include Ethiopia, Kenya, and Tanzania.

**FIGURE 2****The Stock of Investment by Chinese Enterprises in Key African Countries by the End of 2020**

Source: Estimation based on data released by MOFCOM

## (I) Middle-income Countries: Facilitators in Capital and Technology



### South Africa

The Republic of South Africa is one of the few middle-income countries in Africa, with a per capita GDP over USD 6,000<sup>60</sup>. Rich in mineral resources, it is also the most industrialized economy in Africa. South Africa ranks first among African countries in attracting China's direct investment. By the end of 2020, China's direct investment in South Africa was approximately USD 6.5 billion<sup>61</sup>, accounting for 13.7% of China's investment in Africa. Chinese enterprises are mainly located in the industrial parks of Johannesburg and other provinces, covering textiles and garments, home appliances, machinery,

<sup>60</sup> UN data (2019) <http://data.un.org/Data.aspx?q=egypt&d=SNAAMA&f=grID%3A101%3BcurID%3AUSD%3BpcFlag%3A1%3BcrID%3A818>

<sup>61</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in South Africa was about USD 6.2 billion, with an annual investment flow of USD 300 million in 2020. It is estimated based on the above data that by the end of 2020, the stock of China's investment in South Africa will be approximately USD 6.5 billion.

**food, building materials, minerals, finance, trade, transport, information and communications, agriculture and real estate.**

In recent years, more investment by Chinese enterprises in South Africa has flown into capital-intensive, technology-intensive and service industries. For example, BAIC Group invested USD 800 million to build an automobile manufacturing line in Port Elizabeth with an annual production capacity of 100,000 vehicles<sup>62</sup>; Hisense Group invested USD 30 million to build a home appliance industrial park in Cape Town, which is capable of producing 400,000 refrigerators and televisions per annum<sup>63</sup>; ICBC acquired a 20% stake in Standard Bank of South Africa, China's largest M&A transaction that year<sup>64</sup>; Huawei engaged in the construction of Africa's first standalone 5G commercial network in South Africa; Didi has conducted operations in Port Elizabeth and Cape Town, South Africa.

## CASE

# 1

### BAIC Group - First Overseas Vehicle Plant in South Africa

In 2015, BAIC Group began the construction of an automobile assembly plant in the Coega Special Economic Zone of Port Elizabeth<sup>65</sup>, implemented in two phases, representing a total investment of USD 800 million. This is the first overseas vehicle manufacturing plant invested and constructed by BAIC Group, as well as the largest automobile manufacturing project in South Africa over the past 40 years.

The project has an annual output of 50,000 vehicles, and 60% of the parts and components will be supplied locally within 5 years. Once it is completed the plant will employ 15,000 people, of whom more than 90% will be from South Africa<sup>66</sup>. The first locally assembled car rolled off the assembly line in July 2018.

<sup>62</sup> BAIC South Africa Plant Starts Construction and is Expected to Go into Operation at the End of Next year, Xinhuanet, August 31, 2016.

<sup>63</sup> Building a Bridge for Chinese Enterprises to Enter Africa: Overseas Practice of China-Africa Development Fund, Xinhuanet, December 2, 2015. [http://www.xinhuanet.com/world/2015-12/02/c\\_1117328246.htm](http://www.xinhuanet.com/world/2015-12/02/c_1117328246.htm)

<sup>64</sup> ICBC Acquired a 20% Stake in Standard Bank of South Africa, Sina Finance, December 2, 2015. [http://finance.sina.com.cn/money/bank/bank\\_hydt/20071025/19034100617.shtml](http://finance.sina.com.cn/money/bank/bank_hydt/20071025/19034100617.shtml)

<sup>65</sup> BAIC South Africa Plant Starts Construction and is Expected to Go into Operation at the End of Next year, Xinhuanet, August 31, 2016.

<sup>66</sup> "This is A Mutually Beneficial and Win-win Road" (the Development of Belt and Road Initiative is Underway), People's Daily Online, March 11, 2019. <http://world.people.com.cn/n1/2019/0311/c1002-30968565.html>

In line with the principle of “green and smart”, the project adopts energy-saving and environmentally friendly manufacturing processes and layouts. It adopts the highest standards in tooling equipment within the industry, and employs industrial robots in production, which not only creates local jobs, but also greatly reduces the labor intensity of workers and improves their life and work quality.

## CASE

### Jidong Development and WIPHOLD - Mamba Cement Project

# 2

In 2016, the South African Mamba Cement project jointly funded by China's Jidong Development Group and WIPHOLD, an investment and operating company owned and managed by black women, entered commercial operation. As the only cement plant in South Africa that applies cogeneration technology, it reduces the use of industrial coal by 17,000 tons and carbon dioxide emissions by about 50,000 tons and generates 33 million kilowatt-hours of electricity annually<sup>67</sup>. It takes a lead in emissions reduction, noise control, sewage treatment, and safety protection.

## CASE

### ICBC and Standard Bank - A Model of Banking Cooperation

# 3

ICBC became the single largest shareholder of Standard Bank after paying USD 5.5 billion for a 20% stake in 2008. At the time of the acquisition, ICBC was the largest bank in the world in terms of total assets and market value, and Standard Bank of South Africa, as the largest bank in Africa, had branches in 18 countries in Africa. This project was also the largest in South Africa in terms of the amount of foreign direct investment.

They have joined forces to provide custom-tailored products and services using their respective financial strengths, such as exchange rate risk management to ensure financial security in Africa.

ICBC employs its strengths in international operations and indirectly covers 20 countries in Africa through its equity participation in Standard Bank of South Africa, providing financial services to Chinese and African enterprises. ICBC ensures the quality of clients, information sharing, resources and even credit lines for Standard Bank, which can be a problem for other local banks or even international banks.

<sup>67</sup> The Major Asset Restructuring Project of Jidong Development Group Delivers Eye-catching Results, China Financial Information, July 29, 2019. [http://news.xinhua08.com/a/20190729/1872534.shtml?ulu-rcmd=0\\_comdf\\_art\\_3\\_e6e1daeab5d04cb1b9dd5432a7aa6b33](http://news.xinhua08.com/a/20190729/1872534.shtml?ulu-rcmd=0_comdf_art_3_e6e1daeab5d04cb1b9dd5432a7aa6b33)

## CASE

## 4

## Wepon Group - Two-way Investment and Development

Founded in 1978, Wepon Group, a Zhejiang-based company, does business in 4 industries: pharmaceuticals, medical equipment, bearings and steel balls, and aluminum profiles. It has 48 subsidiaries in the Americas, Africa and provinces and cities in China.

In 2016, Wepon Group established Anglorand Medical Pty Ltd. in South Africa, which acquired Elite Surgical Supplies Pty Ltd. and Tecmed Africa Pty Ltd. Although these two enterprises are not large in scale, they have impressive strengths. Elite Surgical is manufacturer of implantable orthopedic medical devices with strong research and development capabilities. It produces a complete series of products which can compete with the two international giants – Johnson & Johnson and Medtronic. Tecmed Africa is one of the few enterprises in Africa that has the ability to carry out turnkey projects in hospital construction and development, going through the whole process from overall hospital design through equipment procurement, installation and maintenance, to the supply of consumables, and from hospital management system development to doctors' technical training.

In 2018, Wepon Group introduced Elite into China and established a China-Africa Medical Technology Industrial Park. This began the internationalization of Wepon Group's health industry, featuring a two-way investment through "entering Africa and introducing to China".



## Egypt

The Arab Republic of Egypt is the third largest economy and the third most populous country in Africa. It has unique geographical advantages and relatively complete industrial, agricultural and service industry systems, with a per capita GDP of USD 3,161<sup>68</sup>. Oil and gas, tourism, overseas remittances and the Suez Canal are Egypt's four major sources of foreign exchange income, and long-staple cotton is an important cash crop. Since President Abdel Fattah al-Sisi took office in 2014, he has vigorously developed the economy and improved people's lives by pursuing economic reform in floating exchange rates, opening up markets, and attracting foreign investment. According to *Where to Invest in Africa 2020* released by South Africa's Rand Merchant Bank, Egypt has been ranked as the best investment destination in Africa for the last three years.

Egypt was the first African country to establish diplomatic relations with China. China has been Egypt's largest trading partner since 2012, and the two sides carry

<sup>68</sup> UN data (2019) <http://data.un.org/Data.aspx?q=egypt&d=SNAAMA&f=grID%3A101%3Bcur-rID%3AUDSD%3BpcFlag%3A1%3BcrID%3A818>

out all-round cooperation in the fields of industry, energy, telecommunications and infrastructure. In 2014, President Xi Jinping and President Abdel Fattah al-Sisi upgraded the China-Egypt relationship to a comprehensive strategic partnership and President Xi visited Egypt in January 2016. When President Sisi participated in the second Belt and Road Forum for International Cooperation in April 2019, he stated that the BRI accords with Egypt's development strategies, including prioritizing economic development, promoting industrialization, strengthening economic, trade and investment cooperation, and facilitating cultural and people-to-people exchanges, as well as strengthening regional cooperation and integrated economic development.

As of the end of 2020, the stock of China's direct investment in Egypt was approximately USD1.3 billion<sup>69</sup>, accounting for 2.7% of China's direct investment in Africa. Most Chinese enterprises investing in Egypt, such as Jushi Group, China XD Electric, Angel Yeast, New Hope Group, Midea and Konka, are private enterprises, and a majority of them do business in manufacturing. This helps to fully leverage Egypt's large domestic market and abundant labor force, its favorable geographical location, and the reach of its logistics network.

In 2010, Midea Group's Electro-Mechanical Business Group acquired a 32.5% stake in Miraco<sup>70</sup>, a listed company in Egypt, to produce household air-conditioners and cold chain products. This combines Midea's capability in technological innovation with the channels of local enterprises to boost the "Made in Egypt" campaign.

In 2012, Jushi Group established the Jushi Egypt for Fiberglass Industry S.A.E (Jushi Egypt), which is one of China's largest investment projects in Egypt. It fills the gap in fiberglass industry in Egypt and Africa and makes Egypt the world's fifth largest fiberglass producer and exporter. The production base of Jushi Egypt was put into operation in August 2018, with an annual capacity of 200,000 tons. It represented a total investment of USD 580 million and created 2,500 local jobs.

Located at the intersection of the Belt and Road and the Suez Canal Corridor, China-Egypt TEDA Suez Economic and Trade Cooperation Zone is a national-level overseas cooperation zone under the guidance of MOFCOM. Since its establishment in 2008, it has gradually focused on four flagship industries – new building materials, petroleum equipment, high and low voltage equipment, and machinery manufacturing. The zone produces an output value of more than USD

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<sup>69</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of Chinese investment in Egypt was USD 1.1 billion, and the investment flow in 2020 was USD 190 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Egypt was about USD 1.3 billion.

<sup>70</sup> Midea Group's Electro-Mechanical Business Group's Acquired a 32.5% Stake in Miraco in Egypt, Securities Times, October 11, 2010. <https://finance.qq.com/a/20101011/002185.htm>

1 billion; it has attracted over USD 1 billion contracted investment in accumulative terms<sup>71</sup> and created nearly 4,000 jobs.

## CASE

### 5

#### Foton Motor - Creation of Local Manufacturing Capability for New Energy Buses

In October 2019, Foton inaugurated a manufacturing cooperation project with Egypt, and the delivery of 50 pure electric buses to the government of Egypt<sup>72</sup>. This was the first China-Egypt cooperation project in localized manufacturing of new energy buses, and Egypt's largest order of pure electric buses to date. The Foton Ouhui pure electric buses will be used to improve traffic in Cairo. Foton aims to localize the production of pure electric buses in Egypt and provide related manufacturing and new energy technologies. This project will be a model for cooperation in automobile production, and bring a new industrial revolution to electric vehicle manufacturing technologies in Egypt.

## CASE

### 6

#### Ningbo Jiashang & Egypt Euromed - First China-Egypt Mask Production Line

On April 7, 2020, a surgical mask production line jointly developed by Ningbo Jiashang and Egypt Euromed began operation. The government of Egypt stated that the project is of great significance for the Egyptian people to fight against COVID-19 and expressed the hope that Egypt and China will work together to overcome the pandemic as quickly as possible.

Representing a total investment of about USD 3.5 million, this project currently has 4 production lines that produce 500,000 pieces per day. The current production capacity of masks in Egypt, 600,000 pieces per day<sup>73</sup>. When expanded to 10 production lines as planned, the project will produce over 1 million pieces per day under full capacity, which will alleviate the mask shortage in Egypt.

<sup>71</sup> The eyes of the media | The China-Egypt TEDA Suez Economic and Trade Cooperation Zone has Achieved Remarkable Results, Enorth, April 16, 2019. [https://www.sohu.com/a/308302687\\_99908530](https://www.sohu.com/a/308302687_99908530)

<sup>72</sup> Commercial Vehicles, Foton wins the largest pure electric bus order in Egypt, Commercial Vehicle News, 2019, No.644(40):10-10.

<sup>73</sup> The First China-Egypt Cooperative Mask Production Line Put into Operation, Sina Finance, April 9, 2020. <https://baijiahao.baidu.com/s?id=1663508046719266591&wfr=spider&for=pc>

## (II) Resource Rich Countries: Facilitators in Economic Diversification

### Nigeria

The Federal Republic of Nigeria is the most populous country in Africa and the largest economy in Africa, with a per capita GDP of USD 2,277. In recent years, Nigeria has become China's largest market for engineering contracting, largest export market, second-largest trading partner, and a major investment destination in Africa. Nigeria is the largest oil producer in Africa and oil and gas is its core industry, attracting most of the foreign investment in Nigeria.

China mainly invests in industrial fields and infrastructure in Nigeria. As of the end of 2020, the stock of China's direct investment in Nigeria was approximately USD 2.5

billion<sup>74</sup>, accounting for 5.2% of China's direct investment in Africa. Investment by Chinese enterprises covers a wide range of areas such as oil exploration, electrical equipment production and sales, communications and broadcasting, mineral resources exploitation, household appliances, vehicle assembly, food, beverage and bottled water production, textiles, clothing and footwear, and agricultural production.



China has established two industrial parks in Nigeria – the Lekki Free Trade Zone (LFTZ) and the Ogun Guangdong Free Trade Zone (OGFTZ) – attracting Chinese enterprises in building materials, ceramics, furniture, hardware, pharmaceuticals, electronics, food and beverage processing, packaging and printing materials, auto parts, mechanical and electrical products,

and light industrial products. Chinese enterprises have also signed a number of large orders in infrastructure projects, such as the Lekki Deep Sea Port project representing an investment of USD 1.043 billion, undertaken by China Harbour Engineering Company (CHEC).

<sup>74</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Nigeria was USD 2.2 billion, and the investment flow in 2020 was USD 300 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Nigeria was about USD 2.5 billion.



## CASE

## 7

**China Harbour Engineering Company - Nigeria's First Deep-sea Port Project**

The Lekki Deep-Sea Port is the first integrated China Harbour Engineering Company (CHEC) project that combines investment, construction and operation in Nigeria. It is located in the Lagos Free Zone 65 kilometers east of Lagos, Nigeria's largest city, adjacent to the Lekki Free Trade Zone and Dangote Petrochemical Complex.

In October 2019, CHEC, China Development Bank, Lagos Government, Nigeria's Office of Joint Tax Board, and Singapore Tolaram Group signed the project financing agreement representing a total investment of USD1.043 billion<sup>75</sup>, to which CHEC and Tolaram Group contributed about 75%, Nigeria's Office of Joint Tax Board 5%, and the Lagos government 20%. CHEC has adopted the BOOT (build; own; operate; transfer) model in developing the Lekki Port and has a 45-year franchise. The project was initiated in June 2020 and is expected to be completed in the first quarter of 2023. Once completed, it will create about 170,000 direct and indirect local jobs.

As the largest port in the sub-Saharan region, the Lekki Deep Sea Port will greatly increase the collection and distribution capacity of containers in Lagos and reduce the cost of international trade logistics, thereby increasing the competitiveness of Nigeria's economy and the interconnectivity of the whole of West Africa.

## CASE

## 8

**Guangdong New South Group - Ogun Guangdong Free Trade Zone**

The Ogun Guangdong Free Trade Zone is located in Igbesa of Ogun State in southwestern Nigeria. It was jointly established by Guangdong New South Group and the government of Ogun State, with New South Group holding a 60% stake. Otunba Richard Adeniyi Adebayo, Minister of Industry, Trade and Investment commented in 2019 that the project "demonstrates the potential to help Nigeria achieve industrialization, as it has a total annual output value of over USD 234 million, a total investment of over USD 2 billion, and directly employs more than 6,000 people from the local community."<sup>76</sup>

The free trade zone hosts light industry, furniture, building materials, hardware and wood processing as its flagship industries, and raw material processing as a major business, with engineering, marketing and trade developing in parallel. At present, there are 63 enterprises registered in the free trade zone. Among them, Goodwill Ceramic, China Glass,

<sup>75</sup> The Financing Agreement for the Lekki Deep Sea Port in Nigeria Signed in Lagos, People's Daily Online-International Channel, November 24, 2019. <http://news.eastday.com/w/20191024/u1ai20094142.html>

<sup>76</sup> The Ogun Guangdong Free Trade Zone has created more than 6,000 jobs since its establishment 10 years ago, CNR.cn, November 27, 2019. [http://www.cnr.cn/gd/jjzx/20191127/t20191127\\_524875509.shtml](http://www.cnr.cn/gd/jjzx/20191127/t20191127_524875509.shtml)

Hewang Packaging & Printing FZE, Yonghan Furniture, Panda Building Materials, Henan Snowsea Home Appliance Technology have become well-known brands in Nigeria and in wider West Africa.

The Ogun Guangdong Free Trade Zone project also donated funds to build primary schools and medical clinics for local communities, and built the Lusada-Igbesa Road to improve traffic circulation in the area.

#### Column 1: Luban Workshop - Cultivating Local Talents

The name “Luban Workshop” comes from a famous ancient Chinese called “Luban”, a skilled craftsman in the 5th century BC, who invented a large number of wood-working tools and agricultural machines, and drilled a deep well for the first time in a mountainous area.

The Luban Workshop in Nigeria was inaugurated in November 2020. Jointly developed by Tianjin Sino-German University of Applied Sciences, Tianjin Railway Vocational and Technical College and University of Abuja, this workshop is aimed at cultivating localized technical talent in rail transit for Nigeria and the rest of Africa.

The Luban Workshop in Nigeria will provide 3 laboratories for vehicle engineering, transport and civil engineering at the University of Abuja, majors in mechanical engineering and civil engineering based on the course majors in the University of Abuja, and a rail transport training center jointly built with China Civil Engineering Construction Corporation.

In addition, online Luban workshops have been inaugurated in Djibouti, Kenya, South Africa, Mali, Egypt, Côte d'Ivoire, Madagascar, Uganda and Ethiopia.



## Angola

The Republic of Angola is the second largest oil producer in Africa, with a per capita GDP of approximately USD 2,600. Since the end of the civil war in 2002 Angola has quickly accumulated wealth thanks to strong oil prices, and promoted the development of cities and infrastructure nationally, with priority given to the capital Luanda. With the decline of oil price since 2015, Angola has actively implemented a strategy of diversifying the economy, in a bid to promote other industries and reduce its dependence on the oil industry.

As of the end of 2020, the stock of China's direct investment in Angola was approximately USD 2.6 billion<sup>77</sup>, accounting for 5.5% of China's direct investment in Africa. In the past, economic cooperation between China and Angola was concentrated in a few areas and carried out under a single model. Angola exchanged oil for China's support in financing and completing large-scale infrastructure projects such as:

- Caculo Cabaça Hydropower Project in Angola constructed by Gezhouba Group;
- The construction and installation of SOYO I Combined Cycle Power Station undertaken by China Machinery Engineering Corporation;
- The deep-sea port in Cabinda Province in northern Angola constructed by China Road and Bridge Corporation.

In recent years, Chinese enterprises, especially private enterprises including Qingdao Yewhing, Xuntong International, Zhejiang Yonder, Hasan International and Martube, have expanded their fields of investment in response to Angola's economic diversification, and investment in construction, commerce, real estate and manufacturing has grown rapidly.

## CASE

### 9

#### China Dreal Group - The Pearl Garden Project

The Pearl Garden project is located in Talatona in the southern Luanda. It provides 1,300 homes and represents a total investment of USD 420 million. This is the 6th residential community invested by China Dreal Group in Angola, and was a joint project between China Dreal Group and the National Bank of Angola.

During construction, Angola's economy fell into recession, raw material prices rose, and exchange rates plummeted, which greatly increased the operating and management costs and reduced profit margins. However, after a year of hard work by more than 800 Angolan workers and 200 Chinese workers, the project was completed, and the properties were available as scheduled and inaugurated in 2016.

## CASE

### 10

#### China Hyway - A Model of a Private Enterprise-Funded Scholarship

In August 2014, China Hyway Group cooperated with Jimei University to hold Jimei University-China Hyway International Class, which was attended by 32 Angolan students.

<sup>77</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Angola was USD 2.9 billion, and the investment flow in 2020 was USD -240 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Angola was about USD 2.6 billion.



The students were selected and funded by China Hyway in Angola; Jimei University formulated the training plan and adopted a "1+4" education system, that is, one year of Chinese language study plus four years of undergraduate study in international economy and trade, to cultivate professionals proficient in Chinese. The first group graduated in 2019.

Jimei University-China Hyway International Class is the first class jointly run by Chinese private enterprises and universities.



## Congo

The Republic of Congo relies on the oil industry for economic development and fiscal revenue, with a per capita GDP of approximately USD 2,300. Since the discovery of oil in the Gulf of Guinea in the 1960s, oil exploration has become a pillar industry in Congo. Congo is also the third-largest natural gas producer in Sub-Saharan Africa, second to Nigeria and Cameroon. In addition, Congo has rich mineral resources such as iron, copper, aluminum and zinc, and is expected to become the largest producer of potash fertilizer in Africa. Since 2015, in an effort to address the bottleneck in mineral export and attract foreign investment in the manufacturing industry, Congo has been committed to promoting economic diversification and vigorously advancing the construction of infrastructure, especially the Congo-Ocean Railway and the Port of Pointe-Noire.

