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China and Africa:
Expanding Economic Ties in an Evolving Global Context

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EXECUTIVE SUMMARY

Economic growth in Sub-Saharan Africa (SSA) has averaged roughly 5 percent per year over the past decade, improving living standards and bolstering human development indicators across the continent. Stronger public institutions, a supportive, private sector–focused policy environment, responsible macroeconomic management, and a sustained commitment to structural reforms have greatly expanded opportunities for countries in SSA to participate in global markets. In recent years, many countries in the region have benefited from an increasingly favorable external environment, high commodity prices, and an especially strong demand for natural resources by emerging economies, particularly China.

China-SSA trade has rapidly intensified since the late 1990s and in 2013 China became SSA's largest export and development partner. China now represents about a quarter of SSA's trade, up from just 2.3 percent in 1985. About one-third of China's energy imports come from SSA—a vital trade link, especially as energy consumption rates in China have grown by more than twice the global average over the past 10 years. Despite increased efficiency and rising domestic production, rapid urbanization and heavy industrialization continue to spur robust Chinese demand for coal, oil, and natural gas. China's banks, notably the People's Bank of China, the China Development Bank, and the Export-Import Bank of China (Exim Bank of China), have supported large-scale investments in African infrastructure. More than 2,200 Chinese enterprises are currently operating in SSA, most of them private firms (UNCTAD 2014; Shen 2014). Diplomatic contacts and bilateral aid and cooperation initiatives have greatly expanded,[1] and the Forum on China-Africa Cooperation, formed in 2000 and convened every three years, has become the primary institutional vehicle for China's strategic engagement with SSA.

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After expanding at an average annual rate of 10 percent through the early 2010s, growth of China's annual gross domestic product (GDP) has slowed to 7.5 percent during the past two years. The doubling of Chinese capital stock between 2005 and 2011 has resulted in excess production capacity and the rate of return on capital is declining. Meanwhile, average household consumption remains low by international standards. The Government of China has responded by initiating a gradual process of economic rebalancing designed to shift the economy toward a more sustainable model, one in which growth will be driven less by investment and exports and more by domestic consumption. These policies will be complemented and sustained by the continued implementation of deep structural reforms to promote a more open and competitive private sector. The rebalancing of the Chinese economy will not only have profound domestic implications, but will also permanently alter the pattern of international trade and investment flows, presenting important challenges and enormous opportunities for developed and developing countries.

China's lower growth rate and changing demand composition are already affecting commodity prices, with particularly strong impacts on global mineral markets. At the same time, the tripling of Chinese labor costs over the past decade has enabled countries with large labor forces and low wage rates to compete with Chinese producers and even attract investment from Chinese firms. This report explores the impacts of China's economic rebalancing on its trade and investment partners in SSA. The report uses information from the Government of China as well as international databases and individual case studies to review the latest available information on China-SSA trade and foreign direct investment (FDI)[2] flows. The objective of the report is to contribute to an informed policy debate as to how SSA can leverage the complex changes taking place in the Chinese economy to accelerate growth, enhance development outcomes, and maximize the benefits of SSA's increasingly strong ties to one of the world's most dynamic economic powers.

Key Findings

Despite China's slowing economic growth rate, Chinese trade with SSA has continued to expand at a rapid clip, reaching a total value of US$170 billion in 2013. China has recently overtaken Europe as SSA's largest export partner, and regional economies are becoming increasingly vulnerable to changes in international commodity prices and Chinese demand conditions. The composition of China-SSA trade is not symmetric, with SSA importing a wide variety of consumer and capital goods and overwhelmingly exporting primary commodities, especially oil, minerals, and other natural resources. This pattern has become even more extreme during the past five years; agricultural goods now represent a mere 5 percent of SSA's total exports to China.

China's rapid industrialization has accelerated growth in many countries in SSA, particularly those rich in natural resources. Because of their widely different export profiles, there is no evidence that China has displaced exports from SSA in third-country markets such as the European Union or the United States. Many of China's and SSA's exports are highly complementary. Chinese exports to SSA have benefitted consumers, but they have also put significant pressure on domestic producers. Firms in SSA have faced significant competition from Chinese imports during the 2000s, partly because of the appreciation of the real exchange rate. The appreciation of the real exchange rate in SSA countries was the result of the peg of the exchange rate to other currencies (in particular to the euro), the surge in exports of natural resources and raw materials, and the amount of financial assistance from international donors, including China.

SSA is not fully exploiting its comparative advantage in agriculture to expand its export presence in the Chinese market. An analysis of the evolution of revealed comparative advantage (RCA) over the past 10 years shows that Africa has been losing competitiveness in all sectors, with the only exception being certain non-oil natural resources, mostly ores and metals. SSA manufactures have the lowest RCA of any export category and the competitiveness of agricultural exports appears to be eroding over time. These trends likely reflect structural inefficiencies and logistical constraints in Africa; however, China's relatively high tariffs on agricultural imports (15.1% in 2014, down from 18.1% in 2002) may have also contributed. .

Chinese FDI in Africa surged during and in the wake of the global financial crisis and continues to diversify. FDI flows from China to SSA rose from next to nothing a decade ago to US$3.1 billion in 2013, representing 7 percent of global FDI flows to SSA. China has established itself as a major investor in Africa, a dynamic that runs parallel to China's growing trade involvement. China's FDI stock in SSA reached nearly US$24 billion in 2013, reflecting an annual growth rate of 50 percent between 2004 and 2013 (MOFCOM 2003-2014; Copley, Maret-Rakotondrazaka, and Sy 2014). The global economic crisis of 2008–09 marked the beginning of a major expansion in China's engagement with SSA, in scope and in scale. While some foreign investors moved out of Africa, Chinese firms, already well leveraged at home and encouraged by the Chinese government, expanded their overseas operations. Mergers and acquisitions (M&As) surged and commercial lending and other financing arrangements set new records. Oil and other extractive industries remain the sectors of greatest interest to Chinese investors (at 30 percent of total investment), but Chinese FDI has recently undergone a marked diversification into financial services, construction, and manufacturing. Geographically, Chinese FDI continues to be concentrated in Nigeria, South Africa, Sudan, and Zambia, but it now extends across the continent. Chinese manufacturing firms have invested in countries as diverse as Ethiopia, Nigeria, and Tanzania. A review of a sample of Chinese greenfield investments in SSA during the past decade reveals the rising importance of the manufacturing sector and the increasingly significant contribution of Chinese FDI to job creation in countries across the continent.

Because of different methodologies, official data on Chinese financial flows differ from data from other sources. . For example, the China Global Investment Tracker (CGIT) puts total Chinese FDI in Africa at US$61 billion in 2013, more than double the official figure. In 2013, the value of Chinese contracts, a proxy for committed investment flows, reached a staggering US$82 billion (CGIT, American Enterprise Institute and Heritage Foundation 2014). China's financial involvement in Africa is complex and multifaceted and reliable information is not always easily accessible. However, Chinese banks appear to have provided some US$52.8 billion in loans to African countries during 2003–11, equal to 2.8 percent of China's GDP. Similarly, little information is available on investment flows from countries in SSA to China. SSA's investment in China appears to be increasing, but remains marginal by international standards. South Africa is the only country in SSA with a significant investment presence in China (leaving aside Mauritius and Seychelles, which are offshore financial centers). Financial flows from countries in SSA to China are dominated by trading companies, often subsidiaries of Chinese firms supporting the business of their parent companies.

Despite the broad diversification of Chinese investment, countries in SSA have attracted limited attention from large, export-oriented firms. Although there are exceptions—notably the Huajian shoe factory in Ethiopia and the Yuemei group in Nigeria—Chinese investment has tended to focus on activities related to extractive industries, such as the processing of mineral ores or the

production of liquid natural gas. Faced with rising domestic labor costs, Chinese firms have started to relocate some of their low-skilled production lines to other countries. SSA offers abundant, inexpensive labor and proximity to Europe, but so far only a few Chinese manufacturers have moved to exploit these advantages. As a result, the percentage of goods produced by Chinese firms in SSA for export to Western markets is insignificant. Consequently, African firms are not position themselves within China's value chains, which limits the impact of Chinese investment on economic transformation and export diversification in SSA. Several explanations have been offered for SSA's weak integration into Chinese and other international production networks, including the small size of many economies in SSA, the low capacity of critical public institutions, the absence of complementary private markets, bottlenecks in essential infrastructure, and the lack of regional integration, all of which can make the establishment of large economies of scale very difficult to achieve.

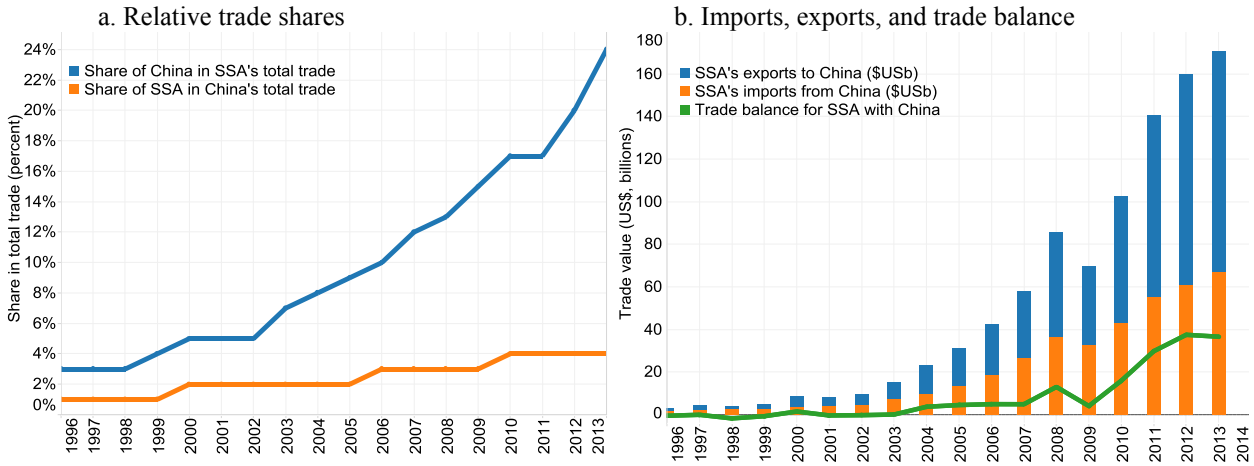
The rise of Chinese private investment, particularly in the manufacturing sector, could have a transformative impact on growth and development. The rise of Chinese private investment in Africa is a new and relevant phenomenon. Most interestingly, private companies are not creating establishments in government-sponsored special economic zones (SEZs), which are in fact struggling to survive. The easing of regulations on outward FDI in the mid-1990s and after the global economic crisis, coupled with the increasing saturation of the domestic market in China, are the key drivers of this development. In many countries (e.g., Tanzania), Chinese small private firms are becoming a significant source of jobs and income and have productivity-enhancing spillovers, but they are competing with domestic firms in the local market.