Investment cooperation between China and Congo covers the fields of petroleum, minerals, building materials, infrastructure, hydropower, communications and finance. As of the end of 2020, the stock of China's direct investment in Congo was approximately USD 670 million<sup>78</sup>, accounting for 1.4% of China's direct investment in Africa. The Jiarou oilfield project in Congo invested by Guangzhou-based Southernpec has one block each in the north and the south. For the first phase of the southern block, it is planned to invest USD 2 billion to build an oilfield with an annual output of 4 million tons of crude oil<sup>79</sup>. Support projects such as crude oil treatment plants, power plants, environmental treatment plants, and associated gas treatment plants will be integrated to increase the oilfield's added value. Chinese enterprises enjoy a good reputation with their high-quality and cost-effective performance in such infrastructure fields as roads and bridges, real estate, hydropower and telecommunications. Chinese enterprises are discussing with the government of Congo the construction of industrial parks in the Port of Pointe Noire and its surrounding areas, to attract further international manufacturing enterprises including those from China.

## CASE

# 11

### China National Gold Group - Soremi Copper-Lead-Zinc Project

China National Gold Group acquired the Pointe-Noire Soremi in 2013; the other two shareholders are the Gerald Group in the US and the government of Congo.

The construction of Soremi copper-lead-zinc project was initiated on July 1, 2015; it was commissioned on August 27, 2016, with an annual output of 12,000 to 15,000 tons of electrolytic copper. Construction of the zinc smelting system under the second phase began on March 18, 2019, and it was commissioned on December 1, 2020, with an annual output of 10,000 tons of zinc ingot<sup>80</sup>. The project is also the first modern mine in Congo that integrates mineral mining, processing and smelting.

In addition, Soremi has invested in Sikorep Resources and SEASICO in Congo. Among the 740 employees of Soremi, 182 are Chinese, accounting for 25% of the total, and 558 are Congolese and other foreign employees, accounting for 75%.

<sup>78</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Republic of the Congo was USD 610 million, and the investment flow in 2020 was USD 60 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Republic of the Congo was about USD 670 million.

<sup>79</sup> Congo Kayo Oilfield Development Project, Petroleum Link, August 1, 2020. <https://oil.in-en.com/html/oil-2902248.shtml>

<sup>80</sup> China National Gold Group Corporation, Republic of the Congo Pointe-Noire Soremi Co., Ltd. Recruitment Announcement, March 16, 2020. <https://www.chinagoldgroup.com/s/1417-4986-39148.html>

## CASE 12

### CSCEC International Operations - The National Road No. 1 Project

The 535-km National Road No. 1 of the Republic of the Congo is the only east-west passage that connects Brazzaville and Pointe Noire, passing through a number of important cities and towns<sup>81</sup>. Repairing this road was of great significance for improving traffic flow, developing the national economy, and stabilizing society.

During the 2006 FOCAC Beijing Summit, China and Congo signed a package of economic and trade cooperation agreements including the renovation project of the National Road No. 1.

CSCEC International Operations completed the first-phase project in 2012. For the second-phase project, CSCEC International Operations and a well-known French road operation company formed a joint venture to operate the project, of which the respective Chinese, French, and Congolese shareholding ratios are 70%, 15% and 15% of a total investment of USD 2.89 billion. In March 2016 the National Road No. 1 opened to traffic, shortening the one-way journey time from one week to six hours.

## CASE 13

### Agricultural Bank of China - The Banque Sino-Congolaise pour l'Afrique

The BSCA (Banque Sino Congolaise pour l'Afrique), a China-Congo joint establishment proposed by President Xi Jinping and Denis Sassou Nguesso in 2013 was inaugurated in July 2015, with a total capital stock of USD 100 million<sup>82</sup> and co-funded by the Agricultural Bank of China, the government of Congo, the National Petroleum Company of Congo and private enterprises. The bank is headed by a Congolese person, and more than 80% of staff are employed locally.

The bank's objective is to deliver banking services to the general public. In addition to issuing UnionPay cards and Visa cards, it also promotes electronic banking networks, issues private label credit cards, and operates 200 ATMs in Brazzaville and Pointe-Noire. The bank requires no annual fee for private label credit cards, nor service charge for deposits and withdrawals, thus attracting more local customers.

<sup>81</sup> Witness the Happiness: the On-line Open Day of The National Road No. 1 of the Republic of the Congo, CSCEC, December 2, 2020. [https://www.cscec.com/zgjz\\_new/ztzl\\_new/jzxf/jzyd/lwdnkj/202012/3235369.html](https://www.cscec.com/zgjz_new/ztzl_new/jzxf/jzyd/lwdnkj/202012/3235369.html)

<sup>82</sup> The Construction of the New Building of BSCA Starts, CECEC News, Issue 623, March 7, 2016. [https://www.cscec.com/xwzx\\_new/nbmt\\_new/zgjzxw/201603/P020171225538958314399.pdf](https://www.cscec.com/xwzx_new/nbmt_new/zgjzxw/201603/P020171225538958314399.pdf)



## Zambia

The Republic of Zambia is a landlocked country located in southeastern Africa, known as the “country of copper”. The northern part of the country is located on the Zambia-Congo copper belt, the largest sediment-hosted copper deposit in the world. The copper reserves on this belt account for 25% of the global total.<sup>83</sup> The economy of Zambia relies on mining that is dominated by copper mining and smelting, with a per capita GDP of approximately USD 1,300. With the decline in bulk commodity prices since 2015, the endogenous driving force of the Zambian economy has weakened. Thus, the government of Zambia has put economic diversification high on its agenda.

By the end of 2020, the stock of China’s direct investment in Zambia was about USD 3.4 billion<sup>84</sup>, accounting for 7.2% of China’s direct investment in Africa. Chinese enterprises that invest in Zambia are mostly SMEs, many of which engaged in mining or support services. Meanwhile, there are large enterprises investing and operating the economic and trade cooperation zones in Zambia, such as China Nonferrous Metals Mining Group, and those which build roads, bridges, airports and communication networks, such as AVIC International, Jiangxi International, Huawei and ZTE.

## CASE 14

### China Nonferrous Metals Mining - Economic and Trade Cooperation Zone

The government of Zambia encouraged the development of a multi-facility economic zone, believing that it could play an important role in reducing poverty, improving commercial competitiveness, and stimulating industrial growth. Zambia’s multi-facility economic zone integrates the functions of a free trade zone, export processing zone and industrial park.

Invested and constructed by China Nonferrous Metals Mining Group in 2007, ZCCZ was the first overseas economic and trade cooperation zone established by China in Africa, as well as the first multi-facility economic zone established by the government of Zambia. It has two sub-zones, Chambishi Multi-facility Economic Zone located in Chambishi of Copperbelt province, which mainly hosts the industrial chains of non-ferrous metal processing, and the Lusaka sub-zone situated near the Lusaka International Airport, which focuses on commerce, logistics, processing and real estate.

<sup>83</sup> Global | Zambia: “The Country of Copper”, Lekuang News, June 20, 2019. [https://www.sohu.com/a/322028700\\_99904063](https://www.sohu.com/a/322028700_99904063)

<sup>84</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China’s investment in Zambia was USD 2.9 billion, and the investment flow in 2020 was USD 500 million. It is estimated based on the above information that by the end of 2020, the stock of China’s investment in Zambia was approximately USD 3.4 billion.

The accumulated investment in the infrastructure of ZCCZ has now surpassed USD 190 million. It has attracted 63 enterprises representing an investment of almost USD 1.4 billion.<sup>85</sup>



## CASE 15

### Zhongyang Construction Group - Zhongyang Eco-agricultural Industrial Park

Zhongyang Construction Group is a well-known construction enterprise located in Jiangxi Province in China. It has built infrastructure such as hospitals, schools, highways, buildings of intelligence center, transport and social security offices, integrated commercial plazas, and granaries in Zambia and other African countries.

In August 2018, Zhongyang Construction Group invested in the Zhongyang Eco-agriculture Industrial Park in Zambia. In the short term, the project is planned to cover an area of 3,000 hectares, representing an investment of nearly USD 80 million. In the longer term, the project will be expanded to cover an area of 10,000 hectares with a planned investment of USD 500 million<sup>86</sup>. It is designed to be a modern agricultural industrial park integrating agriculture, aquaculture, food processing, R&D of improved strains, education and exchanges on agricultural science and technology, and leisure and sightseeing.

This model project applies the technologies and concepts of China's agricultural industry chain in Zambia, creating a high-standard and modern eco-agricultural industrial park

<sup>85</sup> Introduction to the Zambia-China Economic and Trade Cooperation Zone, China Nonferrous Metals Mining Group, [http://zccz.cnmc.com.cn/outlinetem.jsp?outlinetype=2&column\\_no=070202](http://zccz.cnmc.com.cn/outlinetem.jsp?outlinetype=2&column_no=070202)

<sup>86</sup> Zhongyang Construction Group: Expand Overseas Market for Win-win Cooperation, The Paper, December 11, 2020. [https://www.thepaper.cn/newsDetail\\_forward\\_10360528](https://www.thepaper.cn/newsDetail_forward_10360528)





## Ghana

The Republic of Ghana is the second largest economy in West Africa, with a per capita GDP of approximately USD 2,200. Gold and cocoa are the two traditional pillar industries. In 2007, large volumes of oil and gas reserves were discovered in the Jubilee oilfield in Ghana, where exploitation for commercial use began at the end of 2010. Oil and natural gas exports have gradually become an important source of income for Ghana. The major industries in Ghana include wood and cocoa processing, textiles, cement, electricity, metallurgy, food, apparel, wood products, leather products and wine-making, while most of its industrial products and daily necessities rely on imports. Ghana's economic growth has slowed down since 2014 due to the decline in bulk commodity prices. The government has been seeking to consolidate a solid industrial foundation, increase power supply, and promote economic transformation in an effort to achieve industrialization and create an export-oriented economy.

As of the end of 2020, the stock of China's direct investment in Ghana was approximately USD 1.9 billion<sup>87</sup>, accounting for 4% of China's direct investment in Africa. Chinese enterprises mainly invest in manufacturing, power generation, bulk trade, and tourism. For example, Shenzhen Energy has invested in the construction of Sunon Asogli Power Plant; Sentuo Steel has invested in the production of deformed steel bar, wire rods and profiles, with an annual output of 800,000 tons<sup>88</sup>; Ningxia Tianyuan Manganese Industry Group has acquired all the equity and assets of CML and owns its ore base in Ghana. In addition, Sanbao Pharmaceutical and Rebecca have made investments in Ghana.

## CASE

# 16

### African World Airlines - Aviation Cooperation between China and Ghana

Many African countries have great potential in civil aviation, and there is a huge demand for foreign investment. In 2012, Hainan Airlines and the China-Africa Development Fund joined with Ghana's SAS Finance Group and the Social Security and National Insurance Trust to establish African World Airlines (AWA). This was the first civil aviation investment by a Chinese enterprise in Africa.

<sup>87</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Ghana was USD 1.83 billion, and the investment flow in 2020 was USD 30 million. It is estimated based on above data that by the end of 2020, the stock of China's investment in Ghana was about USD 1.9 billion.

<sup>88</sup> The Spain-Ghana Chamber of Commerce Visited Overseas Fujian Chinese Association and Association of Industry and Commerce for Fujian Chinese and Overseas Chinese in Ghana, Chinatown News, September 9, 2019. <http://search.ouhua.info/m/2019/0909/27001.html>

AWA has 8 ERJ145 airplanes, which fly 3 domestic Ghanaian routes, Accra-Kumasi, Accra-Tamale, Accra-Takoradi, and five international routes, Accra-Lagos, Accra-Abuja, Accra-Monrovia, Accra-Freetown and Lagos-Monrovia. It has a market share of over 80% in domestic airlines<sup>89</sup>. The safe, convenient and high-quality air transport services provided by AWA have improved the accessibility of Ghana and West Africa, facilitated business travel, and promoted economic and trade exchanges between Ghana and the Middle East and the Far East.

## CASE 17

### Shenzhen Energy - The Sunon Asogli Power Plant Project

The Sunon Asogli Power Plant invested by Shenzhen Energy is located in Tema City in the Greater Accra Region of Ghana, to the north of the Gulf of Guinea. It covers an area of 200,000 square meters and lies about 29 kilometers from the capital Accra.

The power plant is equipped with gas-steam combined cycle power generator units with an installed capacity of 560MW. The project represents a total investment of USD 790 million and was developed in two phases. The 2×100MW gas-steam combined cycle unit of the Phase I Project entered commercial operation in 2010, and the 2×180MW unit of the Phase II Project entered commercial operation in 2017<sup>90</sup>. The natural gas that powers the generator units is imported through the Nigeria-Ghana submarine gas pipeline to the Tema station at the south of the power plant.

The power plant generates up to 3 billion kilowatt-hours of electricity annually, which can meet 25% of Ghana's electricity demand<sup>91</sup> and buttresses the country's economic development. It employs local staff and trains a large number of local professionals in electric power. It also provides assistance in the construction of schools and hospitals in local communities and sponsors outstanding local students to study in China.



## Algeria

**The economy of the People's Democratic Republic of Algeria ranks among the top in Africa, with a per capita GDP of about USD 3,500. The oil and gas industries are the backbone of Algeria's economy. Natural gas exports rank third in the world after Russia and Canada, and LNG exports rank fourth in the world after Indonesia, Malaysia and Qatar. As of the end of 2020, the stock of China's**

<sup>89</sup> Classic case | Ghana AWA Case: "Aviation Cooperation" between China and Ghana, Hunan Today, June 10, 2019. <https://baijiahao.baidu.com/s?id=1635906180144829085&wfr=spider&for=pc>

<sup>90</sup> Sunon Asogli Power (Ghana) Limited, Shenzhen Energy. <http://www.sec.com.cn/queryMember-ById.do?id=89>

<sup>91</sup> Sunon Asogli Power (Ghana) Limited, Shenzhen Energy. <http://www.sec.com.cn/queryMember-ById.do?id=89>

direct investment in Algeria was approximately USD1.8 billion<sup>92</sup>, accounting for 3.8% of China's direct investment in Africa. A majority of China's investment flows into oil & gas and mining; other investments include cork production, restaurants, textiles and trade. The major investors are PetroChina, Sinopec, Zhong Di Group, and Sarl Travaux Hydrauliques Shaolin.

## CASE 18

### Jiangnan Petroleum Engineering Corporation - Sinopec Zarzaitine Oilfield Project

The Enhanced Oil Recovery (EOR) project of the Zarzaitine Oilfield in Algeria is based on research and innovation. It was the first turnkey project completed by the Jiangnan Petroleum Engineering Corporation of Sinopec in Algeria. The EPR design and on-site services of the project involved both the transformation and innovation of the old oilfield. Oil and natural gas were mixed in this field, so this project had to address very tough challenges and apply complex working procedures and advanced technologies.

The project design was completed in April 2006. Going through the basic design, detailed design, on-site construction, commissioned by Jiangnan Petroleum Engineering Corporation, the project went into production on August 15, 2009. It has operated safely for more than 10 years, with all its systems in techniques, public works, fire prevention, and control functioning well, winning recognition and approval from both owners and operators.

Local climatic characteristics, epidemic prevention, and protection from dangerous animals and plants have been taken into account, and priority has been given to safety and the working environment, as well the physical and mental health of employees.



### Congo (DRC)

The Democratic Republic of the Congo (DRC) is located in central Africa, DRC ranks second in land area and fourth in population in Africa, with a per capita GDP of USD 571. DRC is rich in natural resources and has been described as a "geological miracle". The reserves of various non-ferrous metals and rare metals such as copper and cobalt rank among the top in the world. Mining is a pillar industry, accounting for nearly one-third of GDP. In addition, DRC has rich forest and water resources. DRC achieved a political transition in 2019. Since taking office, President Tshisekedi has vigorously raised funds to promote projects in transport, health, education, housing, energy and agriculture, in

<sup>92</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Algeria was USD 1.78 billion, and the investment flow in 2020 was USD 10 million. It is estimated based on the above data that by the end of 2020, the stock of Chinese investment in Algeria was about USD 1.8 billion.

an effort to promote economic recovery, improve people's lives, and provide employment. At the same time, he has actively promoted opening-up to the world and encouraged inbound FDI. DRC rejoined the "African Growth and Opportunity Act" (AGOA) providing access to preferential trade and reached a deal with China to restructure its debt.

After the political regime in Congo restored stability in 2000, Chinese enterprises re-entered DRC, and China-DRC economic and trade cooperation has maintained comprehensive and rapid growth. The scale of Chinese enterprises' investment in DRC has been expanding, and the value of projects contracted by Chinese enterprises and the size of China's exported labor force in DRC are among the top in Africa. At present, China's investment in DRC mainly goes into mineral processing, resource cooperation, telecommunications and agriculture, and beyond to other fields. As of the end of 2020, the stock of China's direct investment in the Congo was approximately USD 5.8 billion,<sup>93</sup> accounting for approximately 12.2% of China's direct investment in Africa.<sup>94</sup>

## CASE 19

### Sicomines (Sino Congolaise des Mines) Project

Sicomines represents a package cooperation model that integrates resources, capital and economic growth. It is an international mining enterprise jointly established in DRC by a Chinese syndicate composed of China Railway Group, China Power Construction Corporation, and the Congolese company Gécamines. It is controlled by China Railway Group (41.72%), China Power Construction Corporation (25.28%), Zhejiang Huayou Cobalt (1%) and Gécamines (32%). The Sicomines copper-cobalt mine is located in Kolwezi, Lualaba Province of DRC. A world-class super large copper-cobalt mine, it consists of 6 mining sections covering an area of 11.5 square kilometers. The first-phase project was launched in 2013 and began production in 2016; the second phase is expected to begin operation in 2022. Under this package cooperation model, China is in charge of financing and infrastructure construction, and jointly exploits mineral resources with DRC. A total of USD 4.3 billion<sup>95</sup> has been invested in infrastructure, mining and water resources within

<sup>93</sup> According to statistics from MOFCOM, as of the end of 2019, China's investment stock in DRC was USD 5.6 billion, and the investment flow in 2020 was USD 200 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Congo was about USD 5.8 billion.

<sup>94</sup> Statistical Bulletin of China's Outward Foreign Direct Investment (2003-2019) released by MOFCOM, estimated data for 2020 by the research group.

<sup>95</sup> President of DRC Tshisekedi inspects Sicomines, the Embassy of the People's Republic of China in the Democratic Republic of Congo, May 15, 2021. [http://cd.china-embassy.org/chn/zghz\\_1/t1875956.htm](http://cd.china-embassy.org/chn/zghz_1/t1875956.htm)

the framework of overall China-DRC cooperation, which strongly promotes economic and social development and improves people's lives in DRC. The project is highly appreciated by all sectors of DRC.

## CASE 20

### Huayou-DRC Modern Agriculture Demonstration Park Project

Huayou-DRC Modern Agriculture Demonstration Park is located in the suburb of Lubumbashi, Upper Katanga Province. It was established by Zhejiang Huayou Cobalt with an investment of USD 8 million<sup>96</sup>, in cooperation with Zhejiang University and the University of Lubumbashi. Since opening in 2012 the park has become an important platform for the demonstration of China's agricultural technologies, and for providing education, training, and practical experience in agriculture, which promotes local agriculture. The Park has different areas allocated to grain, vegetables, animal husbandry, and processing and production of agricultural products, and is equipped with large-scale glass greenhouses, multi-span greenhouses, ordinary greenhouses, pig farms, chicken farms and agricultural machinery stations. The solar-energy irrigation system improves water management in the park. Large-scale planting and breeding, selection of improved strains, and the application of modern agricultural technologies have more than doubled local corn yield, and the

breeding of broiler chickens and laying hens is also conducted on a large scale. The agricultural technology experiment center provides a research platform for local agricultural experts, and a base providing teaching and practical experience to students from the School of Agriculture, University of Lubumbashi. It has trained a large number of local people in agricultural technology. This kind of cooperation model meets the urgent local need to improve agricultural production technologies to promote agricultural modernization.



<sup>96</sup> Huayou-DRC Modern Agriculture Demonstration Park, Hunan Daily, June 25, 2019. [https://hnrbc.voc.com.cn/hnrbc\\_epaper/html/2019-06/25/content\\_1396326.htm?div=-1](https://hnrbc.voc.com.cn/hnrbc_epaper/html/2019-06/25/content_1396326.htm?div=-1)

### (III) Non-resource Rich Countries: Facilitators in Industrialization and Modernization



#### Ethiopia

The Federal Democratic Republic of Ethiopia is a landlocked agricultural country with a population of over 100 million and a per capita GDP of about USD 800. Unlike other African countries, Ethiopia has learned from the experience of Asian countries, especially China, in economic growth since the early 21st century, and has implemented policies of industrialization, such as promoting manufacturing industry and establishing industrial parks. It has vigorously attracted foreign investment and focused on labor-intensive industries. Building on the previous experience, Ethiopia formulated the Growth and Transformation Plan in 2010 to promote industrialization and structural transformation. Significant advances have been achieved despite many obstacles encountered in this process.

China's investment in Ethiopia has grown rapidly and diversified. As of the end of 2020, the stock of China's direct investment in Ethiopia was approximately USD 2.6 billion<sup>97</sup>, accounting for 5.7% of China's direct investment in Africa. There are more than 700 Chinese enterprises doing business in Ethiopia, most of which are production-oriented enterprises. Most of the projects are in labor-intensive manufacturing. In recent years, investment in technology-intensive industries such as medicine has gradually increased. For example, the Tana Beles No.1 sugar factory, which is operated by China CAMC Engineering Corporation Limited (CAMCE) affiliated to China National Machinery Industry Corporation (SINOMACH), opened on June 6, 2021. The project will produce 200,000 tons of refined sugar per annum,<sup>98</sup> and create tens of thousands of jobs, which will stimulate local employment and improve people's lives.

Through economic development and transformation Ethiopia has taken on board the important role of industrial parks and institutional improvement in promoting industrialization. The Study on Development Strategies for Ethiopian Special Economic Zone, worked out by a team of Chinese experts based on Ethiopia's national development strategies and planning, presents a set of recommendations for industrial parks in Ethiopia in terms of policy, law, industries, layout, management,

<sup>97</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Ethiopia was USD 2.5 billion, and the investment flow in 2020 was USD 100 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Ethiopia was about USD 2.6 billion.