Over the longer term, leveraging Chinese investment to support broad-based growth will require policies designed to boost the competitiveness of sectors in which China's economic rebalancing may create a comparative advantage for SSA. To date, few African countries have been able to benefit from large-scale Chinese investment outside the resource sector. However, as China's growth slows and its economy shifts toward a more consumption-driven model, it is likely that global demand for resource imports will slow as well. Countries with the most heavily concentrated export mix, particularly in the mineral and oil sectors, are the most vulnerable to China's economic rebalancing and should be ready to adopt measures to mitigate the impact of negative terms-of-trade shocks. By contrast, as wage rates in China continue to rise and firms refocus their attention on domestic demand, countries in SSA will be well positioned to exploit emerging opportunities for investment in export-oriented manufacturing. Ethiopia provides an instructive example, as its inexpensive yet relatively skilled labor force, coupled with the government's proactive efforts to court Chinese investors, have enabled Ethiopia to attract substantial investments in labor-intensive industries. Infrastructure enhancement, workforce development, and good-governance reforms offer a promising strategy for many countries in the region. Although the establishment of industrial zones has yielded mixed results, several salient success stories warrant careful attention. This report discusses how Africa could take advantage of the untapped opportunities offered by China's progressively intensifying investment and trade ties with SSA. It is hoped that this analysis will enrich the ongoing dialogue between policy makers, private firms, and civil society regarding China's increasingly important role in the growth and development of Sub-Saharan Africa.

1. CHINESE TRADE WITH SSA

Trade flows between China and SSA have expanded dramatically during the past decade and show no signs of slowing in the foreseeable future. China-SSA trade has grown by a remarkable 26 percent per year since 1995, reaching a total value of US$170 billion in 2013. China now accounts for roughly 24 percent of SSA's total trade, up dramatically from a mere 2.3 percent in 1995. Yet despite China's enormous and rapidly increasing importance in the region, its economic relationship with SSA is not symmetric: in 2013, SSA's share in Chinese trade reached just 3 percent (Figure 1).

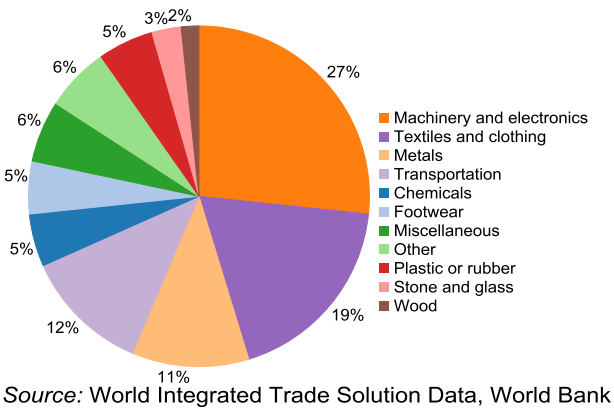
Figure 1 Trade between China and SSA



Source: World Integrated Trade Solution Data, World Bank

SSA's exports to China have grown faster than its imports, generating a large, positive trade balance. SSA's exports are concentrated in primary commodities, especially extractable resources such as oil, uranium, aluminum, zinc, phosphates, copper, nickel, and gold, as well as renewable resources and agricultural commodities such as timber, rubber, coffee, cotton, cocoa, fish, and cashew nuts. While SSA's export mix is narrowly focused on the primary sector, Africa's imports from China are extremely diversified. Consumer goods represent the largest share, particularly textiles and clothing, footwear, and consumer electronics, but capital goods such as machinery, commercial electronics, and transportation equipment are also well represented (Figure 2). Chinese products are often less expensive than similar products imported from the European Union or the United States, which makes the products attractive to firms and individual consumers alike. In addition, Chinese capital goods imports are boosted in the presence of large Chinese-financed infrastructure projects, which frequently include country-of-origin procurement rules.

Figure 2 SSA's Imports from China

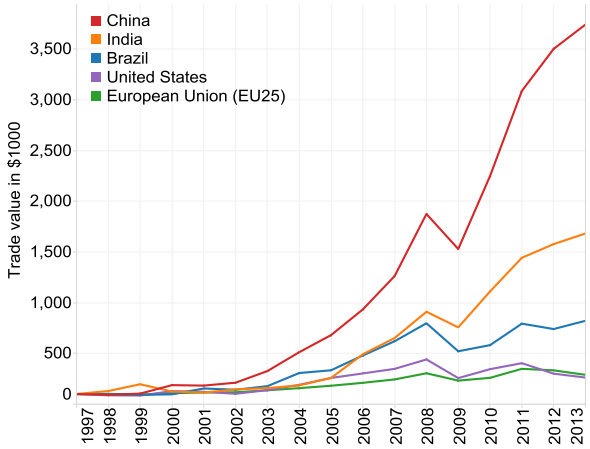


Source: World Integrated Trade Solution Data, World Bank

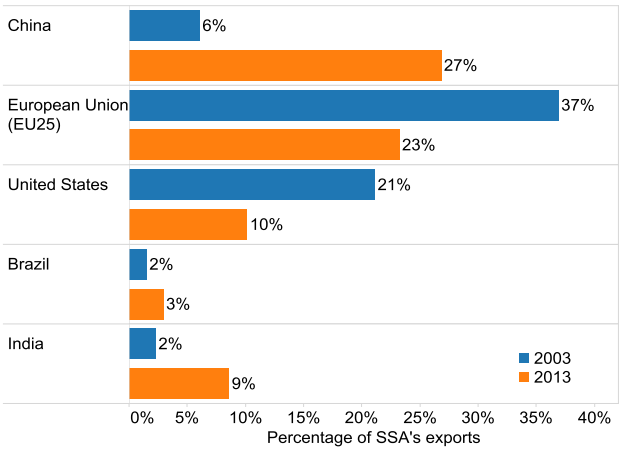
For decades, SSA exports were overwhelmingly oriented toward Western markets, but the region's trade relationships are shifting; in 2013, China became SSA's most important export partner. China now accounts for 27 percent of SSA's exports, compared with 23 percent for the European Union and 21 percent for the United States. While India accounts for just 9 percent, the growth rate of SSA's exports to India is second only to that of China.

Figure 3 Trade Flows: SSA and Selected Partners

a. Trade volume (Base year 1997 = 100)



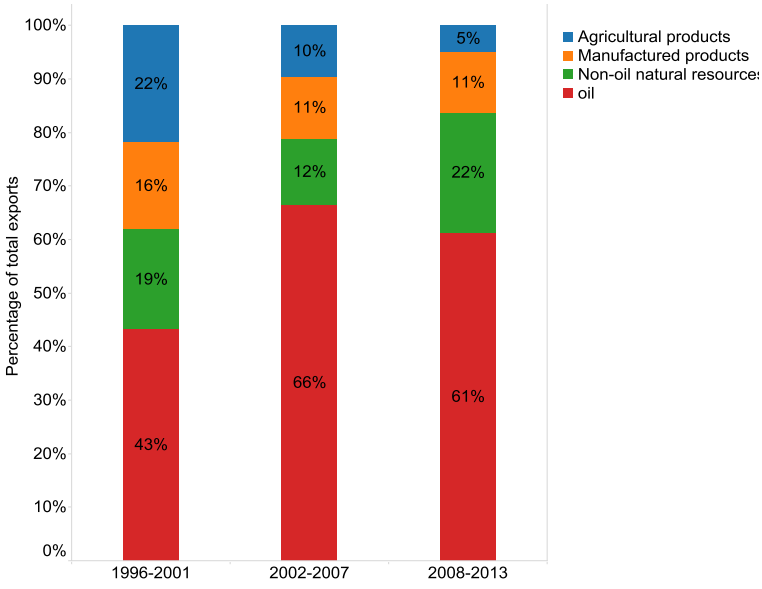
b. Destination of SSA's exports



Source: World Integrated Trade Solution Data, World Bank

SSA's exports to China continue to be dominated by renewable and nonrenewable natural resources (annex 3). Moreover, the share of natural resources in the export mix has been increasing over time. Resource exports accounted for about 84 percent of all SSA's exports to China between 2008 and 2013, up from about 79 percent between 2002 and 2007. Manufactures have remained roughly stable over time, but agricultural exports have essentially collapsed (Figure 4). SSA is currently exporting a very small percentage of agricultural products, despite indications that demand for these commodities is likely to increase in the future.

Figure 4 Sector Distribution of SSA's Exports to China



Source: World Integrated Trade Solution Data, World Bank

Evolution of China-SSA Trade

SSA's exports to China can be grouped under four major categories: agricultural goods, oil, non-oil natural resources, and manufactures. SSA has a revealed comparative advantage[3] (RCA) in the first three categories and a comparative disadvantage in the fourth. SSA's largest comparative advantage is in oil production, although its RCA has declined since the early 2000s. By contrast, SSA's competitiveness in non-oil natural resources, which include non-oil energy products and minerals, has increased over time. Manufactures have the lowest RCA and the competitiveness of agricultural exports has decreased significantly since the early 2000s (Table 1).

Table 1 SSA's Exports to China and Revealed Comparative Advantages

	Share of total exports to China (%)		SSA's RCA		Compound annual growth rate (%)
	2003	2013	2003	2013	2003–13
Agricultural goods	12.25	5.53	2.18	1.3	5.82
Oil	62.64	55.62	3.58	2.93	15.75
Non-oil natural resources	10.44	25.04	1.6	1.73	15.04
Manufactures	14.67	13.81	0.54	0.39	6.28

Source: World Integrated Trade Solution data, World Bank; mirror data[4].
Note: RCA = revealed comparative advantage; SSA = Sub-Saharan Africa.

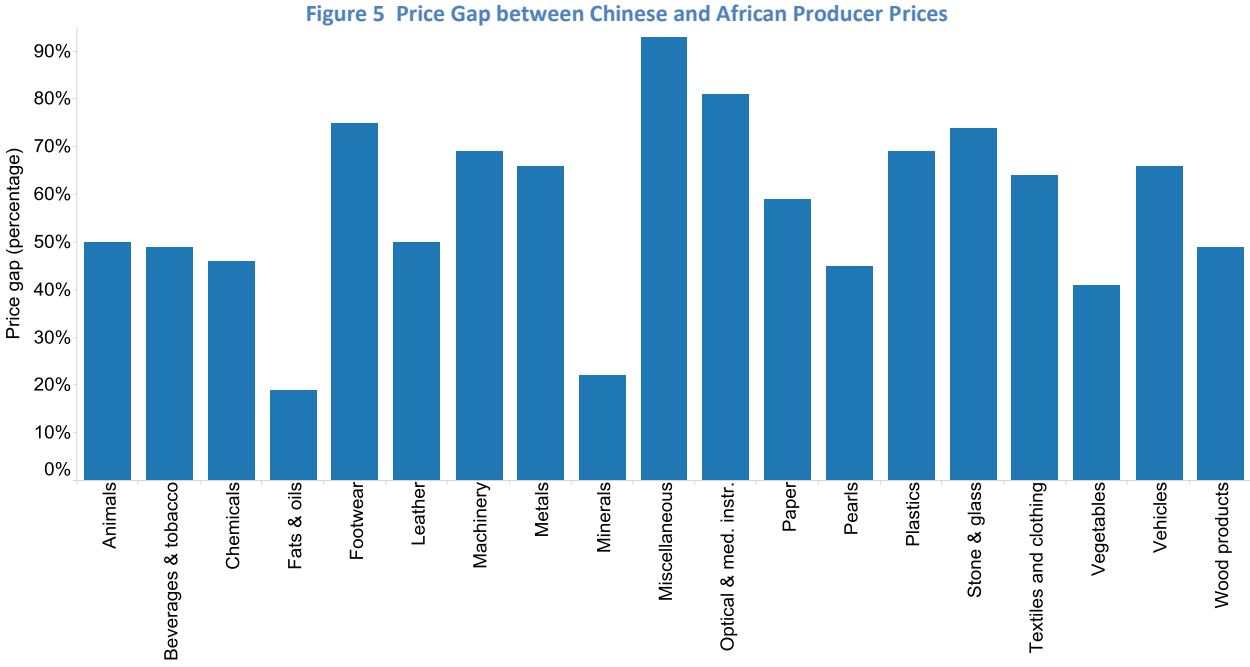
SSA's agricultural exports to China have the lowest compound annual growth rate of any trade category. Although production volumes and logistical constraints in SSA are driving this trend, significant trade protections in the Chinese market also play an important role. China's average most-favored-nation tariffs on agricultural goods are relatively high; they increased from 15.9 percent in the mid-2000s to 22.5 percent in 2014.

Overall, SSA has benefitted from China's increasing demand for SSA's exports of oil, minerals, and metals (Roache 2012; Broadman 2007). Exporters in SSA have faced very limited competition from Chinese exports in third markets, as many of SSA's export products are unrelated, or even complementary, to Chinese products in key markets such as the European Union and the United States. However, there is evidence that imports from China have had a negative effect on SSA's exports within the African regional market, and local producers and traders have faced serious competition from Chinese imports throughout SSA (Figure 5).

During 2000–11, almost 70 percent of African countries saw their real exchange rate appreciating—the result of pegging their currency to other currencies (in particular to the euro); the surge in exports of natural resources and raw materials; and the amount of financial assistance from international donors, including China. In a recent paper, Guillaumont Jeanneney and Hua (2014**)** show that although Africa's exports to China have contributed to SSA's economic growth, China's strong import penetration has negatively affected the manufacturing sector and may prevent Africa from diversifying its own industry. The countries most affected were those pegging their currency to the euro. Since the renimbi was de facto pegged to the dollar and the dollar was undervalued relative to the euro, these African countries were handicapped in competing against China's manufactured goods. In a study of 44 South African manufacturing industries during 1992–2010, Edwards and Jenkins (2014) show that labor-intensive industries were particularly badly affected by Chinese imports and the negative impact on employment was

more than proportional to the output displacement. Moreover, exports of manufactures to China did not add significantly to industrial growth in South Africa. But Edwards and Jenkins also find evidence that Chinese imports contributed toward lower producer price inflation in South Africa, which in turn contributed to a moderation in consumer price increases.

Figure 5 Price Gap between Chinese and African Producer Prices



Source: Pigato and Gourdon 2014.

There is no question that low prices for imported Chinese goods have benefitted African consumers, as well as producers who rely on imported inputs and capital goods. Figure 5 shows the gap between SSA's producer prices[5] and the prices of Chinese imports in SSA. The comparison reveals a considerable price gap between China's and SSA's products of about 50 percent.

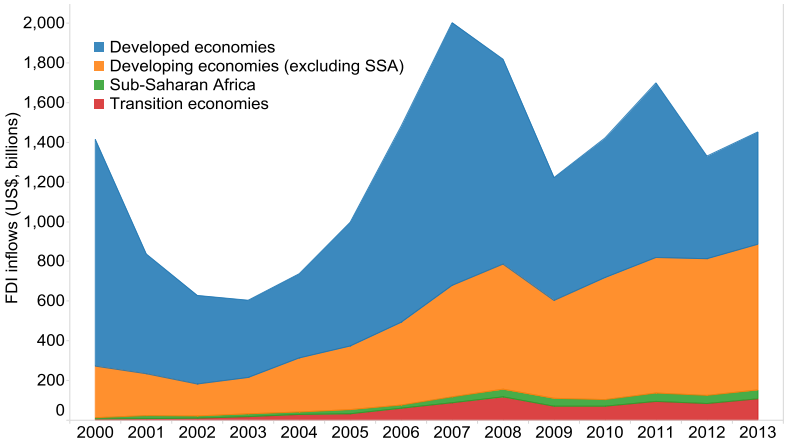
More troubling, African firms do not appear to be positioning themselves within Chinese value chains; as a consequence, trade with China is having a limited impact on economic transformation and export diversification. Imports of inputs and components for processing and assembly have been a major channel for technology transfer in many countries in Asia, particularly China. In the standard model, a firm from a developed country would export inputs or components to a less developed country with lower wage rates, where a local subsidiary would use those inputs to create a finished product for export to one or more third-country markets or even back to the original developed country. For many countries, this pattern of trade has had highly positive economic impacts by facilitating technology transfer and catalyzing the development of dynamic comparative advantage. Input exports from China to SSA for processing and subsequent re-export to the U.S. consumer market have increased in recent years but remain extremely small as a share of total trade (Pigato and Gourdon 2014). Consequently, there is very little evidence that China is using Africa as a platform for its global exports or integrating African firms into its international value chains.

2. CHINESE FDI IN AFRICA, 2000–13

Global FDI Trends, 2000–13

Following a contraction in 2012, global FDI flows began growing again in 2013 to reach US$1.45 trillion, still below their 2007 peak just before the global financial crisis (UNCTAD 2014). Since 2009, FDI flows to developed economies [6] have fluctuated substantially, while transition and developing economies have experienced a steady increase in investment. In 2012, for the first time ever, the share of FDI received by developing economies exceeded the share received by developed economies. In 2013, developing economies widened this lead, hitting a new high of US$778 billion or 54 percent of global FDI (Figure 6).

Figure 6 FDI Flows, Global and by Developmental Group, 2000–13 (US$ billions)



Source: UNCTAD 2014

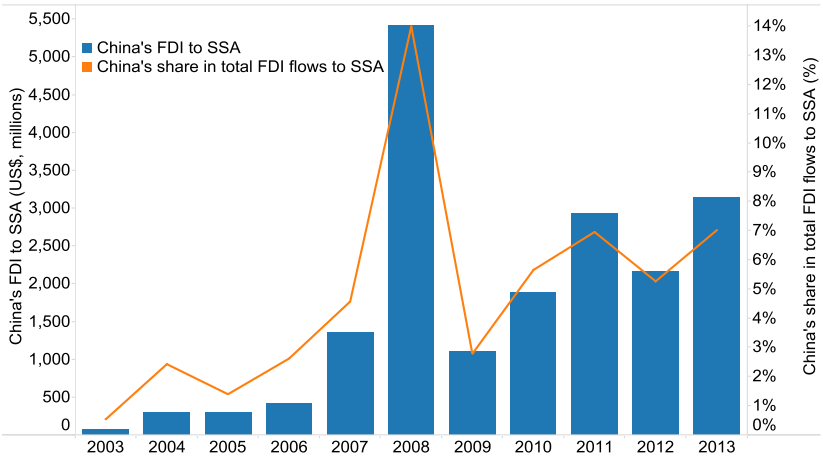
Global FDI flows to SSA increased by 9.2 percent in 2013 to reach US$45 billion, slightly faster than the global FDI growth rate. Meanwhile, SSA's share of global FDI inflows increased from an average of 1.8 percent between 2000 and 2009 to 3.1 percent in 2013. The region's main sources of investment are the European Union and the United States, which in 2012 accounted for 26 percent and 9 percent of total FDI inflows, respectively. South Africa is also a major investor in SSA's market, representing 4 percent of total investment, followed by China, India, Singapore, and Japan (Copley, Maret-Rakotondrazaka, and Sy 2014; UNCTAD 2014).

Chinese FDI in SSA

Data on outbound Chinese FDI flows, as reported by the Ministry of Commerce of the People's Republic of China (MOFCOM),[7] do not conform to the Organization for Economic Co-operation and Development (OECD) definition of FDI (see annex 2), which only takes private investment into account. By contrast, the MOFCOM definition includes private and public financial flows (e.g., from state-owned enterprises) from the mainland China; it does not include Chinese owned-FDI passing through offshore finance centers (e.g., Hong Kong SAR, China; the Cayman Islands; Luxembourg; etc.). Anecdotal evidence also suggests that many companies, although required by law to register with government agencies, choose not to go through the time-consuming registration process (Shen 2013).

Data from MOFCOM (2014) indicate that Chinese FDI flows to SSA reached US$3.1 billion in 2013, which would represent 7 percent of global investment in the region (Figure 7), a share that is rapidly approaching that of the United States (7.3 percent). Moreover, the total stock of Chinese FDI in SSA was recorded at almost US$24 billion, about 5 percent of SSA's total FDI stock. These figures would imply that the presence of Chinese investment in SSA remains limited. For example, the ratio of Chinese FDI to SSA's aggregate GDP was just 1.5 percent in 2012, albeit up sharply from 0.1 percent in 2003. Meanwhile, the share of Chinese FDI in SSA's aggregate gross fixed capital stock would appear to have grown quite modestly, from 0.37 percent in 2003 to 0.78 percent in 2012. However, when considering these figures, the caveats about data quality and completeness noted above should be borne in mind.

Figure 7 Chinese FDI Flows to SSA, 2003–13 (US$, millions)



Source: UNCTAD 2014; MOFCOM 2014

Although modest in relative terms, the volume of Chinese FDI in SSA has increased substantially over the past decade.[8] A dramatic spike in FDI in 2008 was largely attributable to a single transaction, the US$5.6 billion purchase of a 20 percent share in South Africa's Standard Bank by the Industrial and Commercial Bank of China (ICBC) (*The New York Times* 2007). The deal was approved in 2007 and completed in March 2008; it was a major operation for ICBC, one of China's largest state-owned commercial banks. This acquisition reflects a relatively new strategy for Chinese investment in Africa in which Chinese investors purchase shares in reputable and experienced firms (although without holding a controlling interest) and then work in partnership to explore new business opportunities. Through its alliance with Standard Bank, ICBC now has access to an extensive financial network in SSA that will greatly facilitate the provision of financial services to Chinese investors in the region. If this deal is excluded, the data would show Chinese FDI in Africa remaining constant during 2008–09 and then gradually increasing from 2010 onward.

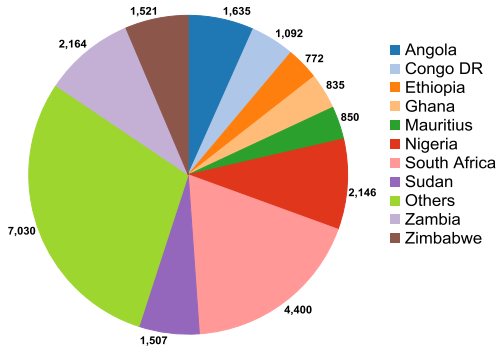
Chinese FDI in SSA Is Becoming Increasingly Diversified

The scope of Chinese investment in SSA is extensive. Chinese FDI reaches almost all African countries, even those that do not have a formal diplomatic relation with China (e.g., São Tomé and Príncipe). However, the bulk of Chinese investment is focused on a few resource-rich countries. South Africa is the top destination, followed by Zambia, Nigeria, Angola, and Zimbabwe (Figure 8a; MOFCOM 2014). At the sector level, however, the most recent data reveal a growing diversification in investment targets. At 30 percent, extractive industries still account for the largest share,[9] but finance, construction, and manufacturing now make up half of total FDI.

Investment in these sectors is particularly strong in countries that have benefitted from more recent FDI, such as Ethiopia. Other important sectors include commercial services (5 percent); scientific research, technology and geological prospecting (4.1 percent); wholesale and retail commerce (2.7 percent); agriculture (2.5 percent); and real estate (1.1 percent) (Figure 8b; State Council of China 2013).