<sup>98</sup> The Sugar Factory in Ethiopia Constructed by a Chinese Enterprise Officially Inaugurated, Xinhuanet, June 7, 2021. <https://baijiahao.baidu.com/s?id=1701872108985992277&wfr=spider&for=pc>

and operation. Ethiopia's industrial parks have undergone rapid development since 2014, and a unique system of coexistence between national industrial parks, industrial parks invested by local governments, and industrial parks with overseas investment. For example, Chinese enterprises invested in or undertook the Eastern Industrial Zone, Huajian International Light Industry City project, and the Hawassa Industrial Park. In addition, Ethiopia encourages Chinese enterprises to engage in various infrastructure projects such as roads, railways, electric power, and communications. For example, the Addis Ababa–Djibouti Railway, built by Chinese enterprises, is 750 kilometers long and represents an investment of USD 3.4 billion. It is currently operated and managed by Chinese enterprises.<sup>99</sup>

## CASE 21

### Mina Textile - Printing and Dyeing Project

Established in 2006, Mina Textile was one of the first enterprises engaging in overseas investment and trade from China's "textile city" of Keqiao, Shaoxing, in Zhejiang Province.

After investigating and comparing the business environment in more than 40 countries, Mina Textile selected Ethiopia. It acquired one of Ethiopia's largest former state-owned textile factories in 2011 and began to construct a new printing and dyeing factory in 2014. Opened in October 2016, the factory was the first printing and dyeing enterprise in Ethiopia. Mina Textile brings together managers from China and Ethiopia with nearly 700 local employees,<sup>100</sup> and strengthens exchanges among employees through systematic training, skills competitions, and sports and leisure.

Mina Textile attaches great importance to its demonstration role in green production. The sewage treatment plant applies high standards and won recognition and approval from the local environmental protection department. It has actively participated in public welfare activities by donating funds to construct local public housing and providing clean water and other timely support to residents of local communities.

## CASE 22

### Huajian Group - Ethiopia's Light Industry

Established in 1996, China Huajian Group specializes in the production of high and middle-grade women's leather shoes. It invested in a factory in Ethiopia at the end of 2011 and became China's largest shoe exporter in Ethiopia with an annual output of more than 5 million pairs of shoes, accounting for more than 65% of Ethiopia's

<sup>99</sup> The Addis Ababa–Djibouti Railway Brings New Development Opportunities to East Africa, *People's Daily Online*, October 6, 2016. <http://world.people.com.cn/n1/2016/1006/c1002-28757267.html>

<sup>100</sup> Mina Textile: Plays a Demonstration Role and Fulfills Responsibilities, *www.tjhqtd.com*, December 11, 2020. <http://www.tjhqtd.com/myzj/109778.html>

shoe exports.<sup>101</sup> To date, Huajian Group has employed more than 8,000 people in Ethiopia and earned USD 80 million in foreign exchange through exports.<sup>102</sup>

In 2015, Huajian Group established the Ethiopia-China Huajian International Light Industry City in Addis Ababa, the capital of Ethiopia. It hosts light manufacturing industry and focuses on technology, efficiency, civilization, harmony, and environmental protection. It is a smart park that integrates city and industry, with multiple functions including export processing, commerce and trade, and services. The project covers a site area of 1.378 square kilometers and provides a constructed floor space of 1.5 million square meters. It represents a planned investment of USD 2 billion, generating USD 2 billion in foreign currency earnings per annum and creating about 30,000 to 50,000 jobs.<sup>103</sup>



## Kenya

**The Republic of Kenya is the most industrially developed country in East Africa, with a per capita GDP of around USD 1,800. Kenya has a complete industrial system dominated by food, beverages, tobacco processing, building materials and automobile assembly, but the manufacturing industry is still in its infancy. In recent years, industries such as financial services and digital economy have grown rapidly.**

There are around 400 Chinese enterprises doing business in Kenya, covering buildings, energy, real estate, trade, consumer goods, hotels, and restaurants. As of the end of 2020, the stock of China's direct investment in Kenya was approximately USD 1.8 billion<sup>104</sup>, accounting for 3.8% of China's direct investment in Africa. Chinese enterprises are entering more areas, but most are investing in manufacturing. For example, the concrete pole factory invested by Beijing Electric Power Transmission & Transformation Company (BETT) is the first of its kind in East Africa, with an annual output of 25,000 poles<sup>105</sup>. The TV assembly plant invested by Qingdao

<sup>101</sup> He Wenping, *China-Africa Production Capacity Cooperation Promotes the Industrialization and Economic Integration in Africa*, *Contemporary World*, 2015(12): 22-23

<sup>102</sup> Secretaries of the Provincial Party Committees of Guangdong and Yunnan Visited Huajian Group, *China Business Times*, August 26, 2019. [http://www.acfic.org.cn/ddgh/ddgh1/201908/t20190826\\_138851.html](http://www.acfic.org.cn/ddgh/ddgh1/201908/t20190826_138851.html)

<sup>103</sup> [Ethiopia] Huajian Ethiopia-China Light Industry City, *All-China Federation of Industry and Commerce*, September 27, 2019. [http://www.acfic.org.cn/zzjg\\_327/nsjg/llb/llbgzhdzt/2019zhinan/2019zhinan\\_3/201909/t20190927\\_141997.html](http://www.acfic.org.cn/zzjg_327/nsjg/llb/llbgzhdzt/2019zhinan/2019zhinan_3/201909/t20190927_141997.html)

<sup>104</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Kenya was USD 1.62 billion, and the investment flow in 2020 was USD 170 million. It is estimated based on the above data that by the end of 2020, the stock of China's investment in Kenya was about USD 1.8 billion

<sup>105</sup> Interview with Jiang Wei, Economic and Commercial Counselor of Embassy of China in Kenya, MOFCOM. <http://www.mofcom.gov.cn/article/zhengcejid/bj/200911/20091106626872.shtml>



McQuay produces 100,000 TV sets per annual. Kangdeng Technology has invested in a TV assembly plant and production lines for toilet paper and napkins. Xiangtan Xianghui Import & Export Co., has invested in automobile storage batteries, solar power batteries, and fuel oil. Twyford Ceramics Factory co-invested by Keda Clean Energy and Sunda International Group is the largest ceramic factory in Africa, with a daily output of 30,000 square meters of ceramic tiles. There are 390 local employees and 39 Chinese employees working on the first phase production line, and one-third of management positions are held by local people. Star Times investing in digital TV projects is also a success.

Chinese enterprises are important players in Kenya's infrastructure construction, including the Mombasa-Nairobi Standard Gauge Railway constructed by China Road and Bridge Corporation, the Heavy Fuel Oil (HFO) Power Plant constructed by XJ Group at Athi River, and the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor Program undertaken by PowerChina. In recent years, Chinese enterprises have engaged in other areas of infrastructure such as power grid transformation, water supply and drainage, geothermal wells, oil pipelines, airport expansion, and new energy, in addition to traditional fields like roads and real estate.

## CASE 23

### Sunda International Group – Ceramic Tile Project

At the end of 2015, Keda Clean Energy cooperated with Sunda International Group to invest in ceramic building materials in Africa. It has invested almost RMB 1.4 billion in ceramics production plants in Kenya, Ghana, Tanzania, and Senegal, providing a total of 9 ceramics production lines. The total design capacity of these projects will be more than 180,000 square meters of ceramic tiles per day and over 60 million square meters per annum, with an annual output value of RMB 1.4 billion. It will contribute more than RMB 250 million of profits and tax per annum and create nearly 4,000 direct local jobs.<sup>106</sup>

Ceramics factories drive the rapid growth of a large number of local enterprises on the supply chain, including mining, transport, and packaging. They also improve the skills of local workers.

The price of locally produced ceramic tiles is on average 20% to 30% lower than imports. This means that ceramic tiles are no longer a "luxury" building material. The use of ceramic tiles in many rural households improves the living conditions of local people and reduces the spread of diseases.

<sup>106</sup> *Ceramic Building Materials Enterprises Present in Africa* | China Investment, The Paper, October 21, 2019. [https://www.thepaper.cn/newsDetail\\_forward\\_4736716](https://www.thepaper.cn/newsDetail_forward_4736716)

## CASE 24

### China Road and Bridge Corporation - Nairobi Expressway Project

Developed by China Road and Bridge Corporation in cooperation with the government of Kenya under the BOT (Build-Operate-Transfer) model, the Nairobi Expressway project started in October 2019 and is scheduled to be completed by the end of 2021. China Road and Bridge Corporation is responsible for project investment and financing, design, construction, operation, and maintenance.

The Nairobi Expressway is 26.8 kilometers long, with a planned speed limit of 80 kilometers per hour. It passes through areas such as Jomo Kenyatta International Airport and Nairobi Central Business District, and the total investment is approximately USD 600 million.<sup>107</sup>

Nairobi Expressway will save two hours of travel during morning and evening rush hours, thus greatly alleviating traffic congestion and reducing the cost of operating automobiles in the downtown area.

## CASE 25

### Second Largest Power Transmission and Transformation Project

In the vast countryside from Turkana to Suswa in Kenya stands the largest wind farm in sub-Saharan Africa and Kenya's second largest power transmission and transformation project.

The project was shelved for seven months after the former contractor, a Spanish company, declared bankruptcy halfway through the project. The Kenyan Ministry of Energy held an emergency meeting to discuss with trustworthy international enterprises how to solve this urgent problem.

PowerChina Guizhou Engineering Corporation took over the project. Over a three-month construction period, they traveled 434 kilometers to assemble and set up 420 base towers and 991 base ground cables along the whole line, providing electricity to meet the demands of 3 million people in the southern economic zone of Kenya.

## CASE 26

### AVIC - AVIC International Global Trade Center

The main body of AVIC International Global Trade Center, located in the Westlands business district of Nairobi, was completed in December 2020. The project has a total floor area of 300,000 square meters and represents a total investment of USD 420 million. Positioned as a city complex integrating upscale hotels, apartments, commerce, and office buildings, it contributes to the ultimate commercial operation experience in East Africa.

<sup>107</sup> Construction of the Nairobi Expressway Project in Kenya Started, Xinhuanet, October 16, 2019. [http://www.xinhuanet.com/silkroad/2019-10/16/c\\_1125113791.htm](http://www.xinhuanet.com/silkroad/2019-10/16/c_1125113791.htm)

The Center, designed by the world-renowned architecture firm GMP, is cost-effective and environmentally friendly, using the latest building materials in a unique design and layout. The hotels have signed a management agreement with JW Marriott and introduced Kenya's first 5-star international hotel. Ascott will be contracted as the party for serviced apartments to introduce high-standard management into the project.

With its world class office facilities and geographical location, the Center will attract talent and capital from all over the world, bringing unprecedented economic opportunities to Nairobi in innovation and start-ups.



## Tanzania

**The economy of the United Republic of Tanzania is dominated by agriculture and animal husbandry, and its industry is dominated by agricultural product processing and import substitution light industry, with a per capita GDP of about USD 1,000.**

The relationship between China and Tanzania traces back to the 1960s. As of the end of 2020, the stock of China's direct investment in Tanzania was approximately USD 1.5 billion<sup>108</sup>, accounting for approximately 3.2% of China's direct investment in Africa. At present, almost 700 Chinese enterprises are doing business in Tanzania<sup>109</sup>, of which 80% are SMEs involved in agriculture, mining, manufacturing and processing, power generation, transmission and transformation, real estate, trade, logistics, and infrastructure construction. Chinese enterprises have undertaken the construction of a number of industrial parks, but most of were not completed, such as Bagamoyo Special Economic Zone, Nyerere International Cooperation Park, Tanzania Agricultural Export Processing Zone, Cassava Export Project, and Dares Salaam Industrial Park. The first phase of the Dodoma Eco-industrial Park invested by Sunglow Group has been completed and put in operation. In addition, Chinese enterprises have engaged in many infrastructure projects in Tanzania, such as the Mtwara to Ruvuma River Water Supply Network undertaken by China Railway International Group, the Tanzania Transnational Highway Project undertaken by Jiangsu Geology & Engineering Co. Ltd., and the 2D Seismic Data Acquisition Project undertaken by BGP INC., China National Petroleum Corporation.

President Samia Suluhu Hassan has adjusted economic and foreign policies since she took office in March 2021, committed to improving the investment and

<sup>108</sup> According to statistics from MOFCOM, as of the end of 2019, the stock of China's investment in Tanzania was USD 1.34 billion, and the investment flow in 2020 was USD 160 million. It is estimated based on the above estimate that by the end of 2020, the stock of China's investment in Tanzania was about USD 1.5 billion.

<sup>109</sup> Country-specific Guidelines on Foreign Investment Cooperation 2020: Tanzania

business environment in Tanzania. This will create favorable conditions for Chinese enterprises to invest in Tanzania.

## CASE 27

### China State Farm Agribusiness (CSFA) - Local Talent Development Project

CSFA invested in a sisal farm in Tanzania in late 1999 and has given priority to the selection and training of local management talents over the past 22 years.

The localized and high-quality team and harmonious labor-capital relationship have created favorable conditions for orderly production, and improved work efficiency and product quality. The farm provides interest-free funds to support community microfinance projects, and financial support for local employees to invest in crop planting, livestock and poultry breeding, motorcycle leasing, and distribution of agricultural materials.

## CASE 28

### Jiangsu Jielong Technology Group - Edible Oil Processing Project

Jielong, located in Iringa Region, Tanzania, represented an investment of USD 30 million from Jiangsu Jielong Technology Group in 2012<sup>110</sup>. It processes edible oils such as cottonseed oil, sunflower seed oil and rice bran oil, and engages in production and sales of cotton linters, injection molding, packaging, soap making, feed processing and logistics services, and sunflower seed cultivation.

Jielong has an annual output of 26,000 tons of vegetable oil, 10,000 tons of cotton linters, 50,000 tons of feed, and 5 million oil drums (pots). It is the largest producer and processor of cottonseed and sunflower oil in Tanzania. It employs around 400 local workers, accounting for 95% of the total staff.<sup>111</sup> Since 2015, Jielong has planted 5,000 acres of sunflower in Iringa Region, boosting the incomes of over 5,000 local cotton farmers. The price of cottonseed has risen by more than 30%, which increases the income of ginnery. Jielong also funds comprehensive laboratories in its surrounding schools, subsidizes the living and schooling of surrounding albinism patients, and provides free access to tap water for surrounding villagers.

<sup>110</sup> Flagship Agricultural Enterprise in Sheyang Went Abroad and was Praised by Tanzanian Prime Minister, WWW.XHBY.NET, July 15, 2018. <http://news.sina.com.cn/o/2018-07-15/doc-ihfkf-fak0796643.shtml>

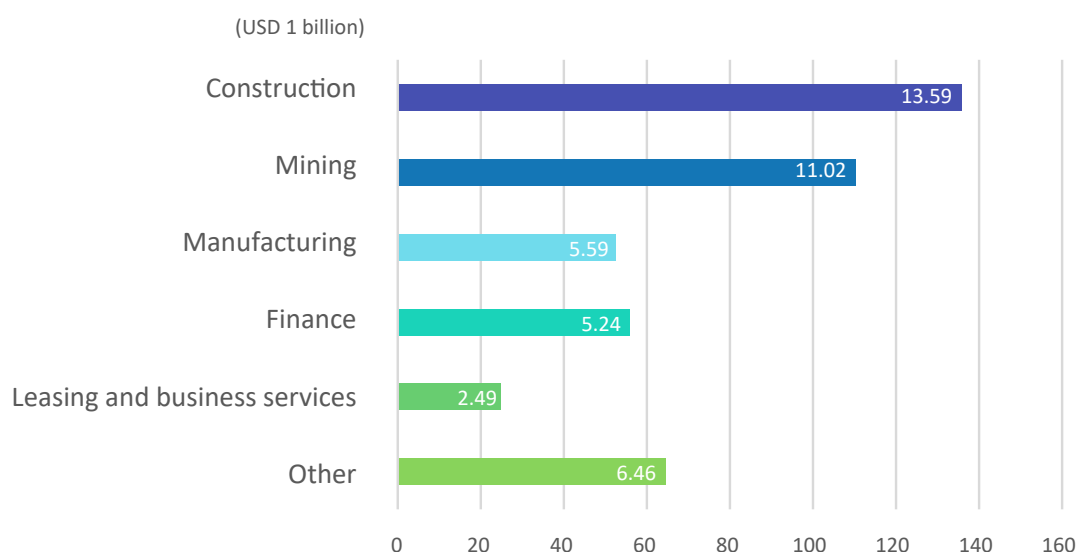
<sup>111</sup> The Prime Minister of Tanzania Visits Jielong Holdings (Tanzania) Ltd., People's Government of Sheyang County, July 17, 2018. [http://sheyang.yancheng.gov.cn/art/2018/7/17/art\\_12117\\_2572843.html](http://sheyang.yancheng.gov.cn/art/2018/7/17/art_12117_2572843.html)

## II. The Performance of Chinese Enterprises in Africa's Traditional Industries

Chinese investment in Africa covers a wide range of industries. According to statistics from MOFCOM, the main areas of investment include construction, mining (including oil & gas and minerals), manufacturing, finance, and leasing and business services. As of the end of 2019, the total direct investment of Chinese enterprises in these five industries amounted to USD 37.94 billion, accounting for 85.5%<sup>112</sup> of China's direct investment in Africa in the year. In addition, Chinese enterprises are increasing investment in agriculture and agricultural products processing, medium and high-tech manufacturing (such as automobiles, medicine, and electronic products), energy and power, digital infrastructure, the digital economy, and even aerospace. These investments help host countries accumulate foreign reserves, promote technology transfer, and eliminate supply constraints, thereby creating more opportunities for the much-needed economic diversification required by most African countries. For the convenience of readers, we adopt a more popular industry classification: infrastructure, agriculture, manufacturing and industrial parks, mining, finance, and emerging industries, to analyze the specific characteristics of Chinese investment.

<sup>112</sup> Report on Development of China's Outward Investment and Economic Cooperation 2020, MOFCOM, People's Republic of China <http://images.mofcom.gov.cn/fec/202102/20210202162924888.pdf>

**FIGURE 3** Industry Distribution of China's Direct Investment in Africa at the End of 2019



Source: MOFCOM, National Bureau of Statistics, State Administration of Foreign Exchange, Statistical Communiqué of the People's Republic of China on the 2019 Outward Foreign Direct Investment

## (I) Infrastructure: Breaking the Constraints of Economic Development

**Africa's poor infrastructure has acted as a constraint on almost all other industries.** Africa has a huge demand for infrastructure, and investment and financing are the key to improving infrastructure in the continent. It is estimated that Africa's infrastructure construction gap from 2011 to 2040 is worth USD 360 billion.<sup>113</sup> According to statistics from MOFCOM, as of the end of 2019, Chinese enterprises had directly invested USD 13.59 billion<sup>114</sup> in Africa's construction industry, accounting for 30.6% of China's total direct investment in Africa in the year and making it the largest recipient of China's investment. At the same time, Chinese enterprises have

<sup>113</sup> Chinese firms' investment in Africa: economic growth and structural change, *International Economic Review*, 2018(05):9-31+4, Liu Chen, Ge Shunqi

<sup>114</sup> A panoramic analysis report on the trend of global and Chinese outbound investment in 2021, Archina [https://pdf.dfcfw.com/pdf/H3\\_AP202103161472403744\\_1.pdf?1615911018000.pdf](https://pdf.dfcfw.com/pdf/H3_AP202103161472403744_1.pdf?1615911018000.pdf)

also undertaken massive infrastructure financing projects in Africa, playing a key role in improving Africa's infrastructure and promoting interconnectivity.

Since 2007, Chinese construction projects have accounted for about two thirds of Africa's new infrastructure projects, and Chinese construction companies have accounted for more than 50%<sup>115</sup> of the African EPC market (international

engineering, procurement, and construction). 6 out of the 10 largest infrastructure construction projects in Africa were built by Chinese companies, including the Mombasa-Nairobi Standard Gauge Railway and the Karuma Hydropower Station in Uganda. Chinese power companies and telecommunications companies have also participated actively in the construction of power production and communication facilities in Africa, significantly improving these under-developed industries in the host countries.

Former President of Senegal Abdoulaye Wade said that "China has helped African countries with infrastructure construction at a record level."<sup>116</sup> African government officials can see that the investment and construction of Chinese enterprises in Africa's infrastructure has brought tangible benefits to African countries in cost control, management efficiency, speed, and quality, becoming an impetus for economic growth. McKinsey's survey also found that people in African countries are most satisfied with China's investment in infrastructure. Since 2001, one-third of new roads in Mozambique have been built by Chinese companies. Projects such as the Beira Fishing Port and housing for low-income people have effectively tackled the inadequacy of infrastructure in the host country. In Ethiopia, the 750-kilometer-long Addis Ababa-Djibouti Railway constructed by China Railway Construction

and China Railway Group is the first electrified railway in East Africa, which has made transport of Ethiopian exports much easier. In Kenya, the Mombasa-Nairobi railway project cost USD 3.8 billion<sup>117</sup>, creating 27,000 jobs for the host country and contributing 2% to economic growth.

“

*"The success of Chinese enterprises in Africa since the introduction of BRI is no coincidence. As a global public good, China's vision for BRI is well aligned with its' African counterparts. Without infrastructure, how else will Africa ensure its' manufacturing sector can benefit from the free movement of goods and services."*

*"I have seen first-hand how partnerships around infrastructure have transformed remote parts of Northern Kenya. A spectacular highway built in record time, connecting Isiolo town in Kenya to Ethiopia, constructed by a Chinese state company. It is proving central to regional integration and unlocking economic potential in the entire East African region."*

— Siddharth Chatterjee,  
UN Resident Coordinator in China

<sup>115</sup> Dance of the lions and dragons, McKinsey&Company, 2017, P11

<sup>116</sup> Abdoulaye Wade, "Time for the West to Practice What It Preaches", *Financial Times*, January 24, 2008.

<sup>117</sup> Kenya media: What is it like to own a railway with Chinese characteristics? June 13, 2017 <https://www.fmprc.gov.cn/zflt/chn/jlydh/t1469736.htm>

**The infrastructure market in Africa is generally a quasi-monopoly market.**

Industries with high profit potential and quick returns tend to attract more private investment and less government participation; industries with high profit potential and slow returns, or those with low profit potential and quick returns, tend to attract both private investment and government participation. Since 2015, many African countries have approached their debt ceiling, prompting more Chinese companies that used to focus on EPC to switch to a market-oriented model of PPP investment (partnership between government and social capital), and the infrastructure areas covered by investment have diversified.