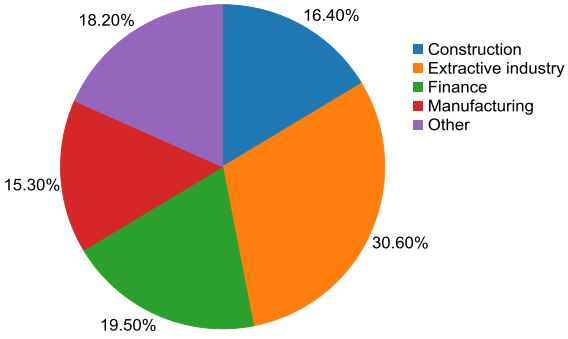
Figure 8 Chinese FDI in SSA, by Country and Sector

a. Chinese FDI in SSA, by country *(US$, millions)*



Source: MOFCOM 2014

b. Chinese FDI in SSA, by sector *(percent)*



Source: State Council of China 2013

Factor Intensity and Job Creation

Very little is known about the relative factor intensity of Chinese investment in SSA and its contribution to job creation. However, a database produced by fDi Intelligence, a division of *The Financial Times* specialized in tracking FDI investment projects around the world,[10] allows for some limited analysis of these dynamics. This database only includes greenfield projects by Chinese investors in SSA. Between January 2003 and June 2014, a total of 156 projects were recorded, a small sample even compared with the MOFCOM statistics, but one that provides important information on the relationship between investment and job creation.

Table 2 FDI Trends by Sector

Business activity	No. of projects	Jobs created		Capital investment	
		Total	Average	Total ($USm)	Average ($US m)
Manufacturing	77	39,343	510	13,283.90	172.50
Sales, marketing, and support	23	350	15	148.70	6.50
Extraction	14	14,897	1,064	8,726.10	623.30
Education and training	8	606	75	73.00	9.10
Business services	8	142	17	84.00	10.50
Construction	4	5,661	1,415	4,649.70	1,162.40
Electricity	4	264	66	1,351.00	337.80
Retail	4	154	38	32.10	8.00
ICT and Internet infrastructure	4	1,290	322	1,850.00	462.50
Logistics, distribution, and transportation	3	400	133	146.80	48.90
Other business activities	7	1,094	156	149.60	21.40
Total	156	64,201	411	30,494.90	195.50

Source: fDi Intelligence, The Financial Times Ltd.
Note: FDI = foreign direct investment; ICT = information and communications technology.

Of the 156 projects recorded in the database, manufacturing projects have generated the highest number of total jobs at about 39,000, as indicated in Table 2. Manufacturing projects represent more than half of all jobs created by the entire sample, although their average capital investment is smaller than that of projects in other sectors. This suggests that the relocation of Chinese manufacturing firms to SSA could have a substantial impact on employment. Extractive industries and the construction sector averaged the largest project size in investment and job creation. Government-led projects tended to be much larger than private projects and created more jobs (Table 3).

Table 3 FDI Trends for Public and Private Projects

Type of FDI	Jobs created			Capital investment	
	No. of projects	Total	Average	Total ($USm)	Average ($USm)
Government-led	93	46262	497	21509.46	231.28
Private-led	56	16032	286	6079.94	108.57

Source: fDi Intelligence, The Financial Times Ltd.

The 10 Chinese companies with the highest-value investment projects in the sample account for 38 percent of total job creation and 39 percent of total capital investment. Among these firms, Beiqi Foton Motor, a state-owned automotive manufacturing company, created the most jobs on average (Table 4).

Table 4 Top 10 Chinese Firms by Job Creation and Capital Investment

Company name	Jobs created		Capital investment	
	Total	Average per project	Total ($USm)	Average ($USm)
Huawei Technologies	2,188	198	1,626.60	147.90
China Nonferrous Metals Mining	6,064	606	2,011.80	201.20
ZTE	2,404	240	406.70	40.70
China Central Television	241	30	85.90	10.70
China National Petroleum	1,071	153	6,773.00	967.60
Powerway Renewable Energy	1,347	269	133.30	26.70
Beiqi Foton Motor	9,407	2,351	663.50	165.90
The China-Africa Development Fund	76	19	44.00	11.00
ZTS International Industrial (G-Tide)	656	218	71.00	23.70
GAIG Stock (Guangzhou Automobile)	1,008	336	128.20	42.70

Source: fDi Intelligence from The Financial Times Ltd

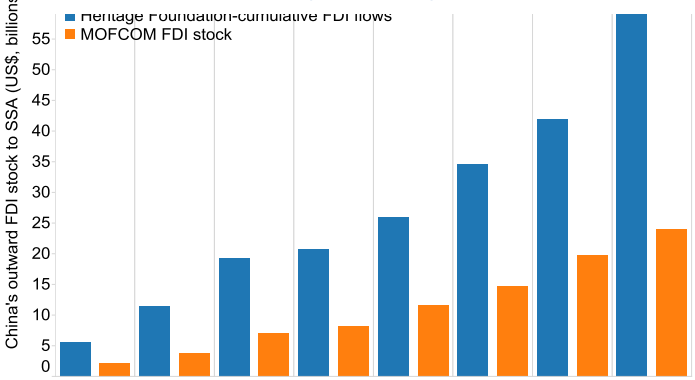
Note: ZTE = Zhongxing Telecommunication Equipment Corporation; ZTS = Zhong Trading Solutions

Comparing Official Chinese FDI Data with Alternative Sources

A number of research institutions and international agencies have begun to specialize in tracking information on Chinese FDI from other sources, including corporate websites and news reports. The China Global Investment Tracker (CGIT), a joint initiative of the Heritage Foundation and the American Enterprise Institute, is a publicly available database that identifies and records Chinese FDI projects over US$100 million. Its coverage is wider than that of the MOFCOM database, and it includes projects that are implemented through offshore financial centers. However, CGIT does not include projects below US$100 million, a very high threshold that many Chinese investors do not reach. In addition, the data are based on publicly stated commitments, which often differ from actual investment flows.

Comparing Chinese FDI in SSA as recorded by MOFCOM/UNCTAD with the figures in CGIT reveals a remarkable difference between the two data sets (Figure 9). The CGIT estimate is US$61 billion, more than 2.5 times the MOFCOM estimate of US$24 billion. However, although the total values differ significantly between the two databases, the direction and trend of Chinese investment in SSA appear to be similar.

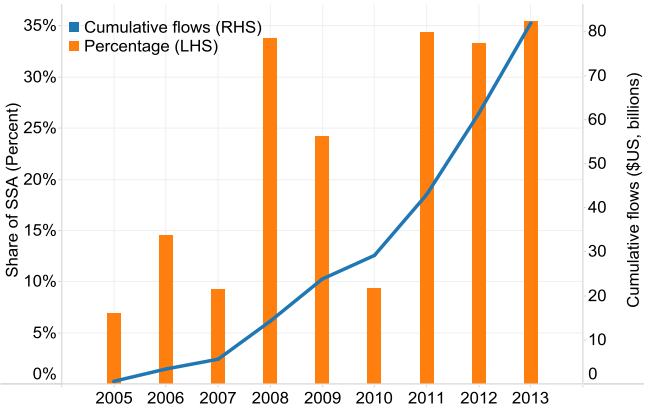
Figure 9 Total Chinese FDI in SSA, CGIT, and MOFCOM Estimates
(US$ billions)



Source: UNCTAD 2014; MOFCOM 2014; American Enterprise Institute and Heritage Foundation "China Global Investment Tracker" 2014

Contracts record investment commitments, not actual investment flows. Nevertheless, contracts may be treated as a reliable indicator of future investment values. By 2013, the value of Chinese contracts in SSA had reached US$82 billion, after increasing by an average of US$13.5 billion per year since 2009 (Figure 10). Moreover, SSA accounted for about 35 percent of the total value of Chinese contracts worldwide. The majority of these investment contracts were in the energy sector, particularly hydropower, and in the transportation sector, including roads, seaports, and aviation projects. Inadequate infrastructure is a major constraint on economic growth across SSA. Thus, China's involvement in infrastructure projects may help African firms to improve integration into regional and international markets.

Figure 10 Chinese Contracts in SSA
(US$ value and % of total contracts)



Source: American Enterprise Institute and Heritage Foundation "China Global Investment Tracker" 2014
Note: LHS = left hand side; RHS = right hand side

SSA's FDI in China Remains Marginal

Despite the intensifying economic ties between China and SSA, investment overwhelmingly flows in one direction. FDI from SSA to China amounted to US$1.4 billion in 2012, just 1.2 percent of the total FDI that China received that year. Most SSA-to-China FDI originates from Mauritius, Nigeria, Seychelles, and South Africa. It includes investments in the petrochemicals, manufacturing, and wholesale and retail industries, among other sectors.

Mauritius is not only the largest African investor in China, but ranks 15th among all investors in China. This is largely the result of a "double taxation" agreement between Mauritius and China and Mauritius' status as an offshore financial center.[11] However, even this amount is insignificant as a percentage of China's total inbound FDI (0.92 percent in 2011) and Mauritius's total outbound FDI (2.09 percent in 2011) (MOFCOM 2013).

MOFCOM's "Annual Cooperative Audit Online of National Foreign Investment Enterprises" in 2012 indicates that Mauritius has the largest number of investment projects in China of any country in SSA.[12] Mauritius is followed by Seychelles, another offshore financial center, with South Africa and Nigeria ranking third and fourth, respectively (Table 5).

Table 5 Top 10 Countries in SSA by Number of Investment Projects in China

Country	Number of projects	Share of SSA's total projects in China (%)
Mauritius	1,657	54.76
Seychelles	877	28.98
South Africa	201	6.64
Nigeria	67	2.21
Liberia	20	0.66
Angola	17	0.56
Zambia	15	0.50
Madagascar	11	0.36
Sudan	11	0.36
Ghana	10	0.33
Namibia	10	0.33

Source: MOFCOM 2012.

South Africa invested more than half a billion dollars in China between 2002 and 2012. Several well-known South African multinationals operate in China, including SAB Miller and Sasol, an energy conglomerate that has invested in China's coal mining sector (Zafar 2007). However, the overall number of South African investment projects has been declining steadily, from 92 projects in 2003 to just 19 in 2012 (MOFCOM 2013).

Nigeria is the fourth largest African investor in China. Very little is known about these investments, although limited firm-level details are available in the MOFCOM audit described above. Trading companies represent 42 percent of all Nigerian firms in China, followed by companies that produce business consulting (14 percent); equipment and machinery (9 percent); textiles, apparel, and footwear (9 percent); chemicals (5 percent); and metal products (5 percent). Trading companies play an essential role in exporting Chinese goods worldwide. In 2005, an estimated 22 percent of Chinese exports passed through trading intermediaries (Ahn, Khandelwal, and Wei 2010). Nigerian trading firms specialize in exporting Chinese products to Africa and importing African products to China. Some Nigerian trading firms are subsidiaries of a Chinese parent company, often in the manufacturing sector. These subsidiaries are usually registered in China with a small amount of capital. Their primary mission is to support and facilitate the operations of the Chinese parent firm in Nigeria or other countries in SSA.

3. Chinese FDI in SSA during the Global Financial Crisis

The 2008–09 global financial crisis had only a limited impact on SSA, in part because African financial markets were small and relatively insulated from global volatility. And despite the ensuing drop in commodity prices and export volumes, many African countries had sufficient resources to pursue fiscal stabilization policies. Much of Africa's impressive resilience during this turbulent period was the result of sustained macroeconomic reforms undertaken during the previous decade, including measures to liberalize trade, improve the business environment, privatize many state-owned enterprises, and strengthen critical infrastructure such as power grids

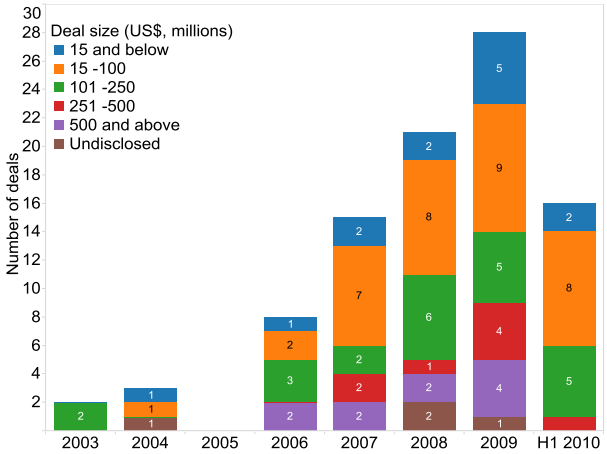
and road networks. However, the effect of the crisis on commodity prices had a strong negative impact on extractive industries worldwide and many firms operating in SSA were forced to close.