**Infrastructure construction cooperation between China and Africa focuses on three main areas.**

First, the construction of Africa's transport network arteries, including railways, highways, ports and airports. Examples include the 478-kilometer Luanda Railway and the 1,344-kilometer Benguela Railway which are very important to Angola's "Energy Corridor"; the Harcourt-Maiduguri Railway and Lagos-Kano Railway of Nigeria, which are important parts of West Africa's railway network, Ethiopia's first expressway – the Addis Ababa - Adama Expressway – Lagos Port and Lekki Port of Nigeria, and Khartoum International Airport of Sudan.

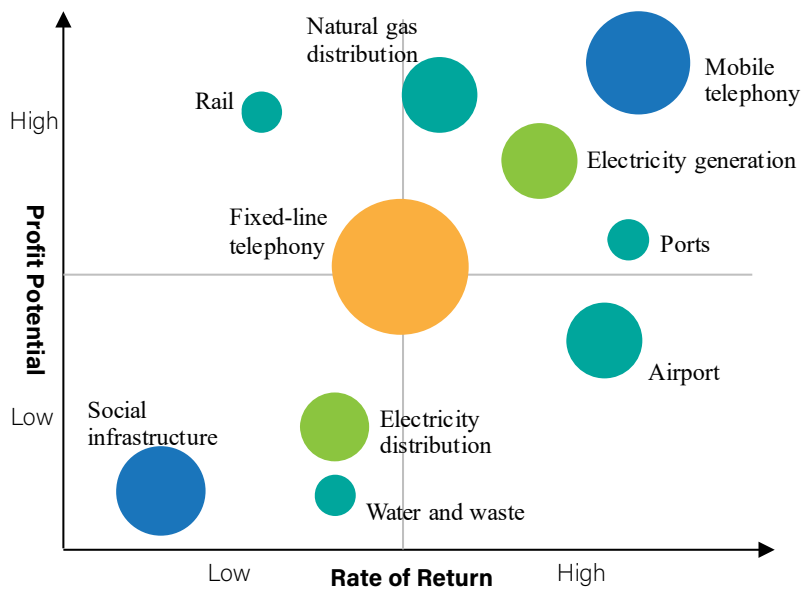
Second, the construction of Africa's water and power infrastructure projects. Examples include the Merowe Dam in Sudan, the Tekeze Hydropower Station in Ethiopia, the Zongo Hydropower Plant in DRC, and the Zungeru Hydropower Plant in Nigeria.

Third, the construction of municipal facilities in Africa. Examples include three regional water supply projects: a drinking water project from In Salah to Tamanrasset in Algeria, Ghana's Sekondi-Takoradi, and Sunyani projects.



FIGURE 4

## The Profit Potential and Rate of ROI in Africa's Infrastructure



Source: McKinsey Quarterly

CASE  
29

## Mombasa-Nairobi Railway: The "Railway of the Century"

The Mombasa-Nairobi Railway opened on May 31, 2017. Starting from the Kenyan coastal city of Mombasa in the east and ending in the capital city of Nairobi in the west, it runs through 8 counties. As the first section of the East Africa railway network, it has become an important transport hub connecting the coast and the inland.

The construction and operation of the railway has created more than 50,000 jobs and contributed 1.5% to Kenya's economic growth. Increasing Kenya's capacity for independent development, the railway has carried 5.32 million passengers and nearly 13 million tons of goods<sup>118</sup>, basically breaking even.

<sup>118</sup> The railway of the century! The "Cloud Open Day" was held on the Mombasa-Nairobi Railway in Kenya, *The Paper*, June 15, 2021. [https://www.thepaper.cn/newsDetail\\_forward\\_13149110](https://www.thepaper.cn/newsDetail_forward_13149110)

The railway, which passes through Kenya's largest wildlife park, has shortened the journey time from Nairobi to Mombasa from 10 hours to less than 5 hours, and increased the capacity of the Mombasa port, the largest port in East Africa.

## CASE 30

### China Civil Engineering Construction Corporation - Lagos-Ibadan Railway Project

After more than 4 years of work, Nigeria was witnessing the opening of West Africa's first modern double-track standard gauge railway, the Lagos-Ibadan Railway. It is by far the longest double-track standard gauge railway in Africa.

Built by the China Civil Engineering Construction Corporation, the railway connects Lagos, the economic center of Nigeria, and Ibadan, an important industrial town in the country's southwest. The main line is about 157 kilometers long and the design speed is 150 kilometers per hour. It shortens the travel time between the two cities to only 2 hours.<sup>119</sup>

"The opening of the Lagos-Ibadan Railway is a milestone in Nigeria's railway construction." At the opening ceremony, Nigerian President Buhari said that the railway will provide strong support to the country's industrial and economic transformation.

## CASE 31

### CWE Corp. - Souapiti Hydropower Station PPP Project

The Souapiti Hydropower Station in Guinea was jointly developed as a PPP model by the government of Guinea and China International Water & Electric Corporation (CWE), a subsidiary of China Three Gorges Corporation. The project started on April 1, 2016, and four generating units were put into operation in 2021.

The completion of the station has stabilized the local hydropower supply during the rainy and dry seasons. Souapiti will also transmit power to neighboring countries such as Senegal, Gambia, and Guinea-Bissau through transmission lines, which will meet some of the power demand of Gambia River Basin Development Organization, the Senegal River Development Organization, and other regional organizations, and improve the power and energy supply in West Africa.

While creating jobs for local people, the project has trained welders, steel benders and other technical workers for the local area through pre-job training and operational guidance. In addition, it brought a team of Guinean trainees to China for an 18-month professional training course. These trainees returned to Guinea after completing their course and participated in the construction, operation, and maintenance of the station.

<sup>119</sup> Nigeria's Lagos-Ibadan Railway, built by a Chinese company, was officially put into operation, *People's daily*, June 15, 2021. <https://www.fmprc.gov.cn/zfhzlt2018/chn/zfgx/jmhzt/t1884009.htm>

# CASE

# 32

## China Longyuan Power Group Corp. Ltd. - South Africa De Aar Wind Farm Project

In 2009, China Longyuan Power Group Corporation Limited, a subsidiary of China Energy Investment Corporation (China Energy) signed a cooperation agreement on the South Africa De Aar wind farm project with South Africa's Mulilo Company. The project was completed and entered service in 2017. This was China's first wind power project in Africa integrating investment, construction, and operation. During the construction phase, more than 700 jobs were created; now operational, more than 100 long-term positions are provided every year, which provides employment in South Africa, especially for residents in the host communities.

The project supports the local economy in various ways such as large-scale procurement of local primary equipment, extensive use of local design and construction companies, employment of construction, management, operation and maintenance personnel, and the establishment of community funds.

In terms of environmental benefits, the project delivers 640 million kilowatt-hours of clean electricity each year, which is equivalent to saving 215,800 tons of standard coal, reducing carbon dioxide emissions by 619,900 tons, and meeting the electricity demand of 85,000 local residents.<sup>120</sup> The project has made a positive contribution to local efforts to adjust the energy structure and create clean and low-carbon development.



## (II) Manufacturing: Promoting the Development and Transformation of Multiple Industries

African manufacturing is in a marginal position in the global manufacturing landscape. According to statistics from the United Nations Conference on Trade and Development, the added value of Africa's manufacturing remains less than 3% of the world's total, while manufacturing exports account for only 0.8% of the world's total. Africa's

<sup>120</sup> On the way of CCTV interviews and broadcasts Longyuan South Africa Dea wind power plant, Longyuan Power Group, July 30, 2018. <https://lydl.chnenergy.com.cn/lydlwww/gsyw/201903/fbfa68f-49bab43d78af2676086e50770.shtml>

manufacturing accounts for approximately 10.3% of its GDP, lower than the world average of 12.3%. The level of development of Africa's manufacturing is quite uneven. The added value of manufacturing in South Africa, Egypt, Morocco, and Tunisia combined accounts for about 60% of Africa's total. In recent years, Nigeria, Ethiopia, and Kenya have achieved rapid growth in manufacturing, becoming popular destinations for foreign investment.

**From the perspective of industrial structure, resource-related manufacturing sectors such as food, beverages, tobacco, and timber have held a large share for a long time, consistently more than 40% since 2000.** As an extension of agriculture and energy & mining, resource-related manufacturing can bring about high economic growth. But added value and productivity in these sectors is often low, while their correlation with other sectors of the economy is relatively weak and product differentiation is also very limited. Relying too much on these sectors could leave an economy vulnerable to external risks.

**Low-tech manufacturing has been growing rapidly in recent years, mostly labor-intensive sectors such as textiles, clothing, leather, and metal.** These sectors absorb a lot of labor and support other industries and infrastructure. Therefore, they are particularly important for countries in the early stage of industrialization. Since 2010, sectors such as furniture, textiles, leather processing, and metal products have seen significant growth, reflecting the strong market demand for low-tech manufacturing.

**Africa's mid and high-tech manufacturing topped out, mostly in the technology or capital-intensive sectors such as chemicals, machinery, electronics, and automotive.** It accounted for a peak of 26.8% in Africa's manufacturing in 2009 but has gradually declined since then. This is because after the global financial crisis, the inflow of foreign direct investment into these sectors dropped significantly. The growth rate in recent years suggests that technology-intensive manufacturing sectors such as automobiles and transport equipment, electronic products, and medicine are recovering.

**A large share of Chinese investment in Africa goes to manufacturing, which is widely welcomed by the recipient countries.** At the Johannesburg Summit of FOCAC in December 2015, President Xi Jinping proposed "Ten Cooperation Programs" between China and Africa, of which the "China-Africa industrialization plan" ranked first. At the Beijing Summit of FOCAC in September 2018, President Xi Jinping proposed the "Eight Major Initiatives" on China-Africa Cooperation. The first initiative concerned industrial development, specifying that "we encourage Chinese companies to increase investment in Africa, and will build and upgrade a number of economic and trade cooperation zones in Africa". In January 2021, State Councilor and Foreign Minister Wang Yi proposed a "seven-point proposition"

for upgrading the quality of China-Africa cooperation during his visit to Africa. He pointed out that it is necessary to “step up industrial capacity cooperation with Africa, promote clustering and synergy of cooperation projects and make them more advanced in industrial operations and more locally based. China is prepared to help Africa enhance its home-grown production capacity”, and to jointly build what he described as “manufacturing Africa”.

According to statistics from MOFCOM, as of the end of 2019, China's direct investment in Africa's manufacturing industry had reached USD 5.59 billion, accounting for 12.6% of China's total direct investment in Africa that year. This was higher than China's overall foreign investment in manufacturing during the same period, which stood at 8.9%. The number of companies investing in manufacturing ranked top among all industries.

### Since 2015, Chinese investment in manufacturing sectors in Africa has four new characteristics.

**First, the areas of investment have extended from textiles and garments to sectors including furniture, building materials, automobiles, home appliances, medicine, and hardware products.** Chinese companies such as Hisense, Midea, FAW, Chery, and Brilliance have established assembly plants or upstream enterprises for key components in South Africa, Tanzania, Egypt, Ethiopia and other African countries. In 2015, Humanwell Group invested in LVP and syrup production lines in Mali, which become a modern pharmaceutical factory with the highest construction standards in West Africa. In 2019, the high-voltage cable workshop of Aberdare Cables Proprietary Ltd. in South Africa was acquired by Hengtong Group and put into operation, becoming the third manufacturer in Africa of such high-voltage cables.

**Second, the motive for investment in the African market has extended from taking a foothold to starting to expand regional and international markets.** By investing in Africa, Chinese companies have combined their own strengths in capital and technology with relatively low-cost factors in Africa such as its labor, gaining a larger overseas market. In 2018, a 200,000-ton glass fiber production base invested by Jushi Group in Egypt began to put into operation. This was the first complete set of production lines exported by China's glass fiber industry, creating capacity in glass fiber manufacturing for the entire Middle East and North Africa.

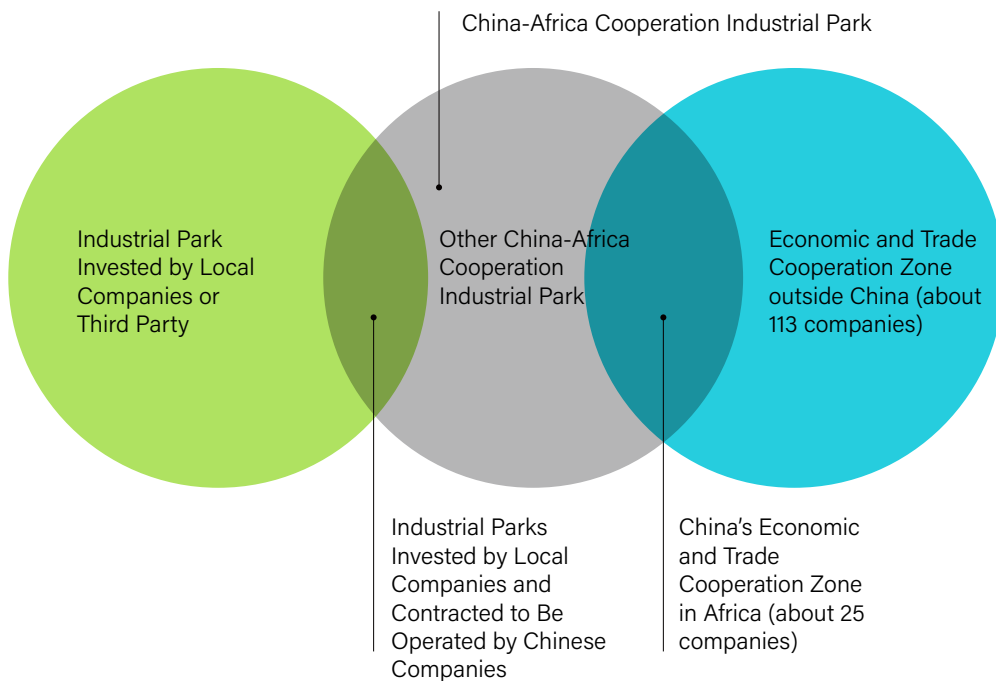
**Third, investing parties have evolved from mostly state-owned enterprises to both state-owned and private enterprises.** Private enterprises are becoming the key investment players in manufacturing in Africa. These enterprises are flexible in business decision-making and highly driven by market opportunities. In some African countries with good manufacturing prospects, Chinese private enterprises

account for a very high share. For example, out of 396 Chinese enterprises in Kenya, 80% are private enterprises, and 44% are engaged in investment and operation in manufacturing.<sup>121</sup>

**Fourth, the investment model has expanded from greenfield projects to a more diverse portfolio such as mergers and acquisitions, equity participation, and building industrial parks.** Establishing economic and technological development zones was an important element of China's reform and opening up. The industrial development zones, free trade zones, high-tech zones, bonded zones, and special economic zones that have sprung up across China since the 1980s have played a very effective role in China's industrialization and urbanization. Since MOFCOM approved the first batch of overseas economic and trade cooperation zones in 2006, Chinese enterprises have invested in 25 key economic and trade cooperation zones in Africa and contracted to build several industrial parks in Africa with local investment, attracting a large number of manufacturing enterprises in China to invest in Africa (picture). During the COVID-19 pandemic, due to their special status and role, these economic and trade cooperation zones have played an important role in helping companies get a grip on the difficulties and resume normal business. They have stabilized local employment and offered security to local communities.

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<sup>121</sup> Pu Dake, Hao Rui, *Study on the Investment Path of Chinese Enterprises in African Manufacturing Industry*, INTERTRADE, 2020(03):82-89

**FIGURE 5** Types of Industrial Park in Africa

Source: *Facilitating African Manufacturing Development: China-Africa Cooperation in Industrial Parks* by YUAN Li, LI Qiyan and WANG Jinjie, China Commerce and Trade Press, September 2020

## CASE

# 33

### The Lekki Free Trade Zone Project in Nigeria

The Lekki Free Trade Zone is located on the Lekki Peninsula in the southeast of Lagos, the economic capital of Nigeria. It has a planned area of 30 square kilometers. As one of the outcomes of the 2006 Beijing Summit of FOCAC, it was jointly invested and built by China-Africa Lekki Investment Co. Ltd. and the government of Lagos.

The Chinese side holds 60% of the shares and the Nigerian side holds 40%. To date, 138 enterprises have registered in the park, covering industries such as oil and gas storage, furniture manufacturing, clothing production, trade & logistics, steel pipe production, and daily necessities, with a total agreed investment of nearly USD 1.5 billion.

75 of these companies (46 Chinese-funded companies and 29 foreign-funded companies) have formally signed investment agreements, completed construction, and begun production. The Lekki Free Trade Zone has provided more than 1,500 direct jobs for the local area and created more than 10,000 indirect jobs.<sup>122</sup>

The Park has set up a “Community Development Fund,” which takes out money every year from the project construction funds invested in the Lekki Free Trade Zone to support surrounding communities in their efforts to improve infrastructure, participate in local public charities, and conduct cultural exchanges.

## CASE 34

### King Deer Cashmere Co. Ltd. – Textile Manufacturing Project in Madagascar

Madagascar King Deer Cashmere Co. Ltd. was established in 1997. It is a wholly-owned subsidiary established in Southern Africa by Inner Mongolia King Deer Cashmere Co. Ltd. in the Republic of Madagascar. Using cashmere as raw material, it produces hundreds of products in three categories – knitting, weaving, and clothing. The products are exported to the United States, Japan, South Korea, and many European countries.

King Deer Co. Ltd. has been developing in Africa for 24 years. As the most time-honored and largest Chinese textile company in Madagascar, together with other textile industry companies, it has strongly supported Madagascar’s industrialization. King Deer chose to invest and build a factory in Madagascar because the country enjoys a unique investment environment. It has an agreeable climate, temperature, and humidity, which are ideal for producing cashmere and knitting products, as well as stable product quality and notable advantages in labor resources.

As of the end of 2020, the project has a total investment of USD 378 million, with an annual output of USD 70 million. It has, in total, created about 7,000 local jobs.

## CASE 35

### Humanwell Group - Pharmaceutical Factory Project in Mali

In 2015, Humanwell Africa Pharmaceutical Co. Ltd. was established and began production in Bamako, the capital of Mali. It is a modern pharmaceutical factory with the highest construction standards in West Africa, and the first localized pharmaceutical factory in Mali.

<sup>122</sup> Finance Observation: Production Capacity Cooperation Between China and Africa boosts Africa’s Economic Development, Xinhuanet, July 18, 2018. [http://www.xinhuanet.com/overseas/2018-07/18/c\\_1123145058.htm](http://www.xinhuanet.com/overseas/2018-07/18/c_1123145058.htm)



Humanwell Africa Pharmaceutical Co. Ltd. built three production lines, one each for oral liquid preparations, large-volume injections, and solid preparations that mainly produce syrups, suspensions and LVP. It has greatly alleviated the shortage of medicines in Mali and its neighboring countries.

As a result of this investment, the price of syrups and LVP drugs in the Mali market dropped by 30%,<sup>123</sup> and outer packaging materials such as cartons, labels, and syrup bottles are also being procured locally, which has attracted packaging material manufacturers to invest in Mali. It has also promoted the development of logistics in Mali to some extent.

## CASE 36

### Longrich - Smart Manufacturing Project in Nigeria

In 2013, Longrich entered the Nigerian market. Its first action was to conduct field research to gain a better understanding of local culture. By observing the lives of local people from all walks of life, Longrich developed a direct understanding of local customs and business customs across the country.

In 2018, Longrich started the construction of a new intelligent factory in the Lekki Free Trade Zone in Nigeria, with a construction area of 40,000 square meters. Once the factory is complete, it will rank among the top intelligent factories in Nigeria and even the whole of Africa. It will produce healthcare products, cosmetics, and detergents. At the same time, the factory will also provide OEM processing services for important local brands in Nigeria and expand to the entire African market.

## CASE 37

### China CTEXIC Corporation - Textile Manufacturing Project in Benin

CBT is operated and managed by China CTEXIC Corporation. It is the biggest manufacturing employer in Benin with employees from more than 1,000 families.

Its product development, process design, and quality control rank among the best in West Africa. Its pure cotton grey fabrics are mainly supplied to the printing and dyeing plants of the Dutch company VLISCO Group in Cote d'Ivoire and Ghana.

<sup>123</sup> Humanwell Africa Pharmaceutical starts the time of drugs made in Mali (1) | A Bright Shared Future II, Business micro news, June 22, 2021. <https://finance.sina.com.cn/wm/2021-06-22/doc-ikqciyzk1201073.shtml>

### (III) Energy & Mining: Turning Resource Wealth into Real Economic Returns

Africa is rich in resources and its mining industry enjoys good prospects. In terms of metallic and non-metallic minerals, 11 African countries have more than one mineral variety in reserves, ranking among the top ten in the world. In terms of energy, South Africa is one of the world's top ten coal-producing countries. Proven reserves of oil and gas in Africa are also abundant. Nearly 20 African countries have become oil and gas producers. In the past decade, oil and gas production in Angola, Nigeria, Chad, Sudan, and Egypt has grown rapidly. In addition, deep-water oilfields in the Gulf of Guinea and some East African countries in which oil and gas resources have been discovered recently (such as Uganda), may become new sources of growth.

Since 2000, the characteristics of investment in Africa's mining industry have also changed due to the substantial increase in the number of entities trading in African resources. The most prominent indicator is that more resource transactions come with investment commitments in infrastructure and other related industries. The key challenges facing investment in Africa's mining industry are political and economic stability, resource taxation systems, and infrastructure. Small mining companies and companies from developing countries are more willing to invest in resource-rich countries with a low level of development and high resource potential but high political risks. Larger companies tend to invest in more politically stable resource-rich countries such as South Africa, Botswana, and Ghana. Successful investment requires not only the ability to operate in an environment lacking skilled workers and infrastructure, but also an ability to train skilled workers for the local area and provide infrastructure as part of resource investment and trading. For Africa's resource-rich countries, the challenge is that they need to make relevant tax provisions attractive for foreign investment in resources and ensure that the country can obtain social and economic benefits from resource projects, including resource revenues, tax revenues, infrastructure, capital and technology. The trade-off is often the focus of debate on the mining policy of these countries.