China reacted vigorously to the crisis, launching a set of policy measures designed to boost demand and stimulate the economy. The benchmark lending rate was repeatedly lowered and the government initiated a large-scale investment program. Important tax reforms were also introduced, including a significant move toward a value-added tax system. As demand in Western economies stagnated, Chinese exporters looked to alternative markets, particularly in Africa. The Chinese government supported this shift by further easing requirements and decentralizing regulatory procedures for FDI and broadening financing channels for firms to operate overseas (Rosen and Hanemann 2009). Anecdotal evidence suggests that while many Western private investors were withdrawing from Africa, Chinese state-owned enterprises with access to subsidized credit from their policy banks, including the Exim Bank of China and the China Development Bank, were able to expand their operations not only in SSA but worldwide, as evidenced by a surge in acquisitions. For example, in June 2009, China Petrochemical Corporation (Sinopec), a state-owned oil company, bought Addax Petroleum Corporation, a Swiss oil exploration firm, for US$7.24 billion to secure oil reserves in West Africa and Iraqi Kurdistan (Bloomberg 2009). China's total outbound FDI more than doubled in 2008, even as global FDI flows fell by 15 percent, and in 2009, while global FDI plummeted, Chinese outbound FDI still managed to grow by 1 percent (Salidjanova 2011). Ultimately, the global financial crisis accelerated a process of outbound investment liberalization that China had initiated in the early 2000s. This was also reflected in the surge in Chinese financing for overseas infrastructure projects, as Chinese infrastructure financing commitments rose from US$3.5 billion in 2007 to US$5.1 billion in 2009 (Chen 2013).

Many local governments in China introduced new preferential loan programs designed to support export-oriented companies during the crisis. For example, in December 2008, the Exim Bank of China's Zhejiang Branch established a fund of RMB100 million (roughly US$16.3 million) to provide loans to export-oriented firms in Ningbo with a view to expanding their operations.[13] In April 2009, CITIC Bank's Wenzhou Branch, supported by the Wenzhou Municipal Bureau of Foreign Trade and Economic Cooperation, provided RMB3 billion (just under US$500 million) in loans to 100 export-oriented local enterprises; half of this amount was devoted to helping local firms explore new opportunities in international markets. In addition to these credit programs, CITIC Bank also created a comprehensive package of preferential measures designed to lower the operating costs of local firms (*Wenzhou Daily* 2009).

An analysis of Chinese M&As during the crisis confirms the conclusion that many Chinese firms viewed the financial crisis as an opportunity to increase their presence in global markets. For instance, Chinese M&As in the mining sector increased throughout the 2000s, reaching their peak in 2009 (Figure 11; Deloitte

Figure 11 Chinese Outbound M&A in the Mining Sector, from 2003 to the First Half of 2010 ***(number of operations)***

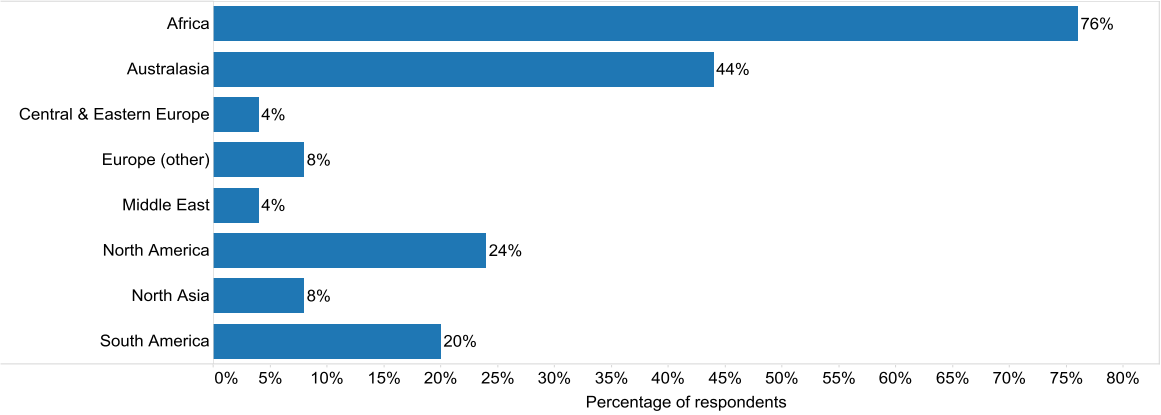


Source: Deloitte and Mergermarket Group, 2010b

and Mergermarket Group 2010b), even as many international competitors faltered.[14]

Chinese M&As are expected to increase in the coming years, with Africa as their primary focus. In a 2010 survey of mining corporations based in Mainland China, 76 percent of the industry experts interviewed believed Africa to be the most important region for future Chinese M&As (Figure 12; Deloitte and Mergermarket Group 2010a).[15] According to the Mergermarket Group's comprehensive review of African M&As in 2013, two of the top 10 M&As in Africa were between Chinese companies and partner firms in SSA. China National Petroleum Corporation's acquisition of a 28 percent stake in ENI East Africa SpA from Eni SpA was the single largest deal, valued at US$4.2 billion. In addition, Sinopec Group acquired a 10 percent stake in Marathon Oil Corporation's Angolan offshore oil and gas field block 31, valued at US$1.5 billion (Mergermarket Group 2013).

Figure 12 Focus of Future Chinese Mining Sector FDI, Industry Expert Survey, 2010



Source: Deloitte and Mergermarket Group, 2010a
Note: Respondents may have selected multiple answers

3. Rise of Chinese Private Investment in SSA

The traditional focus of government-led FDI in Africa has been on natural resources[16] and related infrastructure, with Chinese companies building the pipelines, power stations, roads, railways, and seaports necessary for the extraction and transportation of oil, minerals, and other natural resources. As in the rest of the world, China's engagement in Africa has involved a tight link between trade, investment, and finance. In what has become known as the "Angola model," this relationship starts with the Exim Bank of China providing a line of credit, often at concessional rates, to the government of a resource-rich country. This credit line is secured by a long-term agreement on resource rights. Chinese firms then compete for the various large infrastructure projects that will undergird the development of the country's resource sector (e.g., oilfields, mines, processing facilities, transportation networks, etc.) and will be paid directly by the Exim Bank of China.

While the natural resource sector remains an important focus of Chinese FDI, manufacturing investment in SSA has increased significantly in recent years, reaching 15.3 percent of total Chinese FDI in SSA in 2012. China developed its domestic manufacturing industry by concentrating its cheap labor and abundant capital in SEZs and industrial parks. Within these zones, land and infrastructure bottlenecks were relieved and a competitive business environment

was established. This approach to industrialization has been so successful that variations on the model have been adopted in other countries, such as Cambodia, Mauritius, and Vietnam. However, China's original set of competitive advantages has been shifting over time; among other key changes, manufacturing wages have risen from US$150 per month in 2005 to US$500 in 2012, reaching more than US$600 in coastal regions (Dinh et al. 2012).

Faced with increasing labor costs, many Chinese manufacturing firms have begun relocating to countries with lower wage rates, including several in SSA. China has facilitated this outsourcing process by officially sponsoring the construction of five SEZs in African countries (see table A4.6 in annex 4) to attract public and private investors. Although these SEZs were set up five to seven years ago, all are still in their initial development phase. Four of the five SEZs currently have fewer than 10 tenant companies operating in them (Mauritius' Jinfei Zone had no companies operating in it prior to July 2013). Many firms have signed memoranda of understanding but have not yet begun to invest. However, those companies that have started operating in the SEZs typically employ a large number of African workers: Zambia Chambishi currently employs 7,973 workers, Nigeria Ogun employs 1,619, and Ethiopia Eastern employs 1,600 (Bräutigam and Tang 2011).

Although government-led SEZs have thus far achieved only mixed results in SSA, the rise of Chinese private investment has been spectacular. In 2002, only four of the 21 Chinese FDI projects in Africa recorded by MOFCOM were privately owned; by 2013, 1,217 of 2,282 projects were private, or 53 percent of the total (Shen 2014). With regard to value, private investment made up about 45 percent of total Chinese FDI in SSA. This remarkable increase in private investment is largely due to a set of measures adopted since 2004 aimed at promoting Chinese investment overseas.[17] In addition, a number of funds were set up to support investment in overseas processing activities, for example the Central Foreign Trade Development Fund of RMB2.3 billion (around US$375 million). In 2006, the MOFCOM and the All-China Federation of Industry and Commerce published a draft document calling on the government to recognize the international significance of Chinese private enterprise and establish policies to support Chinese firms in "going global"[18] (Cheng and Ma 2007; MOFCOM and All-China Federation of Industry and Commerce 2006). Finally, China began offering tariff-free entry to more than 400 products (mostly manufactured goods) produced in Africa's low-income countries, further incentivizing Chinese firms to relocate to SSA. The number of Chinese manufacturing projects in SSA rose from just seven in 2004 to 75 in 2013. During 2009, at the height of the global financial crisis, some 70 Chinese manufacturing projects were underway in Africa and 66 of these projects were privately owned (Shen 2014).

Impact of Chinese FDI in SSA: Case Studies

Rigorous economic research on the impact of Chinese FDI in Africa is limited. Fu and Buckley (2014) claim that during 2004–10, Chinese FDI had a positive and significant impact on the long-run economic growth of recipient economies. Overall, Chinese FDI appears to have contributed positively to economic growth in Africa, even more than it has in Asia. Moreover, Chinese FDI has become a significant source of job creation in several developing economies. Weisbrod and Whalley (2011) focus their analysis on the period from 2005 to 2007, just before the global financial crisis. During this period, GDP growth in SSA averaged 6 percent and Chinese FDI flows accounted for up to 10 percent of total inbound FDI in several African countries. Weisbrod and Whalley use growth accounting to determine how much of this growth can be attributed to Chinese FDI. In addition, they run counterfactual growth accounting experiments for 13 countries in SSA,

excluding Chinese FDI, for 2005–07 and 2003–09. Overall, they find that Chinese FDI contributed an additional 0.5 percentage points or more to GDP growth, confirming the economic importance of Chinese investment.

Even less is known about the specific economic impact of Chinese private FDI in Africa, although some important insights can be gleaned from an analysis of individual cases. A closer look at several major investment projects of Chinese private firms in Tanzania, Nigeria, and Ethiopia is presented below.

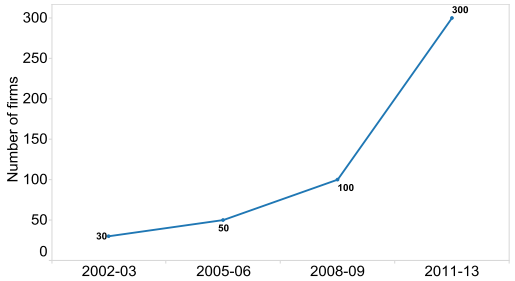
Tanzania. Tanzania has been a major recipient of Chinese investment, the total stock of which had surged to US$541 million by 2012.[19] Moreover, a rising share of this investment has originated from the private sector. Between 2002 and 2013, the number of Chinese private firms operating in the country increased from 30 to about 300, with much of the increase recorded in the past couple years (Figure 13a).