Chinese investment in Africa's mining industry started in the 1990s. With the rapid growth of China's economy, Chinese companies started to look for cooperation opportunities overseas, including resource-rich African countries, and invest in resource projects such as oil, ferrous metals, and non-ferrous metals through greenfield investment, equity participation, and mergers and acquisitions. The distribution of Chinese investment projects in Africa's mining industry has expanded from Algeria, South Africa, and Zambia in the beginning to almost the entire African continent today. According to statistics from MOFCOM, as of the end of 2019, the value of China's direct investment in Africa's mining industry had reached USD 11.02 billion, accounting for 24.8% of China's direct investment in Africa that year. An outstanding feature of Chinese companies' investment in the mining industry

in Africa is that they focus on both upstream investment and construction and downstream smelting and processing, as well as support infrastructure such as power supply and transport. They conduct deep processing mineral projects in resource countries, and some also construct cooperation zones for resource development and use, which can drive local industrialization and convert resource strengths into economic advantages for the host countries.

## CASE 38

### PetroChina - Refining and Chemical Project in Chad

Achieving energy independence has been a Chad's long-cherished desire. In April 2007, PetroChina struck high quality oil and made a breakthrough in Chadian oil industry.

In the following 15 months, a modern one-million-ton oil and gas processing facility was built, and only 18 months later, Chad's first refining and chemical project, the high-standard N'Djamena refinery was completed and operating at a "Chinese Speed". In less than two years, a complete oil industrial system was established.

This ended five decades of importing refined oil products in Chad. The Ministry of Petroleum and Energy of Chad has stated that among the 12 foreign oil companies in Chad, PetroChina has made the most investment. The company is the biggest in scale, pays the highest taxes, and contributes the most to society.

PetroChina has provided more than 30,000 jobs and hired more than 5,200 Chadian employees, with a localization rate of more than 70%.<sup>124</sup> PetroChina has donated office supplies and clothing to local governments and non-governmental organizations, assisted in the construction of more than 60 water wells, and built 3 primary schools along the pipeline.

## CASE 39

### China Kingho Energy Group - Tonkolili Iron Ore Project in Sierra Leone

Sierra Leone's Tonkolili Iron Ore is currently the world's largest single magnetite mine. Due to factors such as fluctuating international iron ore prices, the project was temporarily suspended. At the beginning of 2020, China Kingho Energy Group took over the project and obtained part of the mining rights. They officially relaunched the project in September 2020. In March 2021, the whole project was up and running, linking the entire industrial chain from mine production to railway transport and port shipping.

<sup>124</sup> Look back at China-Chad energy cooperation in terms of the operation of Phase II oil field project in Chad, CNPC, June 25, 2019. <http://news.cnpc.com.cn/system/2019/06/25/001734158.shtml>

The new Tonkolili Iron Ore covers a total area of 408 square kilometers and has reserves of approximately 13.7 billion tons.<sup>125</sup> The project is equipped with a complete railway and port logistics system. It plans to build an integrated iron and steel industrial park for mining, processing, and smelting. It will provide new impetus to the country's mining and steel industry.

## CASE 40

### "Winning International Group" Project in Guinea

In 2015, China Weiqiao Pioneering Group, Singapore Winning Group, China Yantai Port Group, and Guinea UMS formed a consortium - "Winning International Group." China Weiqiao is responsible for mining, Winning Group for shipping, UMS for land transport, and Yantai Port Group for bauxite shipping, realizing the full development of Guinea's bauxite resources and seaborne trade. In 2020, Guinea's bauxite output reached 82.4 million tons, making it the second largest exporter of bauxite in the world.<sup>126</sup>

The project is one of the largest job-creating projects of Guinea. According to estimates by the International Monetary Fund (IMF), the project contributes more than 10% of Guinea's GDP, and sustains more than 10,000 direct jobs and over 30,000 indirect jobs.<sup>127</sup> The government of Guinea estimates that a Guinean working in the Group can support 10 to 15 family members.

The Group has also created a stable source of taxes in dollars, improved Guinea's foreign exchange receipts and payments, strengthened the confidence of international organizations in Guinea's economy, and attracted more companies and investors.

## (IV) Agricultural Processing: Adding Value and Extending the Supply Chain

Agriculture is Africa's largest economic sector, with output accounting for 15% of Africa's GDP. But Africa's agricultural industry is underdeveloped. Although the continent has 25% of the world's arable land, it only accounts for 10% of the world's output. Its agricultural production is also unevenly distributed. The agricultural output of Egypt and Nigeria together accounts for 1/3 of the continent's total, and that of the top 10 countries accounts for 75%. Affected by history and the

<sup>125</sup> Sierra Leone's Tonkolili Iron Ore project put into operation, Xinhuanet, March 21, 2021 [http://www.xinhuanet.com/2021-03/21/c\\_1127236852.htm](http://www.xinhuanet.com/2021-03/21/c_1127236852.htm)

<sup>126</sup> In 2020, Guinea's bauxite output reached 82.4 million tons, with a year-on-year growth of 24%. Economic and Commercial Office of the Embassy of the People's Republic of China in The Republic of Guinea, February 24, 2021 <http://gn.mofcom.gov.cn/article/jmxw/202102/20210203040793.shtml>

<sup>127</sup> Innovate a development model suited to Guinea's national conditions—exclusive interview on Zhang Bo, the chairman of Shandong Weiqiao Pioneering Group, Zhang Pan, China Investment (Bilingual), 2019(20):56-58

current situation, Africa is deeply involved in the international market, as it earns foreign exchange through export-oriented cash crops, and then imports grain from the international market, but its domestic food production is insufficient. Africa's agricultural exports have been further hit by the COVID-19 pandemic. To make matters worse, many producing countries have implemented grain export restrictions and food prices have increased. It is therefore more difficult for African countries to obtain food.

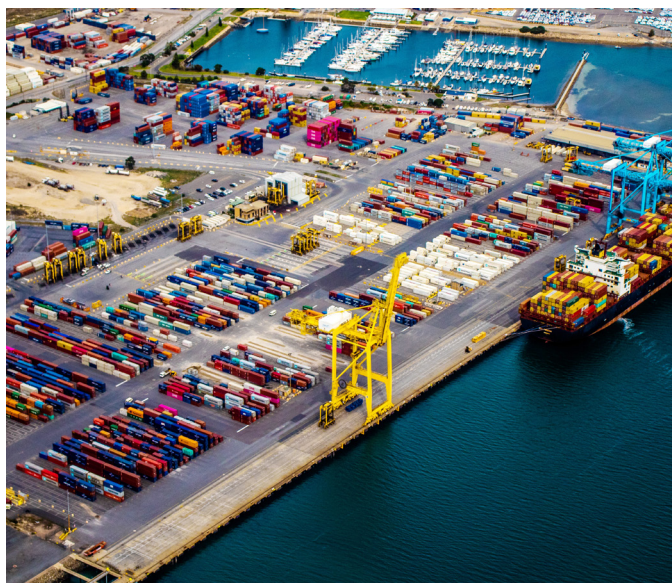
Africa's agricultural foundation is characterized by inadequate infrastructure including farmland and irrigation facilities, insufficient investment in agricultural machinery, limited chemical fertilizers and improved crop strains, low investment in science and technology, and under-developed production models. In the face of new challenges such as climate change, regional conflicts, and extreme events, Africa's food security and agricultural development are vulnerable. Building a modern agriculture industry and increasing the capacity for agricultural development are important ways for Africa to realize food security and economic development, which requires African countries to come up with targeted and comprehensive agricultural policies to overcome multiple obstacles in the entire agricultural value chain.

Africa's agriculture has huge development potential and offers great investment opportunities. McKinsey<sup>128</sup> estimates that if Africa allocates more land for planting, increases the unit output of main food crops, and increases the planting of high-value crops (such as fruits, vegetables, and flowers), its average annual output might reach USD 880 billion by 2030. Some coastal countries, such as Angola, Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Kenya, Madagascar, Mozambique, Nigeria, Sudan and Tanzania, have extensive business opportunities in the agricultural sector. If this kind of "green revolution" happens in Africa, it will directly increase the value of agricultural output, while leading to more investment opportunities in many other upstream and downstream industries, such as the chemical fertilizer market in the upstream and the agricultural product processing industry in the downstream.

China is a large agricultural country and has accumulated agricultural production management experience and practical technology suited to the conditions of African countries. Agricultural cooperation between China and Africa has a time-honored history and a solid foundation. Traditional aid-based agricultural cooperation has played an important role in China-Africa relations. Since 2006, as an important measure of FOCAC, China has been combining aid with agricultural investment, building agricultural technology demonstration centers in Africa, and introducing China's improved seeds and planting technologies. In a targeted

<sup>128</sup> *Lions on the move: The progress and potential of African economies*, Mckinsey Global Institute, June 1, 2010.

manner based on the actual conditions in the recipient countries, China has improved the skills of local farmers and brought qualitative improvements to local agricultural production.



For example, the Hunan Academy of Agricultural Sciences has provided assistance to the Madagascar Hybrid Rice Demonstration Center since 2007.<sup>129</sup> After the introduction of 112 tons of high-quality seeds in 22 regions of the country, its highest yield reached 12 tons per hectare, and the average yield per hectare reached 6 tons, much higher than the local production. After years of hard work, the country's farmers have now accepted hybrid rice and are active proponents of planting it. A demonstration center in Rwanda researched, experimented with and demonstrated the adaptability of paddy rice and fungi to the local traditional agriculture, and provided technical training to women's associations, paddy rice growers'

associations and other organizations. In recent years, China has made efforts to promote market-oriented agricultural investment among Chinese companies in Africa and support African countries in improving their independent agricultural development capacity. China has invested in and established at least 120 agricultural enterprises in Africa and has invested in a number of food production and cash crop production projects through various means, such as greenfield investment, equity participation, mergers and acquisitions, and leasing. The current trend shows that Chinese companies are becoming more active in investing in African agriculture and agricultural product processing through agricultural technology demonstration centers and agricultural industrial parks. At the same time, they are expanding from agricultural production to warehousing, logistics, processing, and international trade.

<sup>129</sup> Concentrate on food security to stride towards rural revitalization, *Ifeng.com* in Hunan province, October 22, 2020. <https://i.ifeng.com/c/80mK2lpwosa>

## CASE 41

### CGCOC Group - Green Agriculture Projects in Western Africa

In 2006, CGCOC Group was invited by the Nigerian government to invest nearly USD 10 million to build Wara Farm. Based on this project, in 2008 the company and Yuan Longping Hi-Tech Agriculture Co. Ltd. established a joint venture in Nigeria named Green Agriculture of West Africa Co. Ltd.

In 2013, CGCOC Group started develop and invest in Africa's agricultural industrial parks, with a total investment of approximately USD 20 million. In 2014, CGCOC Group joined forces with Yuan Longping Hi-Tech Agriculture Co. Ltd and other enterprises and scientific research institutes in establishing the CGCOC Agriculture Development Co. Ltd. In 2019, it registered the China-Africa Research Center for the Development of Green Agriculture in Nigeria.

In addition to seed cultivation, production and planting technologies of staple food crops such as rice, corn, and millet, CGCOC has also promoted and demonstrated applicable technologies such as vegetable cultivation, cage culture, and biogas, and assisted countries such as Nigeria and Burkina Faso to establish seed production. Its agricultural technology training sessions have trained more than 3,000 persons. As of the end of 2019, it had established seed production cooperatives with more than 5,000 farming households in 7 communities in Nigeria, creating tens of thousands of jobs and helping to increase local incomes.

## CASE 42

### Wynca - Agriculture Product Projects in Western Africa

The Wynca global sales network covers more than 130 countries and regions, with 8 subsidiaries in North America, South America, West Africa and other major countries and regions, and FDI exceeding USD 100 million. Pesticide product registrations cover 90 countries and more than 2,000 items. The "Wynca" trademark has been successfully registered in 26 countries. In 2020, its overseas business accounted for 33% of the company's annual revenues.<sup>130</sup>

Wynca Sunshine Agric Products & Trading (GH) Co. Ltd, headquartered in Accra, the capital of Ghana, was formerly known as Sunshine Agric Products & Trading (GH) Co. Ltd. In December 2009, Wynca invested nearly USD 5 million to acquire 70% of its shares. Wynca Sunshine's main business involves more than 20 varieties of pesticides, agricultural tools, and organosilicon. It has three subsidiaries, in Côte d'Ivoire, Nigeria, and Mali, and an aqua preparation plant. Its main markets are western African countries including Ghana, Togo, Benin, Côte d'Ivoire, Burkina Faso, Nigeria, and Senegal.

<sup>130</sup> 2020 Social Responsibility Report of Zhejiang Wynca Group Co., Ltd, April 13, 2021 <http://static.cninfo.com.cn/finalpage/2021-04-13/1209677392.PDF>

**Column 2: Bamboo Work - Building the Value Chain of the Bamboo Industry in East Africa**

More than 20 African countries have native bamboo. Africa's bamboo resources account for nearly 10% of the world's total<sup>131</sup>, but these resources remain largely unused. In August 2016, the Dutch-Sino-East Africa Bamboo Development Programme funded by the Dutch government and supported by the Chinese government was launched in Beijing.

Under the coordination of the International Bamboo and Rattan Organisation, and the expertise China and the Netherlands have in bamboo value chain development, product design, marketing and standardization, the project helps Uganda, Ethiopia and Kenya explore the potential of bamboo resources. It promotes regional green economic growth, tackles climate change and land degradation, expands trade, and reduces poverty. For example, Ethiopia plans to establish a "China-Africa Bamboo Center", which will bring new opportunities for the country's bamboo industry. A Chinese company has built the first all-bamboo hotel in Africa in the largest national park of Uganda, with cultural tourism as the end-point of the value chain.

In the future, the three countries will have good development potential and investment opportunities in industries such as bamboo charcoal, bamboo construction, bamboo household products, bamboo food, and bamboo handicrafts.

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<sup>131</sup> [Investment in Africa] The potential of Africa's bamboo industry cannot be underestimated | China Investment, The Paper.cn, November 5, 2020.



## III. Contributions of Chinese Enterprises During the Pandemic

The sudden outbreak of the COVID-19 pandemic has plunged the world into the most serious public health crisis since the end of World War II, turning the world's attention and thinking towards a global community of shared future. Since the outbreak of the pandemic, China has made concerted efforts to fight the pandemic with African countries.

### (I) Contributions of Chinese Enterprises in Response to the Outbreak in Africa

Chinese companies have widely participated in China-Africa cooperation in tackling the pandemic. As a strong complement to intergovernmental assistance, companies in different fields have exploited their unique strengths such as independence, local bases, quick decision-making, and flexibility of action, which fully demonstrates their effectiveness, expertise and technology strength.

#### 1. Coordination of resources from all sides

In March 2020, when the pandemic was beginning to devastate the world, the China-Africa Business Council actively explored opportunities to quickly respond to the needs of relevant departments in recipient countries, providing them with the materials they needed the most. In assisting Africa, the donations of Chinese enterprises and the aid of the Chinese government were independent of each other, but they formed a synergy to assist African people fight the pandemic and tide over their difficulties together.

On February 4, 2020, while there were still no confirmed COVID-19 cases in Africa, KPC Pharmaceuticals and Sansure Biotech responded to a request from the Ethiopian Ministry of Health and donated a portable nucleic acid testing unit and 500 nucleic acid testing reagents<sup>132</sup>. Organized and coordinated by the China-Africa Business Council, the equipment took 72 hours to reach Addis Ababa. It made Ethiopia the third country in Africa to have an independent testing capability for the novel coronavirus and helped it to fight the pandemic.

<sup>132</sup> *Hand in hand to fight the pandemic, Chinese companies tackle the pandemic with Ethiopia*, CCTV News, May 19, 2020. <https://news.e23.cn/guonei/2020-05-19/2020051900497.html>

On March 16, 2020, Jack Ma Foundation and Alibaba Foundation announced they would donate 100,000 masks, 1,000 protective gowns, 1,000 surgical masks, and 20,000 test kits to each of the 54 African countries.<sup>133</sup> They also addressed problems facing local people by providing online training materials on clinical treatment of COVID patients and supporting local entrepreneurs.

From April to June in 2020, at the request of Africa CDC, the China-Africa Business Council once again coordinated with Anhui Biochem, Gooddoctor Pharmaceutical Group, IAEp and other Chinese companies in donating virus sampling equipment and petri dishes to African countries through the Africa CDC<sup>134</sup>. At the same time, learning that there was a serious shortage of masks among the staff of the Africa CDC, Zhejiang WEPON donated protective masks.



An ongoing survey shows that as of May 2021, the China-Africa Business Council had donated a total of USD 5 million in money and materials to 20 African countries and Africa CDC.

In addition to donating COVID-prevention supplies, Chinese companies have also brought relevant products and technologies to Africa. BGI invested in the construction of a novel coronavirus nucleic acid testing kit production plant in Ethiopia, which began operations in September 2020. In April 2021 the “Huoyan” lab built by BGI at Bole International Airport, in the capital of Ethiopia, began operations. This is the first airport testing laboratory in Africa

operated and managed by a Chinese company. It will provide testing services for passengers traveling between China and Africa. In April, SINO-VAC Biotech signed a cooperation agreement with Egyptian companies on the localized production of China's COVID-19 vaccines in Egypt. According to the agreement, 40 million doses will be produced in the first year to cover demand in Egypt, and the rest will be exported to other African countries.<sup>135</sup>

<sup>133</sup> [Special report] “We dwell in the same forest”: Jack Ma and Alibaba help Africa fight against the pandemic together with the United Nations institutes, the United Nations, May 4, 2020. <https://news.un.org/zh/story/2020/05/1056532>

<sup>134</sup> China-Africa Medical Enterprise Innovation Promotion Professional Committee donated 12,000 sets of virus sampling equipment and petri dishes to Africa CDC, Chn-Africa.com, June 14, 2020.

<sup>135</sup> Press conference by Halal Zayed, Minister of Health and Population in Egypt on May 9, 2021.

## 2. A successful delivery of aid

Over the past decades, as Chinese companies have accelerated their pace of going global and Africa has developed in steady steps, Chinese companies have participated widely in developing various sectors in Africa, including infrastructure, construction engineering, electrical machinery, manufacturing, information technology, communications, and health. During the pandemic, these companies have participated actively in Africa's fight against COVID-19, becoming an important guarantee for the effective delivery of China's aid to these countries.

In May 2020, King Deer donated the only pharmaceutical factory it had acquired in Madagascar to the government of the country. After emergency renovation and greening, it was put into operation within a few months, producing antiviral drugs developed by the medical institutions of Madagascar. As a private company that has been running in Madagascar for many years and developing together with the country, King Deer has made an outstanding contribution to the prevention and control of the pandemic in Madagascar and has been recognized and respected for its deeds.

In March 2020, China State Construction donated medical supplies to Algeria, including 500,000 medical surgical masks, 50,000 N95 masks, 10 ICU ventilators, 2,000 sets of medical protective gowns, 2,000 isolation masks, and 600 pairs of medical disposable gloves<sup>136</sup>. In addition, companies such as COVEC, Bank of China, Longyuan Mulilo Wind Power Project, Hisense, and Huawei have all donated medical supplies to host countries and regions.

In addition to directly providing medical supplies, Chinese companies have also provided other assistance to local people based on their field and expertise. For example, Star Times quickly adjusted their programs, launched the "COVID-19 Special Report", and covered the global pandemic information released by the World Health Organization and the successful experience of China, becoming one of the important channels to provide information on the pandemic to prevent infection, boost confidence, and overcome the difficult times.

## 3. A multi-field cooperation

Fighting COVID-19 and supporting public health in Africa requires systemic solutions. Chinese companies in different industries and from different backgrounds have been working hard in their respective fields, using the global cutting-edge

<sup>136</sup> China has delivered anti-pandemic supplies to Algeria, *People.cn-the International channel*, March 28, 2020 <http://world.people.com.cn/n1/2020/0328/c1002-31652022.html>

technology of the Internet and applying their infrastructure construction capacity to provide multi-dimensional solutions across multiple fields to help Africa in fighting COVID-19.

Alibaba is an example. As China's top Internet platform, Alibaba has strong AI big data and cloud computing capacity, which has been successfully transplanted into the process of fighting COVID-19 and a "Global MediXchange for Combating COVID-19". It aims to provide front-line doctors and nurses around the world with a platform for sharing practical experience and online exchanges, and to provide medical institutions with AI big data and cloud computing capacity.

Chinese companies have used their capabilities in infrastructure construction and technical knowledge to play an active role in building hardware facilities for combating the virus. They have helped Africa establish and transform a number of medical institutions that meet the conditions for treating COVID-19 patients, and helped individual countries build local mask factories, vaccine manufacturers, etc., contributing to local efforts to combat the virus. At the beginning of the spread of COVID-19, many private enterprises such as Shuofeng Group and Tanzania-China Friendship Textile Company converted production lines to assist in the production of masks in Africa. Once progress had been made in vaccine research and development, China and Africa quickly started to cooperate in this field. On April 21, 2021, the Egyptian state-owned vaccine manufacturer VACSERA and SINOVAC Biotech signed two agreements, allowing Egypt to produce SINOVAC vaccines locally.

In infrastructure construction, Afei Holding Co. Ltd undertook the transformation of the isolation wards of Addis Ababa Silk Road General Hospital for free. A project team composed of more than 30 employees from both countries worked round the clock to complete the transformation in only 5 days, and then handed over the newly transformed facility as a unit to the hospital. In Nigeria, Chinese companies assisted the locals in transforming two improvised hospitals for free, providing 450 beds. In Angola, Chinese companies assisted the locals in transforming the Isolation Hospital of Huambo Province in just 3 days.<sup>137</sup>

Confronted by COVID-19, many Chinese companies have provided donations and support in combating COVID-19 in Africa. This has laid the foundation for systematic contributions from Chinese companies to Africa's healthcare work. Meanwhile, assistance to Africa from Chinese companies has also been recognized and welcomed by Africa and the international community. On March 21, 2020 Huajian Group, a Chinese company investing in and building factories in African

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<sup>137</sup> Chinese companies help African countries fight against the pandemic, People's daily, April 26, 2020 <https://www.fmprc.gov.cn/zfhzlt2018/chn/zfgx/jmhzt/t1773621.htm>

countries, has donated epidemic prevention and control supplies to Ethiopia and seven other African countries.

## CASE 43

### Shangdong COVID-19 Specialist Hospital in Zimbabwe

Shangdong Hospital in Zimbabwe is the first Chinese private hospital in Zimbabwe and the country's first COVID-19 specialist hospital using Chinese medical equipment. The hospital entered service in July 2020. It has 80 beds and five levels of ward. In January 2021 it introduced professional equipment and technical personnel from China to open a novel coronavirus testing laboratory, which was approved by the Ministry of Health of Zimbabwe and has been listed in the country's official directory of testing institutions. As of the end of January 2021, the hospital had taken a total of 140 patients, 79 of whom had been discharged from hospital after recovery.

## CASE 44

### China-Sudan Abu Osher Hospital - PPP Livelihood Project in Sudan

Sudan Abu Osher Hospital is located 140 kilometers south of Khartoum, the capital city of Sudan. It is a comprehensive hospital focusing on maternity and childcare and provides internal medicine, surgery, pediatrics and other departments. The hospital was jointly established by PetroChina, China Foundation for Poverty Alleviation, Sudanese partner Al-Birr & Al Tawasul Charitable Organization, and the Chinese Embassy in Sudan. It is a PPP livelihood project under the framework of cooperation among government, enterprises, and NGOs.

Throughout the project, the Sudanese government provided policy support, PetroChina provided project funds, and the China Foundation for Poverty Alleviation provided professional expertise and professional teams, effectively integrating resources from multiple parties and successfully implementing a new international cooperation model with the partnership of the government, enterprises, and non-governmental organizations.

## (II) CSR Impact on Poverty Reduction through Investment

Poverty is a huge challenge to global sustainable development and an important issue of corporate social responsibility. In the context of China-Africa cooperation, Chinese companies actively participate in poverty reduction in African countries.

**Chinese companies' fulfillment of their social responsibilities is closely correlated with poverty reduction in Africa.**

Chinese companies fulfill their social responsibilities in Africa, laying emphasis on their responsibilities to stakeholders including employees, communities, and governments. They integrate their social and environmental concerns into the mainstream of their business operations, corporate strategies, organizational structures, and daily operations. Poverty reduction is also included in their corporate social responsibility goals. The goal of Chinese companies in fulfilling their social responsibilities and helping reduce poverty in Africa is to integrate their expertise, innovation capabilities, and business management strengths as social capital to address social or environmental problems in poverty-stricken areas in Africa. They aim to achieve this by means of business ethics, production safety, occupational health, protection of the legitimate rights and interests of workers, environmental protection, support for charities, donations to social initiatives, and protection of disadvantaged groups.

## CASE 45

### Cotton Development Project in Malawi, Mozambique, Zambia, and Zimbabwe

In 2009, China's Qingdao Ruichang Textile Co. Ltd., Qingdao Huifu Co. Ltd. and the China-Africa Development Fund jointly funded China-Africa Cotton Development Limited, adopting a "company + farmers" order-based production model to provide local farmers with cotton seeds, pesticides, chemical fertilizers and planting tools, teach them how to grow cotton, and purchase their harvest.

The project brings China's mature cotton breeding, planting, field management and processing technology to local communities, greatly increasing cotton quality and yield per unit. It also processes cottonseed oil into cooking oil, which extends the industrial chain, increases the added value, and saves foreign exchange expenditure on the import of cooking oil.

After a successfully pilot in Malawi, the model was quickly replicated in important cotton-producing countries of Africa such as Mozambique, Zambia, and Zimbabwe. The project has 7 cotton ginning plants, 2 cottonseed oil pressing mills, 1 cotton seed processing plant, and 3 transportation fleets,<sup>138</sup> directly employing more than 1,800 local employees. More than 200,000 farmers contracted with the company to plant cotton. The project has directly benefited more than 600,000 people.

<sup>138</sup> Chinese cotton magnate roots in the land of Africa—China-Africa cotton industry has enabled a million Africans to acquire production skills, increased income and become rich. *China Business Times*, September 6, 2018. [http://www.acfic.org.cn/fgdt1/minqifengcai/201809/t20180906\\_55820.html](http://www.acfic.org.cn/fgdt1/minqifengcai/201809/t20180906_55820.html)

## Chinese companies use their own strengths to invest in Africa and help poverty reduction

Chinese companies use their own strengths in products, technology, talent, capital, and supply chain management to drive poverty reduction through investment and help African countries promote social equity and achieve inclusive growth, which in turn contributes to their sustainable development in the African market.

## CASE 46

### TEDA - China-Egypt Suez Economic and Trade Cooperation Zone

The China-Egypt TEDA Suez Economic and Trade Cooperation Zone is a key economic and trade cooperation project between China and Egypt. As of the end of April 2021, there were 102 enterprises in the zone, with an actual investment of more than USD 1 billion. Total sales exceeded USD 2.5 billion, taxes paid were almost USD 176 million, 4,000 direct jobs were created, and related industries were driving about 36,000 jobs.<sup>139</sup> Four industries have taken shape: new building materials, petroleum equipment, high and low voltage equipment, and machinery manufacturing.

The Park has complete support facilities, including an incubator for small and medium-sized enterprises, a comprehensive support service center including apartments for local staff, and entertainment facilities such as amusement parks. In addition to providing basic property services such as cleaning, security, greening, and maintenance for the enterprises in the park, it also offers facilities such as restaurants, bakeries, gymnasiums, staff clubs, and libraries, which enrich the cultural life of local employees.

The Park aims to be the world's most advanced town featuring city-industry integration, which combines work, daily life, environment and health.

## Chinese companies carry out poverty reduction through investment in line with the conditions in host countries

Making the most of the strengths of host countries, Chinese companies conduct poverty reduction through investment in a customized approach tailored to the different causes of poverty, so as to maximize the overall benefits of poverty reduction.

<sup>139</sup> Join hands to build a pilot project for a community with a shared future for mankind in advance--Writing on the 65th anniversary of the establishment of diplomatic ties between China and Egypt, Tian Shida, Economic Daily, May 29, 2021. [http://paper.ce.cn/jjrb/html/2021-05/29/content\\_444076.htm](http://paper.ce.cn/jjrb/html/2021-05/29/content_444076.htm)

# CASE

## 47

### China Railway 20th Bureau - Mozambique Wanbao Agricultural Park Project

The Park is located in Xai-xai City, the capital of Gaza Province, Mozambique. It is China's largest cooperative rice planting project in Africa.

Covering an area of 2000-2600 hectares, the project integrates rice planting, warehousing, processing, and sales. Investment comes from the China-Africa Development Fund and is managed by China Railway 20th Bureau. The objective is to help Mozambique realize the localized production of important agricultural products. Since 2012, a total of 1,500 households have been trained and supported in growing rice, becoming well-paid cooperative growers who have mastered agricultural machinery and agricultural techniques.<sup>140</sup>



The Park assisted in the construction of 2 schools and 1 police station in the local area, provided vehicle services and donated rice to the local government, organizations and communities, and supported the activities of organizations and associations of local youth, people with disabilities, and women.

In March 2019, the intense tropical cyclone "Idai" struck the central and northern cities of Mozambique,

causing huge casualties and property loss. The park immediately donated 100 tons of rice to the disaster-affected area, and cooperated with the United Nations Food Programme to fully support post-disaster assistance.<sup>141</sup>

<sup>140</sup> Mozambique Wanbao Agricultural Park: China's largest rice-growing project in Africa, Hunan's Daily, June 1, 2019. [https://hnrbc.voc.com.cn/hnrbc\\_epaper/html/2019-06/01/content\\_1392201.htm?div=-1](https://hnrbc.voc.com.cn/hnrbc_epaper/html/2019-06/01/content_1392201.htm?div=-1)

<sup>141</sup> China-Africa Development Fund, China-Portuguese Speaking Countries Cooperation and Development Fund and Wanbao Agricultural Park donated 100 tons of rice to the disaster-affected area in Mozambique, UNOSSC, March 28, 2019.



# Part III: Highlights and Challenges in Sino-African Investment Cooperation

## I. Africa's Investment Environment: Perception of Chinese Enterprises

### (I) Coping with the Impact of Uncertainty

**D**uring a time of profound changes in the global political and economic landscape, Africa has entered a new stage of economic and social development. The COVID-19 outbreak has accelerated this trend. For Chinese enterprises, Africa is still a continent full of opportunities and hopes in the post-pandemic era, but there also exist many challenges and uncertainties.

The overall political situation in Africa is improving, but uncertainties still exist. In recent years, Africa's political environment has improved and society has become more secure, with strengthened social consensus for peace and development, and the scale and intensity of various conflicts has decreased significantly. However, against the backdrop of economic slowdown and the impact of COVID-19, social conflict can still occur and lead back to political unrests and risks of instability. Some countries have entered a period of political transition, and the non-traditional security threats posed by terrorism are difficult to eliminate.

Structural problems of the economy are prominent, and the continent may go through a period of low-to-medium growth. African countries are generally paying more attention to medium- and long-term development planning, seeking economic diversification and autonomous sustainable development, but they still lack robust and diversified economic foundations and structures. Affected by weak global economic growth and commodity price fluctuations, African economies have decelerated significantly since 2014, and in 2020 they experienced the first recession in more than 20 years under the impact of COVID-19. They are expected to take at least 2 to 4 years to recover to the pre-pandemic level.<sup>142</sup>

<sup>142</sup> African economy: opportunity in crisis in the post-epidemic era, *Economic Information Daily*, December 29, 2020. <https://www.fmprc.gov.cn/zfhzlt2018/chn/zfz/jmzx/t1843274.htm>

Policy fluctuations exist in host countries, increasing the uncertainty of the investment environment. Some African governments intervene in the administrative supervision of enterprises and frequently adjust regulations and rules, which affects the operating environment for businesses. For example, a new government may re-examine project contracts approved and signed by the previous administration. In addition, economic and trade protectionism has risen in some African countries due to the current international environment.

Currency exchange rates experience significant fluctuations, causing unstable prospects for investment. African countries generally have limited sources of foreign exchange income, and the currency exchange rate is affected by external conditions, especially the decline in international commodity prices and the tightening of monetary policy in developed countries, which can cause a sharp depreciation of the currency exchange rate. According to a number of Chinese enterprises in Africa, more than 70% of the losses of engineering and investment enterprises are due to the devaluation of the currency of the host country.

Industrial support is insufficient, leading to high construction and production costs. According to a survey conducted by an international development research institute, the lack of material and immaterial investment conditions in African countries is an important factor limiting local investment by Chinese enterprises. Most African countries have a underdeveloped industrial system, and rely on imported machinery and equipment, and expensive production materials. Furthermore, poor logistics and high transport costs in many African countries have led to a decline in competitiveness and hampered the long-term development of enterprises. Infrastructure such as electricity, roads, bridges and communications, especially power and transport, are still lacking, which damages the productivity and profit of enterprises. Although labor is cheap in Africa, the cost of logistics and transport is much higher than in China.

There are significant differences between countries, and it is difficult for enterprises to localize their business. There are 54 countries in Africa, and huge ethnic diversity, and there are big differences between them and China in terms of language and culture. For example, to buy land in some areas requires approval from the government, but it is also necessary to ask the local tribal chief to hold a ceremony before actually obtaining the right to use the land. Also, for historical reasons, the customs and traditions of many African countries have been subject to Western influences, making it even more difficult for the Chinese entrepreneur to fully grasp.

## (II) Coping with a More Complex International Environment

With the slow global economic recovery, coupled with the outbreak of COVID-19, various structural problems are becoming more prominent, globalization is facing ever greater obstructions, and there is a threat that multilateral trade and investment rules will be called into question or might even disintegrate. In the context of their grapple with China, the US and some other developed countries are redefining the strategic value of Africa, increasing their attention to the continent, and at the same time promoting the reform of the development financing system, trying to re-establish their dominance in the formulation of the rules. As a result, the international environment is making it more complex for Chinese enterprises to invest in Africa.

The global economy remains sluggish and its governance system is facing profound adjustments. In recent years, global economic growth has been seriously anemic due to multiple factors such as aging populations, slowing technological progress, ineffective structural reform, and counter-globalization. The latest data of UNCTAD<sup>143</sup> shows that in 2020, global direct investment fell 40% compared to the previous year, which marked the lowest level since 2005. The pandemic shock not only led to serious losses in the real economy, but also triggered global turmoil in the capital market, increased capital outflows and rising debt risks. Many medium and long-term problems and stresses have been accumulating in the global economy, and the global governance deficit has become increasingly prominent, creating obstacles and challenges to economic recovery for countries all around the world. In particular, economic globalization is facing serious challenges posed by unilateralism and protectionism, which will lead to an overall reshaping of global trade and investment rules and a profound adjustment of the international system of economic governance.

Some U.S. and European development finance institutions have questioned and interfered with China's investment and financing model. China has explored and implemented a multi-level model of financing for development combining trade, investment and aid in Africa and other regions, which has achieved considerable results in breaking the financial bottleneck of the host countries and increasing their independent development capacity.

This is all the more significant within a context where the traditional financing for the development from Europe and America has focused on an aid system for decades and has failed to close the economic gaps in developing countries.

<sup>143</sup> UNCTAD, *World Investment Report 2020*.

China's development financing model thus poses a challenge and exerts pressure on developed countries, prompting them to promote reform of their own systems.

In June 2021, the G7 summit held in the United Kingdom reaffirmed the increase of investment and financing support to Africa, saying that the G7, together with multilateral financial institutions, will provide no less than US\$80 billion in financial support for private sector in Africa in the next five years to help Africa's economic recovery and sustainable development.

"Debt trap" has been exploited as a misleading tool to discredit Chinese investment in Africa, and has contributed significantly to the negative feelings of African governments towards Chinese companies. Research by Professor Deborah Bräutigam's team at the China-Africa Research Initiative at Johns Hopkins University shows that Chinese banks are willing to restructure the terms of existing loans and never actually confiscate assets from any country, including the port of Hambantota. The notion of "debt trap diplomacy" portrays China as an exploitative creditor. Upon closer inspection, however, the picture is much more complex. China's outward development, like its domestic development, is a process of exploration and experimentation, a learning process marked by frequent adjustments. After the completion of the Hambantota port, for example, Chinese companies and banks saw their supporters pushed from their position of influence and learned that they needed better strategies to deal with political risks. They are now developing those strategies, doing a better job of identifying business opportunities, and exiting where they know they cannot win. Nevertheless, U.S. leaders and thinkers continue to speak out about China's "modern colonialism".<sup>144</sup> The Biden administration is expected to continue to follow the existing framework of U.S. policy towards Africa, seeking to redefine its strategic value in the world and in competition with China. While on the economic front, it will continue to support U.S. companies' investment in the continent in a more flexible and pragmatic manner, there are, however, concerns that, on the political front the administration will continue to focus on issues such as "political democratization" in Africa and influence public opinion and the international community against China, thus leading to a negative impact on China's cooperation with Africa.

Stigmatization of China has had a negative impact on business. According to a survey conducted by the China-Africa Business Council in May 2021 among its African members, the "major community problems" encountered by companies in Africa include misunderstanding of Chinese companies by local residents for political reasons (42.6%) and negative media reports (24.6%).

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<sup>144</sup> The Chinese "Debt Trap" Is a Myth, *theatlantic.com*, <https://www.theatlantic.com/international/archive/2021/02/china-debt-trap-diplomacy/617953/>

## II. Gaps and Improvements to Be Made by Chinese Enterprises

### (I) When Going Abroad

Chinese enterprises have a comparatively short history of “going global”, especially in Africa. They generally lack experience of foreign investment and international operations. In the past 20 years, some shortcomings and deficiencies have also been revealed, mainly in the following areas:

**Lack of long-term planning for investment in Africa, with a certain degree of short-sightedness.** A large number of small and medium-sized private enterprises have insufficient information about local laws, regulations and customs to support their investment decisions, which leads to a lack of direction and high risks resulting from rash moves.

**Insufficient coordination and internal competition among Chinese enterprises.** Some enterprises are limited by their own short-term interests, which makes it more difficult to build large-scale industrial clusters or industrial chains integrating upper, middle and lower reaches.

**Lack of overseas business experience and risk management capacity.** A number of Chinese enterprises do not pay enough attention to localization, and lack an understanding of local social environment, labor and foreign investment policies.

**Cross-cultural communication challenges.** Although great efforts have been made in promoting corporate social responsibility, Chinese enterprises rarely work together with local and western organizations and societies, resulting in inadequate communication and integration with the communities.

**Lack of support from professional service agencies.** There is a lack of networks, agencies and services in finance, law, commercial affairs, taxation, human resources, security, emergency response, public affairs, etc.

**State-owned enterprises have a long-term dependence on policy and preferential finance to support their development,** while CPEs have not yet established sustainable investment and financing models and support systems.

## (II) Making Up for Shortcomings

Through the accumulation of experience, more and more Chinese enterprises that invest in Africa have come to summarize and reflect on their own shortcomings, and begun to increase the investment in building capacity to remedy them.



### **Formulate reasonable investment strategies.**

The national conditions of African countries vary greatly, so Chinese enterprises need to choose industries and locations rationally according to the economic development, industrial structure and market conditions of the host country. It is necessary for these enterprises to fully understand market information, strengthen industrial research, analysis, and forecasting of prospects, combine their own strengths with local market conditions, and conduct overall assessment on investment risks, to make informed decisions.

### **Develop long-term business plans.**

More and more Chinese enterprises have seen Africa's potential and market opportunities,

and have recognized the new trend towards China-Africa cooperation, which is transforming from simple transaction and project contracting to investment-led cooperation. A group of Chinese enterprises that previously confined themselves to trade or contracting in Africa have begun to change their strategies and set up a goal of long-term operation in Africa. For example, CRRC Zhuzhou Electric Locomotive only exported electric locomotives to Africa at first. In 2014, the company established a joint venture with Transnet, a state-owned transport corporation of South Africa, to manufacture, supply and maintain railway equipment components in Africa. This was a pioneering move in overseas investment for China's advanced rail transit equipment enterprises. Many enterprises engaged in project contracting in Africa, such as China Railway Construction Corporation and China Road and Bridge Corporation, have begun to integrate investment, construction and operation, and invest in infrastructure and industrial parks in Africa.

**Focus on industrial synergy and mutual collaboration.** Chinese enterprises used to work alone in African markets and seldom cooperated with each other. More recently they have adapted to the changes of Chinese and African markets, and increasingly invested in Africa in the form of horizontal and vertical industrial cooperation. In Congo (D.R.C.), Chinese enterprises have shifted from single mining

to high-end processing such as ore smelting, extending the industrial chain to both ends of the “smile curve”. In Guinea, with the mode “three countries and four-parties”, the Winning International Group has cooperated with mining, port, shipping, and transport enterprises from China, Guinea and Singapore, and turned Boke into world’s largest bauxite export base, which has played a positive role in the economic development of the country.

**Enhance risk response capabilities.** In view of the various risks facing China’s investment in Africa, Chinese enterprises have adopted more diverse measures and enhanced their risk management capabilities. These include:

- i) Hiring more accounting, legal, consulting and other agencies familiar with international rules for professional services and assessing investment risks.
- ii) Simulating the economic, political and social stability and trends of African countries with indicators of professional rating agencies.
- iii) Buying professional insurance products related to overseas investment to hedge political, market and exchange rate risks.

**Explore cooperation strategies and innovative investment and financing models.** In response to the new conditions and features of the African market, Chinese enterprises have explored new market entry strategies. In addition to greenfield investment, other approaches have also been considered such as joint ventures and mergers and acquisitions. Furthermore, trilateral international cooperation has been promoted, and strategies and successful experience in the African market have been exchanged. Based on the changing levels of debt of African countries, Chinese enterprises have also cooperated with governments and financial institutions in Africa to explore sustainable and replicable project investment and financing models such as the PPP model.



### III. New Trends in Chinese Enterprises' Investment in Africa

#### (I) Transformation and Upgrading of Private Investment

In recent years, with the rapid development and upgrading of China-Africa economic and trade cooperation, some obvious trends have emerged in investment by CPEs in Africa.

**Transform from Autonomous Investment to multi-agent coordination.** CPE investment in Africa was largely autonomous in its early phase. A massive group of private entrepreneurs was bold enough to pioneer and take chances, and established



themselves in the complex and changing African market with their entrepreneurship, eventually gaining a firm foothold there. Some of those enterprises built their own core competitive edges during this time. However, the increasingly heated competition in Africa has placed higher requirements for strategic insight and adaptability on private entrepreneurs who wish to succeed in Africa, while weaknesses like low efficiency and high risk of autonomous investment are having a growing impact. In this context, CPEs have turned into a symbiotic coordination model. Several Enterprises, and institutions such as CABC, International organisations as well as local African enterprises and other players have started to coordinate and leverage their respective strengths, making investment in Africa more coordinated and efficient.

**Shift from unilateral investment to bilateral cooperation.** Private enterprises, in their earlier phase of investment in Africa, neglected cooperation with local African enterprises, which consequently created obstacles to their integration into regional economic networks. In recent years, a bilateral strategic cooperation model between CPEs and African enterprises has emerged. This approach has helped Chinese enterprises adapt to the unfamiliar investment climate on the continent quickly and attain local assistance in terms of market information, personnel and industrial



chain support. It can also efficiently facilitate the technological improvement and capacity building of local African enterprises.

**Move up the value chain from the low end.** Limited by such factors as underdeveloped industrial infrastructure in Africa, early investment by CPEs were mainly focused on low-end value chain areas such as raw materials procurement and product assembly and processing. With the development of industrial support facilities and infrastructure in some African countries, some CPEs began to lay emphasis on the upward expansion of the value chain, for example through technology transfer, research and development, marketing, and logistics. In recent years, relying on some industrial clusters formed in some economic and trade parks, CPEs have been increasing the proportion of raw materials, spares, and accessory parts purchased in Africa.