According to estimates from the Chinese Business Chamber of Tanzania, Chinese private companies have created more than 150,000 jobs, although more conservative estimates put the number at 80,000 jobs. By contrast, Tanzania's SEZ, the Export Processing Zone Authority, has only created 15,100 jobs. Many Chinese firms provide on-the-job training to local workers and some also send Tanzanian managerial staff to China for training programs lasting from three months to one year. Most Chinese private firms are involved in low-tech, labor-intensive industries, such as light manufacturing and assembly, and many compete with domestic companies in Tanzania (Figure 13b). In several instances, local workers have started their own enterprises after leaving Chinese firms.

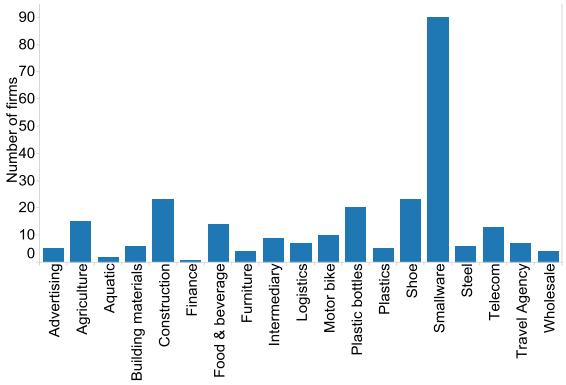
The distribution of firms by sector shows that the majority of Chinese companies produce for the local market rather than for export. Over 90 percent of Chinese firms are located in the country's largest city, Dar es Salaam. Interview respondents reported that the key reasons for this include its substantial market, its large labor force, and Dar es Salaam's status as a major commercial center.

Figure 13 Chinese Firms in Tanzania and Distribution by Sector

a. Chinese firms in Tanzania



b. Distribution of Chinese firms in Tanzania, by sector



Source: Kweka and Lu, 2013

Nigeria. The story of the Yuemei Group and its textile-focused industrial park in Nigeria provides an interesting example of the opportunities that African markets offer to Chinese firms. The Zhejiang-based Yuemei Group, a private textile manufacturer, currently owns 10 clothing factories

and sales offices in Cameroon, Mali, Nigeria, Senegal, Tanzania, and Togo (Yuemei Group 2014a). However, between 1992 and 2009, it was solely an exporter shipping its products to Nigeria through Hong Kong SAR, China, trading companies. In 2000, Zhiming Xu, the CEO of Yuemei, decided to eliminate its intermediaries and set up its own sales office, China-Nigeria Textile Co., Ltd, in Lagos. The move gave Yuemei direct access to Nigeria's huge textile market and its profit margin increased from 5 to 40 percent in a single year (Shen and Zhang 2009). In 2004, concerned that competition with China could wipe out its domestic textile industry, Nigeria adopted strict regulations on textile imports. Yuemei responded by investing US$1.2 million to establish a domestic manufacturing subsidiary, Jinmei (Nigeria) Textile Co., Ltd, in Nigeria's Calabar Free Trade Zone (Yuemei Group 2014b). In 2006, the company set up a second overseas textile factory in Senegal through an initial investment of US$5 million (Shen and Zhang 2009).

In 2007, the Yuemei Group invested more than US$50 million to construct the Yuemei-Nigeria Textile Industry Park, China's first overseas textile industrial park, with a complete production chain of spinning, weaving, embroidery, knitting, and garment making (Nan 2012). By 2009, five textile firms had moved into the park and employed an estimated 1,000 local workers (FOCAC 2010). During the global financial crisis, Yuemei Group was able to increase its production and its sales continued to grow. The company's CEO said that he "does not feel the influence of the financial crisis very much," because "the average profit margin for domestic textile enterprises in China is 5 percent, and they surely cannot afford to lower the price. However, my margin is still 25 percent in Africa, providing a much larger space [to buffer its effects]" (Xinhua 2009).

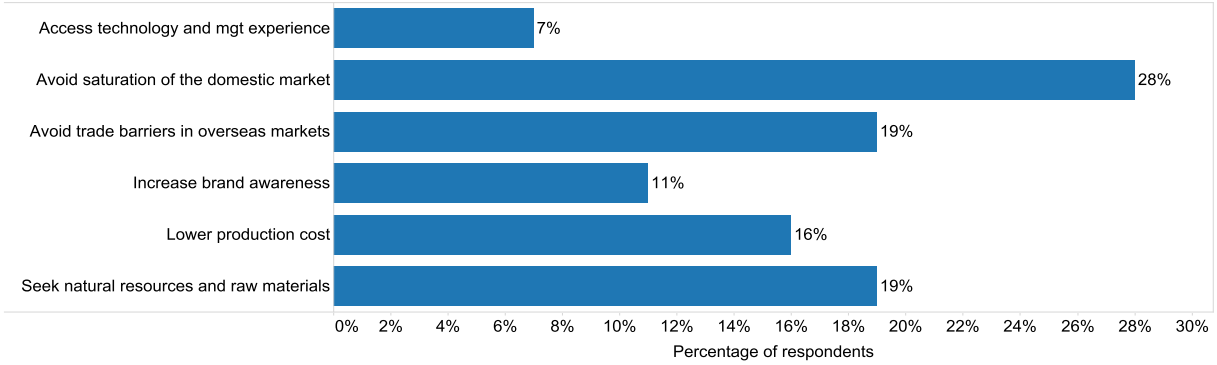
Ethiopia. The experience of the Huajian Group in Ethiopia is among the most well-known Chinese success stories in SSA. Huajian, one of China's largest shoe manufacturers, invested about US$10 million in an Ethiopian factory to manufacture shoes for export to Europe and North America. Based on the achieved success, Huajian plans to further cooperate with the Government of Ethiopia and construct a dedicated industrial park with an estimated investment of US$2 billion. Ethiopia has many advantages as a manufacturing center, including a large pool of educated workers, very low wage rates, a strategic geographical location, and a government determined to transform its economy by attracting foreign investors. During an interview, the chairman of Huajian Group emphasized the importance of the Ethiopian government's investment policy: "We told the Ethiopian Prime Minister that we want nothing but a piece of land and good policy, and with that we will create a large number of exports within a decade" (FOCAC 2011). Before starting the operation, Huajian sent more than 90 Ethiopian workers to China for training to improve their technical skills (Huajian Group 2012). The Huajian factory opened in January 2012 and, remarkably, turned a profit in its very first year. In 2013, its 3,500 workers produced two million pairs of shoes (Hamlin, Gridneff, and Davison 2014).

China's Economic Rebalancing and Its Implications for SSA

In the past, one of the key motivations for Chinese manufacturing firms to invest in Africa was to circumvent U.S. and EU trade restrictions on Chinese products and gain access to Western markets under preferential trade agreements with countries in SSA. This is no longer the case. In 2007–08, Gu (2009) interviewed 80 Chinese private firms located in Ghana, Madagascar, and Nigeria. The respondents indicated that the top reasons for investing in Africa were to gain access to largely untapped local consumer markets and avoid competition in an increasingly saturated Chinese market.

More recent surveys by the China Council for the Promotion of International Trade (CCPIT) in 2012 confirm and expand on these findings. Respondents identified the saturation of the Chinese domestic market (28 percent of the respondents) and access to lower production costs (16 percent) as the primary incentives for Chinese firms to move to Africa (Figure 14). As low-cost investment opportunities become increasingly scarce in China, many firms are moving abroad in search of new opportunities. This is particularly true in the labor-intensive manufacturing sector, as real wages for semi-skilled Chinese workers have been rising at a rate of 15 percent per year since 2008, while wage rate increases in most developing countries have remained in the low single digits. It is expected that China will ultimately outsource much of its labor-intensive manufacturing sector to lower-cost countries (Lin and Wang 2014), thus opening opportunities for many countries in SSA.

Figure 14 Chinese Firms' Reported Motives for Investing in Africa, 2008–12



Source: CCPIT, 2012

Following its explosive growth over the past two decades, China is now an upper-middle-income country and rivals the United States for the title of world's largest economy. However, China's growth rate is slowing as the economy transforms, "rebalancing" from an intensive focus on production and exports to a more service-oriented, consumption-based model. Meanwhile, the government continues to pursue important structural reforms to give a greater role to the private sector, improve efficiency, and spur innovation (Dollar 2014). As this process of rebalancing continues, it will entail positive and negative effects for China's trade and investment partners in SSA.

On the one hand, lower Chinese growth rates will decrease global demand for oil, minerals, and other natural resources and reduce international prices for these commodities, which are among the chief exports of many countries in SSA. Given that China has accounted for almost the entire increase in global demand for minerals and metals (e.g., copper, iron, lead, nickel, tin, and zinc) over the past 20 years, slowing growth in China will have a major impact on world commodity markets (Figure A4.1). Recent work by the International Monetary Fund (Drummond and Liu 2013) has shown that a 1 percentage point decrease in China's real domestic fixed investment growth rate would lower SSA's aggregate export growth rate by 0.6 percentage points. As one might expect, this effect appears to be larger for resource-rich countries and the countries in SSA that are likely to be most severely impacted are exporters of mining products, including the Democratic Republic of Congo, Guinea, South Africa, and Zambia. However, China's rebalancing also presents new export opportunities in the agricultural and manufacturing sectors. Countries in

SSA that have sound investment frameworks, stable governance, and a healthy investment climate will be well positioned to leverage these opportunities.

4. Conclusions and Policy Implications

China's rebalancing has the potential to bring great benefits to countries throughout SSA, but it also comes with considerable challenges. During the past two decades, China's growth has driven most of the global increases in the demand for commodities such as oil, aluminum, copper, and iron ore. As China moves toward a more consumption-driven growth model, the demand for and price of these commodities are expected to be significantly lower than in the past. This will have a direct, negative impact on the commodity producers in Africa; but it will also offer new opportunities to restructure and transform African economies. Countries that have become excessively reliant on natural resource exports will need to step up efforts to diversify their industrial and agricultural sectors, while a decline in fiscal revenues from the resource sector may force difficult choices in public spending. Policy measures to help raise the competitiveness of sectors that are suffering from import competition from China may also help SSA to respond well to the expected changes.

The window of opportunity created by China's rebalancing will not remain open indefinitely, but a pragmatic reform agenda designed to increase productivity in the tradable sector and enhance cooperation with the Chinese public and private sectors could greatly accelerate growth and enhance livelihoods in countries throughout SSA. In many countries, this will require a clear shift in policy and institutions toward a pro-growth environment. The specific reforms may not be those that China undertook, but they should be comprehensive enough to demonstrate commitment to a pro-growth strategy despite political changes and exogenous shocks.

Africa can become more competitive. Historically, China's competitiveness was built on a number of factors including low unit-labor costs, an abundance of subsidized credit, and an undervalued exchange rate. In addition, China's accession into the WTO in 2001, together with a series of reformative approaches, has brought about enhancement in total factor productivity (TFP), which has also strengthened China's competitiveness. The recent rise in labor costs and appreciation of the renminbi will reduce China's export competitiveness, at least in the near term, and benefit low-cost developing countries. African countries have a unique opportunity to attract strategic, job-creating investments from foreign investors, including China. For this to happen, countries in SSA need to develop a supportive policy framework to (a) lower transport costs, (b) eliminate formal and informal barriers that undermine investments in regional processing activity, (c) increase the flexibility of labor markets, and (d) ensure effective competition policies.

There is a need to build on successful experiences. Many African governments are building effective partnerships with China. A well-known example—although not the only one—is the success of the Huajian Group shoe manufacturer in Ethiopia. It required the commitment of the country's top leadership to help reduce transaction costs for investors, the development of an industrial park, and a vision that combined Ethiopia's comparative advantages—high-quality leather and low-cost labor—with China's financial investment and knowledge transfer.

China's activities in Africa should be compatible with Africa's needs, particularly for transformation and diversification. For example, it may be time to move away from the traditional model of infrastructural investment through resource-backed loans and tied aid, to ensuring that investment in infrastructure (from China and elsewhere) closely reflects Africa's development needs. Reciprocal agreements to lower tariffs on imports of specific products (e.g., in agriculture) and the establishment of joint ventures in sectors of mutual interest, including services, may contribute to strengthening the economic links between China and Africa.

The rise of Chinese private investment may contribute to Africa's transformation and job creation. Private investment is likely to grow exponentially, in line with the Chinese government's efforts to encourage local companies to go global and explore international markets. African counterparties should make the most of these new developments. Local governments have a chance to attract a large share of this investment and should learn to interact productively with private investors, ensuring joint benefits in growth, local employment, technology transfer, and training.

A final recommendation has to do with data and information. The lack of data on Chinese FDI in Africa limits research and sound analysis to support policy making. In particular, official FDI data collected by China's MOFCOM underestimate actual investment flows. An improvement in the availability of FDI data would significantly enhance policy makers' knowledge and contribute to a better policy dialogue. The Chinese government should improve the registration system for firms investing abroad and capture a larger number of investing entities, in particular small-scale manufacturing and commerce projects. Moreover, regular follow-up surveys with firms operating outside China could help clarify their final investment destinations (especially those that claim to invest in Mauritius and Seychelles) and the investment amount should be adjusted if there are any second-stage investments.

[1] For example, on May 22, 2014, the African Development Bank and the People's Bank of China established a US$2 billion co-financing fund, the "Africa Growing Together Fund," which will finance a range of development projects in SSA (AfDB 2014).
[2] According to the OECD definition (see annex 2), FDI includes only private financial flows. However, in China's case this definition is inadequate. "Outward direct investment" (as defined in MOFCOM's annual *Statistical Bulletin of China*), which also includes overseas investment by state-owned companies, is a more appropriate measure. Consequently, this report uses "FDI" to describe all Chinese outward direct investment, public and private.
[3] This report uses Balassa's (1965) definition of RCA, which is the region's share of world exports of a given good divided by its share of total world exports. The computed values indicate whether the region has a comparative advantage or disadvantage in each category. Scores greater than 1 reflect a comparative advantage, while scores lower than 1 reflect a comparative disadvantage.
[4] Mirror data refers to data reported by trading partners (UN 2010).
[5] Using the trade unit–value database at the HS 6 digit level, we compare each African good's FOB export price with the CIF import price of a similar good from China. This yields a set of comparable African producer prices and Chinese import prices, for which we then compute an average difference by HS section.
[6] Countries are grouped according to the following definitions (UNCTAD 2014): "Developed countries include the member states of the OECD (with the exception of Chile, Mexico, the Republic of Korea and Turkey), plus new European Union member countries that are not OECD members (Bulgaria, Croatia, Cyprus, Latvia, Lithuania, Malta and Romania), plus Andorra, Bermuda, Liechtenstein, Monaco and San Marino. Transition economies include Southeastern Europe, the Commonwealth of Independent States and Georgia. Developing economies include all economies not specified above. For statistical purposes the data for China do not include the Hong Kong Special Administrative Region (Hong Kong SAR), Macao Special Administrative Region (Macao SAR) or Taiwan Province of China."
[7] See the discussions in MOFCOM (2003–2014) and annex 3.
[8] Despite Africa's increasing importance as a trade partner, Chinese FDI to the region represents only a small share of China's total FDI portfolio. In 2013, SSA accounted for only 4 percent of China's outbound FDI stock, a level that has been virtually unchanged since the mid-2000s.

[9] In Figure 8, we have modified the sector names from the English edition of State Council of China (2013) based on the original Mandarin version of the report. Thus, 采矿业 is tranlated as "extractive industry" (different from the original translation, "mining"), 金融业 is "finance", 建筑业 is "construction," and 制造业 is "manufacturing." Other translations include "commercial services" (租赁和商务服务业), "scientific research, technology, and geological prospecting" (科学研究、技术服务和地质勘查业), "wholesale and retail commerce" (批发和零售业), "agriculture" (农林牧渔业), "real estate" (房地产业), and "other" (其他).

[10] All project data are based on public information.

[11] Mauritian offshore banking laws permit 100 percent foreign ownership, include no minimum foreign capital requirement, provide for a flat corporate and income tax rate of 15 percent, impose no tax on dividends, and allow free repatriation of profits, dividends, and capital, among other incentives. Investors in Mauritius-based foreign enterprises, which in turn invest in China, enjoy all of these financial benefits (U.S. Department of Commerce 2014; Shinn and Eisenman 2012).

[12] This is an online audit and it is therefore possible that the actual number of projects is greater than these figures indicated.

[13] The Exim Bank of China signed a memorandum of understanding with the Ningbo Municipal Bureau of Foreign Trade and Economic Cooperation and Yinzhou Bank to support local export-oriented companies (*Ningbo News* 2008).

[14] For example, in March 2009, Songshan Mining Co. Ltd entered into an option agreement with Tanzanian Royalty Exploration Corporation to acquire Tanzanian Royalty's interest in the Kabanga nickel mining licenses in northwestern Tanzania. During an interview, Li Songshan, the chairman of Songshan Mining Co. Ltd, said that he decided to initiate another round of negotiations, which eventually resulted in a successful deal, after noticing that many Western investors were leaving the industry (*China Industrial Economy News* 2010; Bloomberg 2009).

[15]One reason for the increasing popularity of Africa among Chinese mining companies is the proposed Resource Super-Profits Tax (RSPT) on mining company profits in Australia, the traditional destination country for mining-related investments from China. The RSPT was proposed in 2010 and constitutes a 40 percent tax on windfall profits from the exploration of Australia's nonrenewable resources. The current Australian government is in the process of repealing this tax (Sanyal and Darby 2010–2011; Taylor 2014).

[16] The Chinese government has strongly encouraged overseas investments in the natural resource sector. In October 2004, the National Development and Reform Commission and the Exim Bank of China jointly issued a circular to promote overseas investment in four specific areas, the first of which was "resource exploration projects to mitigate the domestic shortage of natural resources" (Salidjanova 2011; NDRC 2004). Africa, with its abundant natural resources and inexpensive investment opportunities, particularly during the global financial crisis, has received considerable attention from large state-owned firms and small- and medium-size private companies.

[17] For example, provincial governments were delegated to vet and approve investment deals totaling US$30 million or less for natural resource–related projects or US$10 million or less for non-resource–related projects, which greatly simplified the investment approval process, particularly for small- and medium-size private firms. In addition, the project proposal and feasibility study no longer required government approval (NDRC 2004; Cheng and Ma 2007). NDRC later raised the provincial government approval threshold to US$1 billion (NDRC 2014) for all projects that do not involve "sensitive countries or regions" or "sensitive industries." "Sensitive countries or regions" refers to those states with which China does not have formal diplomatic relations, states that have been subjected to international sanctions, or conflict areas. "Sensitive industries" refers to basic telecommunication networks, cross-border water projects, large-scale land development projects, electricity transmission lines, power grids, and media projects, among others.

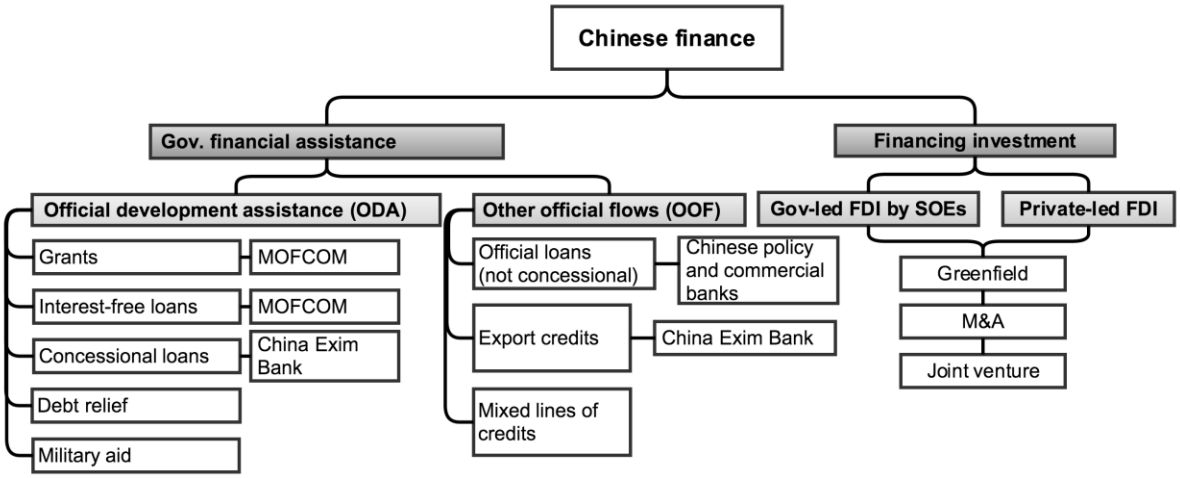
[18] "Going global" and "going out" are translations of 走出去战略 (*zou chu qu*). This refers to the Chinese government's strategy of encouraging overseas investment by Chinese firms.

[19] See Lu and Kweka (2013).

Annex 1 FDI, ODA, and Other Financial Flows

China's financial flows to Sub-Saharan Africa (SSA) encompass several dimensions in addition to foreign direct investment (FDI), such as official development assistance (ODA) and other official flows (OOF), as shown in Figure A1.1. ODA includes grants (scholarships, medical support, technical assistance, and training programs), interest-free loans, and concessional loans. OOF[2] includes export credits, natural resource–backed credit lines, subsidies for private investment, and so-called mixed credits, which combine concessional and market rate loans. China's export credits and other OOF are larger than its total ODA, which is larger than its total FDI in SSA. The proportion of these three types of financial flows has changed along with the Chinese government's policies over the years.

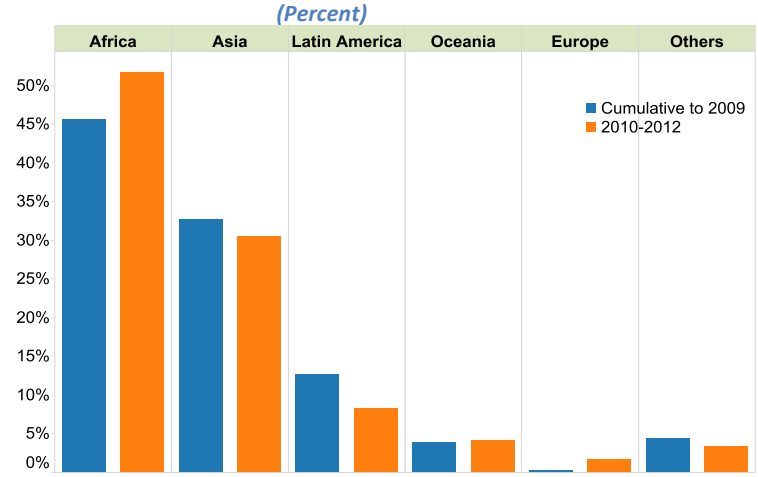
Figure A1.1 Chinese Financial Flows to SSA



Source: Adapted from a chart in Strange et al. 2013.