**Expand from traditional industries to emerging ones.** Early investment in Africa by CPEs focused on traditional fields such as textiles and garments, footwear, ornaments, and catering, in which China has traditional strengths and has gathered a wealth of experience. With the growth of African economy and upgrading of China-Africa industrial cooperation, they have gradually expanded their efforts to emerging fields like modern services, new energy, green manufacturing and information communication. For instance, StarTimes has established branches in more than 30 African countries, including Nigeria and Rwanda, to expand the local digital TV market.<sup>145</sup> In recent years, digital economy has sprung up in Africa, motivating CPEs to invest in related fields.

## CASE 48

### Greenroad Logistics - Supply-chain and Logistics Network in 18 Countries

In early 2008, Greenroad founded its first overseas subsidiary in Mali. Now it owns affiliates in 18 African countries and is preparing to set up new ones in South Africa and Zimbabwe.

Greenroad, founded in 1998, focuses on project logistics and contract logistics and aims to provide one-stop solutions including domestic coordination, congregation of goods, customs clearance, and ship-to-home for international projects.

Currently, the company is building a supply chain in Africa, which uses a logistics platform as the carrier, and offers one-stop service using blockchain technology. The goal is to form a new type of supply chain service system integrating logistics, quality control, customs clearance, financing, goods control, and commodity traceability.

<sup>145</sup> StarTimes: Give Full Confidence and Trust to Employees, [www.Chinatradenews.com.cn](http://www.Chinatradenews.com.cn), May, 19, 2021 [http://www.ccpit.org/Contents/Channel\\_4126/2021/0519/1343031/content\\_1343031.htm](http://www.ccpit.org/Contents/Channel_4126/2021/0519/1343031/content_1343031.htm)

Supply chain integration plays an indispensable role in globalization. By creating a new concept of supply chain services, Greenroad provides Chinese and African import and export companies, trading companies, agency companies, and government organizations with full-chain solutions and professional and efficient services.

## CASE 49

### Hasan Int'l Fisheries Development Co. - Beautiful Fishing Villages Initiative

Benguela Current is a blessing of nature. It offers abundant fishery resources and hosts a marine fishery which has great potential and is not yet exploited. Angola is at the heart of this South-East Atlantic fishery.

Since 2017, Hasan International Fisheries Development Company has teamed up with the Angolan government in the drawing up and implementation of the "Beautiful Fishing Villages Initiative," aiming to promote the long-term sustainable development of the fishing industry in Angola with minimal environmental costs.

The project integrates aquaculture, fishing and cold chain processing in the coastal area through long-term cooperative cooperation with natural fishing villages of a certain scale along the coast of Angola. While bringing long-term returns to the area, it achieves sustainable development of the environment, economy, and society.

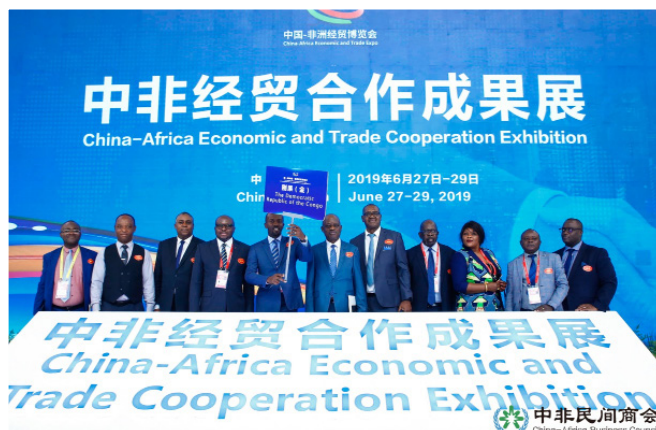
The "Beautiful Fishing Villages Initiative" will create more than ten thousand jobs. It is establishing a special fund for building schools, hospitals, and homes to increase the sense of gain and happiness of local residents.

## CASE 50

### China-Africa Economic and Trade Expo - A New Platform for Cooperation

China-Africa Economic and Trade Expo is the first initiative of China's "Eight Major Actions" for cooperation with Africa in the new era announced by President Xi Jinping at the 2018 FOCAC Beijing Summit, which aims to build a new mechanism for China-Africa economic and trade cooperation, a new platform for implementing the economic and trade measures of FOCAC, and a new window for China's sub-national economic, trade and investment cooperation with Africa.

The second China-Africa Economic and Trade Expo will be held in Changsha, Hunan Province from September 26 to 28, 2021. Companies from 34 African countries confirmed their participation. During the Expo, related events like the Africa Brand Festival, African Coffee and Barista Competition, Live E-commerce Festival of African Products, and online cross-border matchmaking for enterprises will be held to exhibit quality products with African characteristics.



The first China-Africa Economy and Trade Expo had an exhibition area of more than 40,000 square meters, with independent stands erected by 53 African countries. The virtual China-Africa Economic and Trade Expo and the Hunan (Gaoqiao) African Commodity Exhibition & Trade Hall have built two long-term online and offline platforms for African product exhibition and trade.<sup>146</sup> More than 2,000 African products can be bought at the Hunan (Gaoqiao) Africa Commodity Exhibition Hall.

## CASE

# 51

### Zhejiang-Africa Service Center

Many CPEs are located in the Southern part of China, especially in Jiangsu and Zhejiang Provinces. Zhejiang Province, for example, has added tremendous impetus to sub-national cooperation between Zhejiang and Africa. As a major move to explore new models of sub-national cooperation, CABC has offered great support in setting up Zhejiang-Africa Service Center in Hangzhou.

The Center also obtained support from the provincial Government, enterprises and academic institutes in Zhejiang. Its primary goal is to build a one-step service platform, providing economic and trade services, cultural exchanges, information release, and talent training, etc.

It collects and publishes information regarding industrial development in China and Africa, and provides various information services for Chinese and African enterprises. It carries out training programs for African talent and cooperates with universities in Zhejiang to provide better education for African students studying in China, building a platform for high-level African talent. It is a service hub for enterprises engaging in Zhejiang-Africa economic activity and trade, and provides one-stop services needed by enterprises of both parties.

<sup>146</sup> The first China-Africa Economy and Trade Expo has yielded fruitful results, [www.xinhuanet.com](http://www.xinhuanet.com), June, 29, 2019 [http://www.xinhuanet.com/fortune/2019-06/29/c\\_1124688926.htm](http://www.xinhuanet.com/fortune/2019-06/29/c_1124688926.htm)

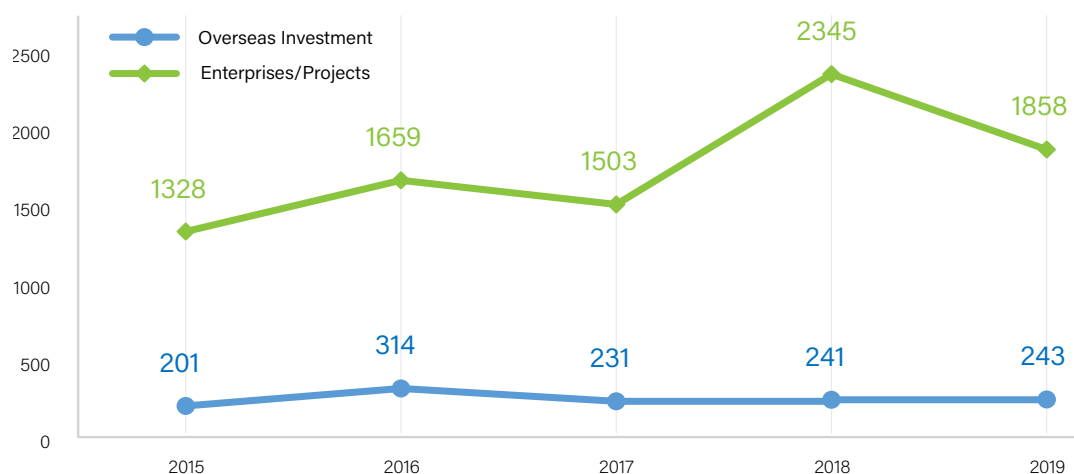
## (II) Increasing Attention to Africa from Large Private Enterprises

The list of China's top 500 private enterprises is based on the ranking of annual revenue of enterprises above a certain scale conducted by All China Federation of Industry and Commerce (ACFIC)<sup>147</sup>. In 2020, the threshold to be listed in the top 500 private enterprises was over USD 3 billion, and the total operating revenue exceeded USD 4 trillion.<sup>148</sup>

### 1. Growing Power and Will of the Top 500 Private Enterprises to Invest Overseas

By 2020, 243 of the top 500 private enterprises had invested overseas. The number of overseas investment projects/enterprises reached 1858 (See Figure 6).

**FIGURE 6** Overseas Investment of Top 500 Private Enterprises 2015 - 2019



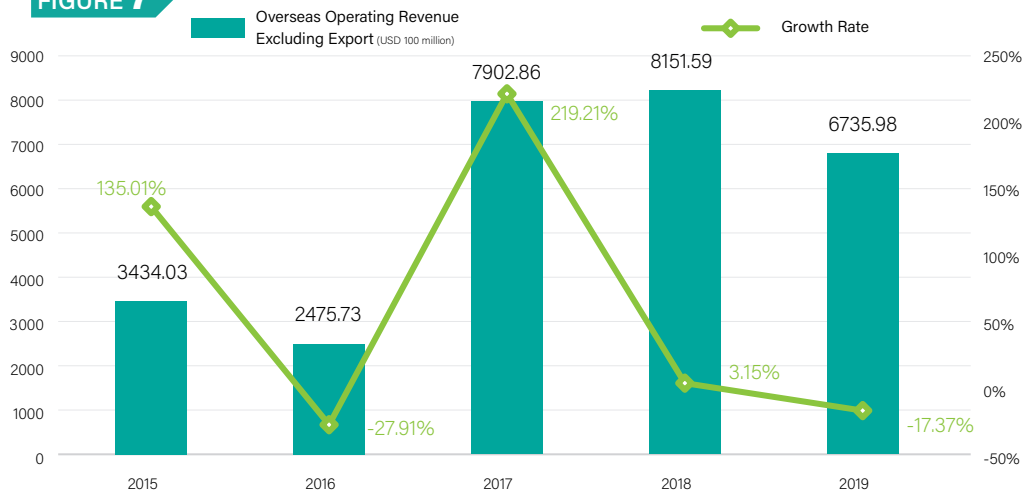
Source: China's Top 500 Private Enterprises Survey and Analysis Report in 2020 from ACFIC

<sup>147</sup> All-China Federation of Industry and Commerce (ACFIC), All-China Chamber of Industry and Commerce (ACGCIC), was founded in 1953. It is a mass organization and chamber of commerce with non-public enterprises and people in non-public economic activities as the principal composition and with unified, economic and non-governmental characteristics, serving as an assistant to the government in managing and serving the non-public economy.

<sup>148</sup> China's Top 500 Private Enterprises Research and Analysis Report in 2020, ACFIC, 2020

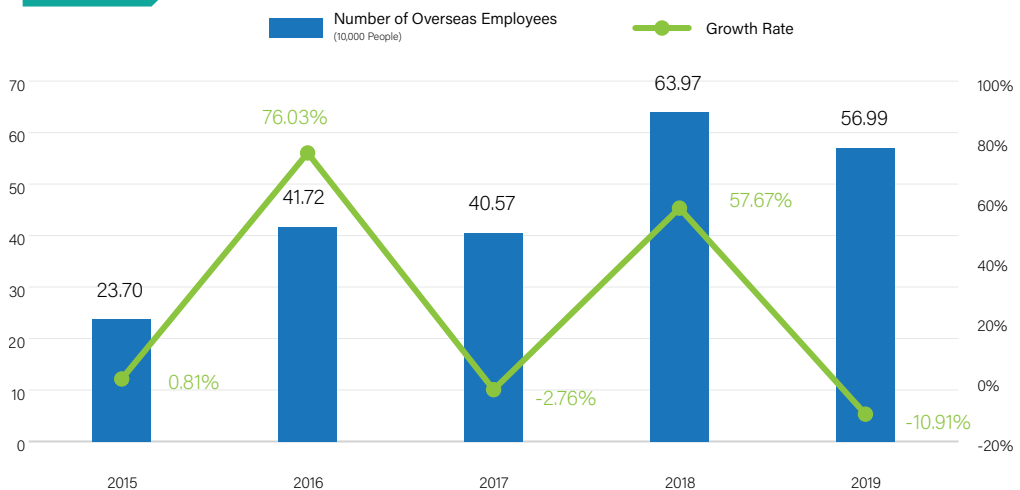
In 2019, the top 500 private enterprises achieved overseas revenues (excluding exports) of USD 673,598 million.

**FIGURE 7** Overseas Operating Revenue of Top 500 Private Enterprises 2015-2019



Source: China's Top 500 Private Enterprises Survey and Analysis Report in 2020 from ACFIC

**FIGURE 8** Number of Overseas Employees of Top 500 Private Enterprises 2015-2019



Source: China's Top 500 Private Enterprises Survey and Analysis Report in 2020 from ACFIC

## 2. Continuous Improvement in the Internationalization and Competitiveness of Top 500 Private Enterprises

According to ACFIC survey result, the three major motivations for the top 500 private enterprises to go global have always been to expand the international market, to acquire factors such as brand, technology, and talent, and to access raw materials. The number of enterprises that focus on these three aspects are 355, 197 and 168, respectively. In addition, 104 intend to reduce costs with local labor and other factors.

## CASE 52

### Zhejiang Holley Global Industry Development Co. – Overseas Industrial Parks

Zhejiang Holley Global Industry Development Co. Ltd. (Holley Global) put forward a two-pronged strategy of “overseas industrial parks + global supply chain business”, aiming to build industrial platforms over the world, and help more Chinese enterprises to “go global”. In 2005, the Thai-Chinese Rayong Industrial Zone project was launched, with investment by Holley Global. In 2013, Holley Global invested in and developed Hofusan Industrial Park in Mexico. Today, Holley Global has presented a strategic blueprint of developing and operating its “three major and three small” Chinese industrial parks around the world, including in north and east Africa, and has helped nearly 200 Chinese manufacturing enterprises to participate in international cooperation through the platforms.

WANG Licheng, Chairman of the Board of Holley Group and CABC, said that in the next three to five years, China will leverage the strengths of Chinese enterprises in industrial capacity, management and technology to boost China-Africa manufacturing cooperation, which will definitely become a new source of growth of China-Africa economic, trade and investment exchanges. To further promote Africa's industrialization and increase its industrial capacity is the fundamental goal of China-Africa manufacturing cooperation. It is a mutual expectation to create a win-win partnership, which will fill gaps in Africa's industrial chain and optimize the structure of China's as well.

As an effective vehicle for international cooperation on industrial capacity, China-Africa industrial parks have become effective platforms for Chinese companies to go global. The “one-stop” service, industrial agglomeration effect and industrial chain operation offered by the parks can help them to take root in the local market, explore the international market, and achieve “multi-win” results.

### 3. Growing Interest from the Top 500 Private Enterprises

At present, 60 of the top 500 private enterprises have invested in Africa, more than in South America (36) and Oceania (46). From the perspective of business types, 18 enterprises have built factories in local areas and 16 have established international marketing and logistics service networks.

**FIGURE 9**

**Top 500 Private Enterprises in Africa According to Type of Business**  
(unit: company)

Year	2019	2017
Enterprises investing in the region	60	55
Investing and building factories overseas	18	12
Making overseas acquisitions	6	4
Engaging in overseas processing and assembly	2	3
Developing overseas resources	4	6
Establishing overseas R & D centers	2	2
Establishing international marketing and logistics service networks	16	21
Engaging in international agricultural joint ventures and cooperation	0	2
Building overseas economic and trade cooperation zones	0	2
Others	15	

Source: China's Top 500 Private Enterprises Survey and Analysis Report in 2020 from ACFIC

### 4. Major Problems Faced by China's Top 500 Private Enterprises in Outbound Investment

The difficulties caused by internal factors among China's top 500 private enterprises in going global include the lack of advanced skills, insufficient understanding of policies, investment environment and market information of host countries, and capital shortage. In terms of skill shortage, according to the same survey, 186 enterprises expressed lack international management skills, and 112 lack professional and technical personnel. 210 enterprises are not well informed of the policies, investment environment and market information of the host countries. 76

enterprises lack the ability to protect themselves and their rights overseas, and 14 are not competitive enough in their products and services. Further efforts are needed in these areas.

In terms of external factors, protectionism, unilateralism, imperfect laws and policies of host countries have become major barriers for private enterprises trying to go global.

**FIGURE 10**

**Difficulties Faced by China's Top 500 Private Enterprises in Exploring Overseas Markets**

External factors	Number of enterprises
Rising of protectionism and unilateralism in international trade	148
Imperfect laws and policies of host countries	108
Exchange rate fluctuation of host countries	91
Poor infrastructure of host countries	78
Political instability in host countries	72
Influence of labor policies or trade unions of host countries	66
Influence of culture and religion of host countries	60
Poor market order in host countries	52
Difficulties in investment approval in host countries	52
Security challenges	39

Source: China's Top 500 Private Enterprises Survey and Analysis Report in 2020 from ACFIC

### (III) Growing Focus on New Industries

As mentioned above, CPE investment in Africa covers a wide range of industries. In recent years, they have aligned themselves with the industrial trends of Africa, made use of their strengths, and became active in emerging industries with strong momentum. In particular, in the fields of medium and high technology manufacturing, pharmaceutical, digital economy and space industry, Africa shows great market potential and development space, and Chinese companies possess a wealth of experience. It is expected that these industries will become important fields for investment and cooperation between China and Africa in the post-COVID-19 era.

**Medium and high-tech manufacturing.** In the past two decades, many African countries have vigorously promoted industrialization with manufacturing as the core. However, the spread of COVID-19 has disrupted the global industrial and



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*"A car is not just an ordinary product in society – it represents freedom, mobility, and status. Chinese cars are coming in to help young Africans realize their middle-class dreams. BAIC Motor now has a sound footing in South Africa, where it accounts for a large part of manufacturing. The investment goes beyond the car itself, it contributes to local employment. That's a gain for Africa."*<sup>149</sup>

— Eric Orlando, China Africa Project

supply chain, and African countries that have been hit hard have become more aware of the importance of upgrading their manufacturing sector and building their own industrial capacity. Africa has traditional advantages in developing its manufacturing sector, such as a large labor force and huge potential in the consumer market. It can also benefit from some new opportunities, such as the rising demand for pharmaceutical products, rapid regional integration, and the booming digital economy. If African governments can take this as an opportunity to improve their governance capacity and provide more effective policy support, greater momentum can be generated for Africa's manufacturing industry in the post-pandemic era. In the past, China's manufacturing investments in Africa were mainly in labor-intensive, low-tech manufacturing, such as textiles, clothing and leather. In recent years, the development of Africa's medium and high-tech manufacturing has accelerated, and technology-intensive manufacturing industries such as automobiles, transport equipment, electronic products, and pharmaceuticals have developed strongly. They are becoming important targets for Chinese enterprises investing in Africa.

## CASE

# 53

### CCECC - Standard Gauge Wagon Assembly Plant in Nigeria

On November 9, 2020, A ceremony was held for the construction of a rolling stock assembly plant invested by China Civil Engineering Construction Corporation (CCECC) in Kajola, Ogun State, Nigeria, marking the first Chinese standard gauge wagon assembly plant in West Africa to be established in Nigeria.

The passenger flow of the Abuja-Kaduna Railway, built and operated by CCECC in 2016, has doubled every year since its completion. In response, the Nigerian government has decided to further increase investment in railway transport. The construction of the vehicle assembly plant will represent the first step for the wagon equipment manufacturing industry of Nigerian railway.

<sup>149</sup> [ Interview with Eric Olander, China-Africa Project, Research Group of China- Africa Business Council, May 2021. Eric Olander is the co-founder and editor-in-chief of the China Africa Project (CAP). He has 25 years of media experience and has long observed China and Africa. <https://chinaafrica-project.com/author/eric/>

The assembly plant adopts Chinese standards in design, construction and operations management, with main components and raw and auxiliary materials produced domestically. It is expected to assemble and produce 500 wagons per annum, including open wagons, flat container wagons, tank wagons and shed wagons, which will create 5,000 direct and indirect jobs for local people.<sup>150</sup>

The Federal Ministry of Transportation of Nigeria believes the project will give Nigeria the capacity to build its own railways without any external assistance within the next 10 years.

## CASE 54

### Shenzhen Simi Electronics Co. - Mobile Phone Assembly Plant in Uganda

On November 22, 2019, a mobile phone assembly plant invested by Shenzhen Simi Electronics Co. Ltd. opened in Namanve Industrial Park, Mukono District. Ugandan President Yoweri Museveni attended the ceremony and praised China's active participation in Uganda's infrastructure construction to help industrialize the country.

The plant, representing a total investment of USD 15 million, has three production lines and a maximum daily production capacity of 2,000 non-smartphones and 1,500 smartphones. It is reported that Simi's manufacturing plant in Uganda exported the first batch of locally produced smartphones to Morocco during the COVID-19 outbreak. The project is expected to create 500 local jobs by 2021.<sup>151</sup> The plant is Simi's second in Africa, following an assembly plant for mobile phones and laptops in Ethiopia.

**Pharmaceutical industry.** In Africa, there is an imbalance between supply and demand in the medical and health sector, and the lack of medical production capacity is a serious problem. The spread of COVID-19 around the world has created an even larger demand for medical protection products, basic medicines, and vaccines over a short period of time, further highlighting the fragility of Africa's medicine and medical systems. According to McKinsey's pre-outbreak projections, the African pharmaceutical market was estimated to be worth about USD 65 billion in 2020.<sup>152</sup> The United Nations Economic Commission for Africa estimates that African countries have spent an additional USD 10.6 billion on healthcare in 2020 as

<sup>150</sup> [Chinese Enterprise Builds west Africa's First Standard Gauge Railway Wagon Assembly Plant in Nigeria, People's Daily online - international channel, November 10, 2019 <http://world.people.com.cn/n1/2019/1110/c1002-31446813.html>]

<sup>151</sup> [African Political and Economic Briefing, 8, 2019, Eurasian System Science Research Association, on November 25, 2019, <https://www.essra.org.cn/view-1000-313.aspx>]

<sup>152</sup> McKinsey & Company, Africa: A continent of opportunity for pharma and patients, 1st June, 2015 <https://www.mckinsey.com/industries/pharmaceuticals-and-medical-products/our-insights/africa-a-continent-of-opportunity-for-pharma-and-patients>

a result of fighting the corona virus<sup>153</sup>. Since the outbreak, African governments have become more aware of the importance of improving their domestic pharmaceutical production capacity and have formulated and launched policies for that. The international community has also provided financial and technical assistance and support to Africa, which brings new opportunities for its pharmaceutical manufacturing industry. China has been vigorously promoting medical and health cooperation with Africa, and has made great efforts in policy support, financial support, human resources and project alignment. At the Extraordinary China-Africa Summit on Solidarity against COVID-19 held in June 2020, President Xi Jinping promised to give greater priority to public health in China-Africa cooperation. It is expected that in the post-pandemic era, the pharmaceutical industry will become an important field for China's investment in Africa.

## CASE 55

### KPC Pharmaceuticals - Medical Service Investments in Uganda

As an international pharmaceutical company based in Africa, targeting Southeast Asia, and gradually turning to the European and American markets, KPC Pharmaceuticals has invested in and set up subsidiaries in Kenya, Tanzania, Nigeria and Uganda, and engaged in the sales of antimalarial drugs, chemicals and medical devices.

KPC has been selling medications in Uganda for more than a decade, mainly for anti-malaria treatments. As the country's economy develops, KPC plans to invest in medical institutions in Uganda including outpatient departments or small hospitals with an area of 1000-2000 square meters or above, and gradually establish facilities such as imaging examination centers, laboratory examination centers, cancer chemotherapy centers, small hospitals, dialysis centers and mobile medical vehicles. It will also invest in chain pharmacies to expand and strengthen its core business of pharmaceuticals.

Through in-depth cooperation with local medical institutions in Africa and training of doctors, nurses and other practitioners, KPC Pharmaceuticals will make further contributions to improving the overall medical level in Africa and promoting local medical and health care.

## CASE 56

### BGI - Local Production of COVID-19 Reagents in Ethiopia

In September 2020, the COVID-19 test kit factory invested and built by BGI in Ethiopia began production.

<sup>153</sup> UNECA, *ECA estimates billions worth of losses in Africa due to COVID-19 impact*, 16 March 2020 <https://www.un.org/africarenewal/news/coronavirus/e-ca-estimates-billions-worth-losses-africa-due-covid-19-impact>

Representing a total investment of about USD 5 million and production and with testing equipment all imported from China, the plant is designed to have an annual capacity of 6 million to 8 million kits and can be increased to 10 million according to local demand, which will basically meet local needs.<sup>154</sup>

The plant can also produce testing reagents for HIV, malaria and tuberculosis and export them to other African countries.

In April 2021, the COVID-19 Laboratory of Bole International Airport, invested and built by BGI in Ethiopia, began operation. This is the first laboratory financed and operated by a Chinese enterprise in Africa that specializes in providing COVID-19 testing services to international passengers. The designed throughput is 1000 samples per day, and the laboratory can provide nucleic acid testing services to up to 400 passengers within 3 hours, so as to meet the requirements of passengers, airports and airlines.

## CASE 57

### VACSERA and Sinovac - Local Production of COVID-19 Vaccines in Egypt

On April 21 2021, in Beijing and Cairo, Sinovac and VACSERA of Egypt held an online signing ceremony for a cooperation agreement on localized production of China's COVID-19 vaccines in Egypt. According to the agreement, Sinovac will provide VACSERA with all technical information related to the vaccines and provide technical assistance, including inspection of vaccine manufacturing facilities, production of local products with finished products supplied by Sinovac, quality control of locally produced final products, production methods and technologies, and maintenance of the equipment. The vaccines will be exported to other African countries in addition to Egypt.

## CASE 58

### Beijing TRT Group - A 452-year-old Chinese Medicine Enterprise in South Africa

In November 2016, Beijing TRT (Africa) Co., Ltd. was set up in South Africa, with 5 stores in Pretoria, Durban and Johannesburg.

TRT stores in South Africa have effectively treated many patients with difficult and complex diseases through acupuncture, cupping and other TCM treatment methods. The number of daily treatments has increased rapidly, and tens of thousands of South Africans have

<sup>154</sup> Chinese companies have established COVID-19 test kit factory in Ethiopia, [www.gov.cn, September 22, 2020. https://finance.sina.cn/intercept.d.html?chname=finance&times=1](http://www.gov.cn, September 22, 2020. https://finance.sina.cn/intercept.d.html?chname=finance&times=1)[Covid-19 Test Kit Factory Established by Chinese Company in Ethiopia, [www.gov.cn, September 22, 2020. https://finance.sina.cn/intercept.d.html?chname=finance&times=1](http://www.gov.cn, September 22, 2020. https://finance.sina.cn/intercept.d.html?chname=finance&times=1)]

experienced TCM. Up to 80% of the staff in TRT (Africa) are locals<sup>155</sup> and TRT has signed a cooperation agreement with the University of Johannesburg to provide acupuncture courses in order to train TCM talent needed by the company.

In the future, TRT will continue to invest in key countries and regions in southern Africa, eastern Africa and western Africa, and bring high-quality TCM services to African people.

**Digital Economy.** Over the past decade, Africa has been leading the world in the growth rate of Internet users and the great market potential of the vast continent is gradually being released. At the end of 2019, sub-Saharan Africa had 477 million<sup>156</sup> mobile communication users, accounting for 45% of the population, according to the GSMA. By 2025, the number of mobile Internet users in sub-Saharan Africa will exceed 600 million.<sup>157</sup> During the COVID-19 pandemic, a lot of consumer activity moved from offline to online, which accelerated the growth of demand for digital services in Africa. The digitization process and the digital industry in Africa are now very much in the “fast lane”, and the dividends of the digital economy are emerging.

CPEs such as Huawei, Transsion, and StarTimes attach great importance to the African market. After years of investment and preparation, they have gained a footing in the African information and communication industry. State-owned telecommunications operators such as China Mobile and China Telecom have also recognized the huge potential there and begun to participate in the construction of digital infrastructure in Africa. In May 2020, China Mobile, together with several transnational and indigenous African telecommunications corporations, declared that they will cooperate in the construction of undersea cables with a total length of 37,000 km connecting Africa and the Middle East, which will become one of the largest undersea cable projects in the world<sup>158</sup>. A number of well-known Internet companies in China have also invested and operated in related fields in Africa.

## CASE

# 59

### Transsion Holdings - Mobile Internet Products and Services in Africa

Transsion Holdings has taken the largest share in the African smartphone market. With its mature model of mobile Internet products, Transsion has launched a series of mobile Internet products and services that meet the needs of African users through localized innovation.

<sup>155</sup> [Tens of Thousands of People Experience TCM, China News, September 3, 2018.<http://www.bj.chinanews.com/news/2018/0903/66975.html>]

<sup>156</sup> GSMA The Mobile Economy Sub-Saharan Africa 2020.

<sup>157</sup> Half of sub-Saharan Africa's population will reportedly be mobile users by 2025, Xinhuanet, July 17, 2019. [http://www.xinhuanet.com/tech/2019-07/17/c\\_1124764696.htm](http://www.xinhuanet.com/tech/2019-07/17/c_1124764696.htm)

<sup>158</sup> Construction of one of the world's largest submarine optical cable projects 2Africa, Economic and Commercial Office of the Mission of the People's Republic of China to the African Union, May 29, 2020. <http://www.mofcom.gov.cn/article/i/jyjl/k/202005/20200502968702.shtml>

Transsion has developed an APP store (Palmstore), a games hub (AHA Games), a mobile browser (Phoenix Browser), a data flow tool (Simo) and other products. The company has spawned products including a music streaming and downloading platform (Boomplay), a short video social platform (Vskit), an information flow content app (Scooper), an online reading app (Ficool), and a mobile payment service app (PalmPay). Boomplay is the largest and most frequently used music streaming and downloading platform in Africa, with a library of 10 million songs. Since its launch in March 2018, Vskit has accumulated more than 15 million users, covering dance, music, comedy, fashion, life, food, travel and other fields. PalmPay has established a strategic partnership with Visa to provide mobile payment and digital financial services in Nigeria and Ghana, and is actively expanding into other African countries.

## CASE 60

### StarTimes - The "Access to Satellite TV for 10,000 African Villages" Project

The "Access to Satellite TV for 10,000 African Villages" project is part of the Cultural and People-to-people Exchanges Plan, which is part of the "Ten Cooperation Plans" between China and Africa. It aims to provide satellite TV access to 10,000 villages in Africa.

The project was carried out by StarTimes in 25 countries, including Nigeria, which prioritized 10,112 villages<sup>159</sup> with more than 150 households close to urban areas, offering a guarantee of electricity and signals, and established a sustainable operation system.

After the launch of the project in the local areas, StarTimes trained 22,000 local technical personnel for the villages in professional skills, installation, and after-sales services of satellite TV.

The project "Access to Satellite TV for 10,000 African Villages" facilitates the dramatic upgrading of radio and television in African countries from analog signals to digital, speeding up digitization in Africa.

**Space Industry.** Africa's space industry is still in its infancy, but some African countries have an urgent need for space technology and have huge markets. In Agenda 2063, the African Union proposes the African Space Plan, which outlines four pillars in Africa's space industry in the future, namely earth observation, space science and astronomy, satellite communications, and navigation and positioning.

Africa's emerging space market has attracted space companies and satellite operators from several countries. According to the African Space Industry Annual Report 2019, published by Space in Africa, a Space media consultancy<sup>160</sup>, Africa's

<sup>159</sup> StarTimes: 10,000 villages are interconnected to channel new opportunities for Africa, China Business Times, December 11, 2020. [https://www.thepaper.cn/newsDetail\\_forward\\_10360522](https://www.thepaper.cn/newsDetail_forward_10360522)

<sup>160</sup> Space in Africa, African Space Industry Annual Report 2019

space industry is worth USD 7.37 billion and is expected to grow to USD 10.29 billion over the next five years<sup>161</sup>. In recent years China has entered a new stage of cooperation with foreign countries in the field, and the numbers and variety of Sino-foreign satellites and detectors and international commercial satellites have been constantly increasing, covering civil remote sensing, communications, scientific exploration, etc. At present, the cooperation between China and Africa in space is mainly about assistance and technical support, and there is huge potential for investment in the future.

## CASE 61

### ETRSS-1 - Ethiopia's First Satellite

In December 2020, the satellite delivery ceremony of ETRSS-1 was held in Beijing. This is Ethiopia's first artificial earth satellite and the first remote sensing satellite from cooperation between China and Africa.

ETRSS-1 was jointly developed and manufactured by China Aerospace Science and Technology Corporation and Ethiopian scientists for studying climate change in Ethiopia.

China provides space technology support and has given a strong boost to the development of the Ethiopian space system and personnel training – a successful example of South-South cooperation on climate change. It shows the strength of Chinese space enterprises and is a good start for commercial cooperation among Chinese enterprises in African space.

## CASE 62

### 500-Dinar Bills - Algeria's First Communications Satellite

A picture of a satellite developed and launched by China appears on the 500-dinar bills issued by Algeria in 2020.

It is Algeria's first communications satellite, developed by China Aerospace Science and Technology Corporation, and successfully launched by a Chinese Long March-3B carrier rocket in December 2017. The in-orbit delivery ceremony was held between China and Algeria in April 2018.

<sup>161</sup> [Investment in Africa] Analysis and Outlook of African Space Industry Market, China Investment Reference, March 25, 2021. <https://investgo.cn/article/gb/fxbg/202103/537840.html>

The satellite has gradually begun to provide services for the country's radio and television, broadband access, mobile communications, emergency communications and other fields. The satellite image on the banknote symbolizes a major achievement by Algeria in the field of science and technology, as well as important strategic progress in China-Algeria cooperation.

In the fight against COVID-19, the satellite has also provided practical help to local people, providing satellite broadcast services to the National Education Channel, and tutoring to primary and middle school students whose classes were suspended due to the pandemic.

## CASE 63

### Mozambique's 24/7 Non-Stop Satellite Weather Monitoring Service

In January 2020, the China Meteorological Administration (CMA) held the delivery ceremony for the FY-2 meteorological satellite data reception, processing and application system built for Mozambique. It became the first country in Africa to use the system, gaining access to 24/7 non-stop meteorological satellite monitoring services and effectively improving its ability to forecast weather and prevent and mitigate disasters.

Mozambique is located in southern Africa, where tropical cyclones and other meteorological disasters are frequent. In 2019, the country activated the Emergency Support Mechanism for International Users of FengYun Meteorological Satellites in Disaster Prevention and Mitigation three times, requesting the China Meteorological Administration to provide data products of the region created by Fengyun satellites.

In June 2019, CMA and the Mozambique National Institute of Meteorology signed an agreement on cooperation in the application of FengYun satellite. The data-receiving and processing system of FengYun satellite donated by the China Meteorological Administration has given Mozambique space-based monitoring.



## IV. Expectations of the Upcoming 2021 FOCAC Meeting



*“As the AU implements Africa’s development blueprint, the Agenda 2063, Africa has been looking for partnerships and friends to support the continent. We are looking for those who are serious about the future of this continent; and when we say strategic partners and mention strategic partnerships, China comes first and we appreciate this partnership very much.”*

— H.E. Amira Elfadil, AU Commissioner for Social Affairs

The 8th FOCAC meeting will be held in Dakar, Senegal in 2021, which will surely open a new chapter in China-Africa cooperation. China’s FDI annual flows to Africa have increased steadily since 2003 to 2018, over which period flows rose from just US\$74.8 million in 2003 to US\$5.4 billion in 2018. As a result, China’s FDI stocks in Africa have grown nearly 100-fold from US\$0.49 billion in 2003 to US\$44.4 billion in 2019 with a 35% average annual growth rate. As a result, China has become Africa’s fifth most important bilateral investor, and based on current trends China could be top investor by 2024.

The Forum is a great opportunity for all African countries to attract foreign investment and expand their international influence. In particular, strengthened cooperation in value-added industrial development is in the long-term interests of both sides, with Africa’s ambition to become the world’s next manufacturing hub and China’s plans for dual circulation development. Both Chinese and African enterprises should anticipate the opportunity to enjoy great mutual policy benefits.

**FIGURE 11**

**China’s Investment and Project Contracting in South Africa 2015 - 2016**

Year	China’s direct investment in South Africa (million US\$)	China’s direct investment in South Africa increased YoY	Total value of China’s project contracting in South Africa (million US\$)	China’s project contracting in South Africa increased YoY
2015	233.17	453.98%	525.18	36.23%
2016	843.22	261.63%	548.69	4.48%

Source: MOFCOM

### Column 3: GONA - Investment Opportunities in Africa’s Digital Economy

Nigeria is the largest economy and the most populous country in Africa. It has relatively complete mobile communication infrastructure and a strong environment for Internet entrepreneurship. Paystack is one of Nigeria’s three largest Internet payment service companies. Founded in 2015, it originally created a payment platform for Shopufu, an

e-commerce platform known as the “fastest” payment receiving platform in Nigeria. Tencent invested in the company's seed funding in 2016 and series A round funding in 2018.

GONA, a Nigerian Internet company, has developed a mobile travel app for the residents of Lagos, the largest city in western Africa, which provides them with minibus booking and online ticketing services. In 2019, it raised several millions of dollars from Crystal Stream, Unity Ventures, etc. in Pre-series A round funding.

In March 2021, Didi Chuxing officially entered the South African market, offering car-hailing services to local passengers in Gqeberha, Eastern Cape Province. Within a month, more than 2,000 drivers were included in the Didi app, allowing more than 20,000 passengers get to their destinations safely and affordably.

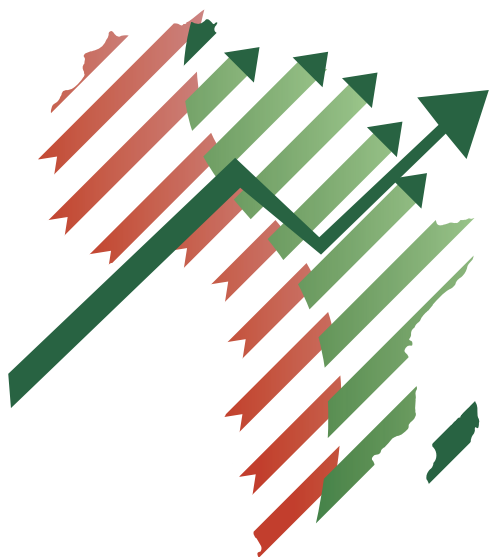
Under the framework of FOCAC, China-Africa cooperation and exchanges in various fields have increased substantially, and remarkable results have been achieved. In terms of industrial capacity, the two sides have made great efforts to build cooperative industrial parks, with nearly 100 industrial parks under construction or already in operation<sup>162</sup>. This has given a great boost to Chinese enterprises' investment in Africa and industrial capacity cooperation overseas. However, there is no doubt that the COVID-19 pandemic has led to even lower FDI flows from China globally, including to Africa.

For many Chinese enterprises, future economic, trade and investment cooperation with Africa must become a key part of their efforts to go global. Based on the previous analysis of the Report, the survey of member enterprises of the CABC, and the concerns of the Chinese entrepreneurs, here are some expectations and suggestions on economic and trade and investment cooperation from the perspectives of Africa, China and Chinese enterprises:

**A**ccelerate the integration of Africa. As the African Continental Free Trade Agreement (AfCFTA) has come into effect, further efforts should be made to support African and regional economic integration, facilitate intra-African trade and investment, and promote the connectivity of cross-regional infrastructure. Furthermore, in line with the AU's Accelerated Industrial Development for Africa (AIDA) and African Mining Vision (AMV), efforts should be made to focus and scale up Chinese investment cooperation on manufacturing, and value-addition to the mining, extractive and agricultural sectors.

<sup>162</sup> Mr. Shadrack Kuyoh is Acting Executive Director at Center for Displacement and Humanitarian Policy of Africa Policy Institute, Kenya. FOCAC promotes common development of China and Africa, 2021.7.1 <https://africapi.org/center-forced-displacement>

Support should be given to African port cities to build export demonstration zones, expand the whole industrial chain layout from raw material supply through manufacturing, processing, inspection and quarantine, to customs clearance, and boost cross-border trade and export in Africa. It is suggested that African agricultural products be given access to “fast track” so that more high-quality products such as beef, fruits, dried fruits, soybeans, and wine can be exported to China. It is also suggested that tariffs on value-added, manufactured products from African countries be removed so that these products, which provide high-quality jobs for millions of people, can be scaled up and exported to China.



**Speed up local manufacturing in the African medical industry alongside the unification of African standards.**

Currently, many African countries have attraction policies for the medical industry – but they vary greatly among African countries and there is a lack of mutual recognition, which reduces the willingness of foreign-funded enterprises to invest in Africa on a large scale. Yet local manufacturing is vital to African economies, a challenge made especially clear with the supply restrictions that have arisen during the COVID19 pandemic. Establishing the AU and African regional organizations, the African

Medicines Agency (AMA) and the AU technical standards certification organization as quickly as possible will be very useful and will complement renewed efforts from the Chinese side to encourage investment in local manufacturing of pharmaceutical and medical products, rather than export.

**Speed up investment in the digital economy.** Currently, policies on the digital economy vary greatly among African countries and a lack of infrastructure reduces the willingness of foreign-funded enterprises to invest in Africa on a large scale. Yet, the digital economy is critical to African development. Chinese enterprises are encouraged to explore supporting digital development in Africa at all levels, from increasing access to the internet, increasing data storage and band-width capacity, to locally manufacturing and reducing the costs of digital equipment, and investing in digital skills and education.



**E**xpedite the joint construction of the vocational education system. Africa has great potential for excellent human resources. According to the United Nations, the proportion of people under 35 years old in Africa accounts for 74.5% of the total population. However, weak vocational education systems cannot provide adequate human resources with the skills required for industrialization, and it is difficult for foreign enterprises in local areas to recruit the people they need. Operational efficiency is thus severely limited. To better develop their vocational education systems, African governments should increase policy support and financial input, and focus on the construction of a vocational education system in combination with international institutions and assistance from other countries. In addition, Chinese companies will commit to continued support to vocational training for employees.

**B**uild service platforms and centers for Chinese enterprises to invest in Africa. A one-stop service platform for investment in Africa should be explored in China, which incorporates policy consultation, country guidance, legal assistance,



and other services. Some service agencies and business associations can also be designated to provide such services at certain places. At the same time, African countries should be encouraged to set up investment promotion centers in China as well. A non-governmental economic and trade and investment promotion platform between China and Africa is needed to serve Chinese enterprises, especially CPEs, engaged in cooperation with Africa. Guidance should be given to financial institutions to properly handle debt risks, innovate financing support tools, and solve financing, intellectual and business problems.

**Promote China-Africa central and sub-national cooperation.** Priority should be given to provinces such as Jiangsu, Zhejiang, Guangdong, Shandong, and Jiangxi in their cooperation with their African counterparts to tap into potential business opportunities and improve the quality of China-Africa cooperation. As a major step towards this end, it is recommended to develop provincial urban clusters or demonstration zones for economic, trade and investment cooperation with Africa. The structures of the China Africa Development Fund (CAD Fund) and China Africa Fund for Industrial Cooperation (CAFIC) should be revised in order to enable more firms to seek support for these types of cooperation and diversify investment destinations across the African continent and diversify types of investment flows into more sectors.

**Integrate the resources of all parties.** Efforts should be increased to help Chinese and African enterprises mutually to resolve problems in obtaining work visas and in entering and exiting investment funds in Africa and China.

**Enterprises should actively report on their ESG efforts and integrate ESG principles into local societies.** Cooperation projects should incorporate ESG standards and environmental protection, and contribute actively to local communities. As much as possible, renewable energy should be the basis of investment, and fossil-fuel investment avoided. Enterprises should increase their communication with local governments, business associations and other parties, establish a harmonious relationship with local communities, and strengthen the integration with local society.

**E**nterprises should focus on local job creation and gradually improve the internationalization of their headquarters. They should improve local talent in Africa by training and other means, ensure that the proportion of local employees for basic jobs exceeds 90%, increase the proportion of local personnel in middle management to 60%, and include both Chinese and African personnel in senior management in a reasonable manner. In their headquarters in China, talented African individuals who are familiar with international practices and African markets and also capable of operating and managing in Africa should be cultivated and placed in management positions in the business departments of the headquarters.

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