Grants and interest-free loans represented the majority of Chinese foreign aid before 2009 (41 and 30 percent, respectively), while concessional loans represented only 29 percent (State Council of China 2011). According to the 2014 Foreign Aid White Paper by the State Council of China, during 2010–12, nearly 56 percent of China's aid was in the form of concessional loans. The official objective of these loans, mostly delivered by the

Figure A1.2 Geographical Distribution of China's ODA
(Percent)



Source: Brant 2014; Xinhua 2011, 2014

[2] Many donors distinguish between OOF and ODA because of concerns about the conditions that are frequently attached to OOF arrangements, such as tying the funds to the use of specific products and services from the donor country.

Exim Bank of China, was to "promote economic development and improve living standards in developing countries," and "boost economic cooperation between developing countries and China." The White Paper emphasizes mutual economic benefits, which are offered as the justification for the requirement that projects financed by Chinese concessional loans use at least 50 percent Chinese goods or services (Bräutigam 2011a).

The geographical distribution of China's foreign aid has not changed significantly in recent years. Compared with Asia, Latin America, and other regions, Africa has continued to receive the highest amount of Chinese aid, as indicated in Figure A1.2.

FDI is a relatively small part of the picture. As shown in Table A1.1, the stock of Chinese FDI in SSA in 2013 was approximately US$24 billion (MOFCOM 2014). By comparison, the value of Chinese loan-backed financing activities in SSA, which represent the bulk of OOF, was US$52.8 billion between 2003 and 2011 (Bräutigam 2014). These are commercial loans issued by Chinese policy banks, such as the Exim Bank of China, and state-owned commercial banks, such as the Industrial and Commercial Bank of China.

Table A1.1 Chinese ODA, OOF, and FDI in SSA

Type of Chinese financing flows	Time period	Amount ($US, billions)
ODA (including North Africa)	By the end of 2012	24.60
Chinese bank financing (part of OOF, including North Africa)	2003–11	52.8
Chinese FDI stock in SSA	2013	24

Source: Bräutigam and Gallagher 2014; Xinhua 2011, 2014; MOFCOM 2014.

The patterns of Chinese financing in SSA and Latin America are similar, as indicated in Table A1.2. China's total FDI stock represented less than 1 percent of the GDP of the two regions in 2011. Chinese banks provided more loans to Latin America (US$79.8 billion) than to Africa (US$52.8 billion) in 2003–11, but these loans made up a larger percentage of Africa's GDP (2.8 percent) than that of Latin America's (1.6 percent). The average loan size for Latin America was more than five times larger than that of Africa, and Chinese banks usually offered lower minimal interest rates and longer payment periods for African loans. Similarly, more than half of these loans were commodity-backed in both regions, but the commodities differed: Latin American loans were exclusively secured by oil, whereas African loans were back by agricultural products (palm oil, cocoa, tobacco) and natural resources (oil, platinum, copper, diamonds) (Bräutigam and Gallagher 2014).

Table A1.2 Financing by Chinese Banks in SSA and Latin America *($US, millions)*

	SSA	Latin America
Chinese bank financing, 2003–11 (including North Africa)	52,818	79,799
% GDP (2011)	2.80	1.60
Commodity-backed, 2003–11 (including North Africa)	29,555	47,000
% total	56	54
Average size	906	5,222
China's FDI stock in 2011 (SSA only)	14.6 billion	55 billion
% GDP (2011)	0.85%	0.96%

Source: Bräutigam and Gallagher 2014.

Annex 2 Definitions of FDI, ODA, and OOF

OECD and Chinese Definitions of FDI

According to the Organisation for Economic Co-operation and Development's (OECD's) Glossary of Foreign Direct Investment Terms and Definitions, foreign direct investment (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident firm in one economy (direct investor) in an enterprise in another economy (direct investment). Lasting interest implies the existence of a long-term relationship between the investor and the investment and a significant degree of influence over the management of the latter. The direct or indirect ownership of 10 percent or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. In some cases, an ownership stake of as little as 10 percent of the voting power may not lead to the exercise of any significant influence; in other cases, an investor may own less than 10 percent but have an effective voice in the management. Nevertheless, the recommended methodology does not allow any qualification of the 10 percent threshold and recommends its strict application to ensure statistical consistency across countries.

FDI is often referred to as private investment and therefore is distinguished from government-led investment. In practice, however, the Chinese FDI data reported by the Ministry of Commerce of the People's Republic of China also include investment from state-owned enterprises.

OECD Definitions of ODA and OOF

The OECD Development Assistance Committee (DAC) defines official development assistance (ODA) as grants or loans to countries and territories on the DAC List of ODA Recipients (developing countries) and to multilateral agencies, which are: (a) undertaken by the public sector; (b) with the promotion of economic development and general welfare as their main objective; and (c) at concessional financing terms, if a loan, having a grant element of at least 25 percent. In addition to financial flows, technical cooperation is included in aid. Grants, loans, and credits for military purposes are excluded. Transfer payments to private individuals (e.g., pensions, reparations, or insurance payouts) are generally not counted.

Other official flows (OOF) are public sector transactions that do not meet the ODA criteria, such as: (a) grants to developing countries for representational or essentially commercial purposes; (b) official bilateral transactions intended to promote development but having a grant element of less than 25 percent; (c) official bilateral transactions, whatever their grant element, that are primarily export facilitating in purpose, including by definition export credits extended directly to an aid recipient by an official agency or institution (official direct export credits); (d) the net acquisition by governments and central monetary institutions of securities issued by multilateral development banks at market terms; (e) subsidies (grants) to the private sector to expand credit access in developing countries; and (f) funds in support of private investment.

Annex 3 Sector Coding of Harmonized Commodity Descriptions and Coding Systems (HS 1996)

This annex corresponds to figure 4. To identify the sector trends of SSA's exports to China, all commodities listed in HS 1996 are categorized into four major types: agricultural products, oil, non-oil natural resources, and manufactured products. For example, raw sugar products (1701: cane or beet sugar) are grouped into agricultural products, whereas other sugar products in code 17 (sugars and sugar confectionery) are grouped into manufactured products. The detailed classification of the codes is listed below:[3]

Agricultural products: animal (1–05); vegetable (6–15); sugar (1701); unmanufactured tobacco (2401); natural rubber (4001); raw hides and skin (41); raw fur skins (4301); wood in the rough (4403); natural cork (4501); silk (5001, 5002, 5003); wool (5101–5105); cotton (5201–5203); other textile fibers (5301–5305); bird feather (6701); pearls (7101).

Oil: 2709–2715.

Non-oil natural resources: salt and sulfur (25); ores (26); mineral fuels (2701–2708); inorganic chemicals (28); organic chemicals (29); copper (7401, 7402); nickel (7501, 7502); aluminum (7601); zinc (7901); tin (8001); other base metals (81).

Manufactured products: food products (16–24, excluding 1701, 2401); chemicals (30–38); plastic or rubber (39–40, excluding 4001); processed hides and skins (42, 43, excluding 4301); wood (44–49, excluding 4403, 4501); textiles and clothing (50–63, excluding 5001–5003, 5101–5105, 5301–5305); footwear (64–67, excluding 6701); stone and glass (68–71, excluding 7101); processed metals (72–83, excluding 7401, 7402, 7501, 7502, 7601, 7901, 8001, 81); machinery and electronics (84–85); transportation (86–89); miscellaneous (90–97).

[3] HS 99 (commodities not elsewhere specified) is not included in the sector distribution.

Annex 4 Data Tables

Table A4.1 FDI Flows from the United States, Japan, China, and EU Countries to Africa, 2001–12

($US, millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
United States	2439	-578	2697	1612	2564	5157	4490	3837	9447	9281	5127	3706
Japan	-183	227	120	382	44	926	1147	1541	-229	-314	522	115
China	-	-	76	298	292	417	1359	5416	1100	1883	2932	2158
European Union	3570	4955	9407	17359	17127	7384	17365	23150	15704	18612	6904	12562
- France	1791	855	1096	1346	4639	3115	4653	16311	-3049	4643	2010	2096
- United Kingdom	1658	3291	5639	10735	10624	-432	9456	1620	10266	12086	-5105	7450
- Germany	-260	-328	-319	1367	-625	267	2470	1018	1247	1163	1870	258
- Belgium	-	-31	-169	1545	-112	193	-323	297	3258	-1172	1279	-590
- Austria	4	10	10	-77	67	119	-44	-110	-292	89	238	128
- Bulgaria	-	-	-	-	-	-	1	1	-	-3	1	2
- Croatia	-	-	-	-	-	-8	2	-	1	2	-	-
- Cyprus	1	25	40	7	1	268	1	11	60	73	652	13
- Czech Republic	-	-	-	-	-	-	-	-	1	-1	-	1
- Denmark	23	25	50	197	345	-8	-313	117	261	480	242	-35
- Estonia	-	-	-	-	-	1	2	1	-	-	-	-
- Finland	4	16	-35	7	9	16	16	26	-25	27	44	25
- Greece	-	-	11	1	69	17	15	44	2	6	-	-21
- Hungary	-	-	-	-	1	-	-5	2		3	-1	-5
- Ireland	21	-	-	41	-	-29	-75	324	-68	-	106	-15
- Italy	48	42	51	111	139	1657	166	1780	1723	1508	3919	3564
- Latvia	-	-	-	-	-	-	-	-	-	-	-	-
- Lithuania	-	-	-	-	-	-	-	-	-	-	-	-
- Luxembourg	-	152	-6	269	133	438	1087	1039	1837	83	345	10
- Malta	-	-	-	-	-	-	-	-	-	-	-	-
- Netherlands	657	1101	858	869	-	-	-	-	-	-	-	-
- Poland	15	1	-7	24	26	31	6	16	-8	-19	44	25
- Portugal	140	-608	-3	110	249	309	-1070	-883	-1128	149	302	272
- Romania	-	-	-	-	1	-	1	16	7	11	8	8
- Slovakia	-	-	-	7	1	-	-	-	-	-	-	-
- Slovenia	1	-3	3	19	29	18	32	88	19	46	20	40
- Spain	-529	429	2156	755	1006	1571	1163	1856	661	-449	503	-637
- Sweden	-4	-22	32	26	525	-159	114	-424	931	-113	427	-27

Source: UNCTAD 2014.

Table A4.2 FDI Stock from the United States, Japan, China, and EU Countries to Africa, 2001–12

($US, millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
United States	15574	16040	19835	20356	22756	28158	32607	36746	43924	54799	57213	61366
Japan	623	1227	2049	1623	1326	2700	3865	7287	5738	6149	8065	6874
China	-	-	491	900	1595	2557	4462	7804	9332	13042	16244	21730
European Union	31653	44821	60339	64448	69856	76466	104134	111388	150024	158694	161810	175288
- France	6235	8372	11407	12760	16104	23112	35385	39126	50837	55792	53036	57984
- United Kingdom	12978	21785	30410	33510	35874	29651	37095	30765	47853	47189	47694	58937
- Germany	3768	4441	5576	6842	6697	7585	9293	8694	11391	13521	13067	8576
- Belgium	-	-	-	-	-	-	-	4765	8651	6958	7563	7192
- Austria	7	46	267	365	316	119	110	-88	-337	866	929	1024
- Bulgaria	-	-	-	1	-	-	1	2	2	2	3	4
- Croatia	228	254	274	309	263	314	529	477	500	535	540	501
- Cyprus	-	70	128	146	127	423	474	458	115	160	738	730
- Czech Republic	-	-	3	-	-	-	-	-	1	-	-	-
- Denmark	534	822	818	1212	1116	1320	1222	1211	1522	1977	2280	2898
- Estonia	-	-	-	-	-	5	7	24	26	13	-	-
- Finland	91	76	37	32	29	40	79	99	83	119	138	171
- Greece	35	44	31	49	65	70	67	71	731	80	77	82
- Hungary	2	2	3	-	-	-	-	1	4	7	2	4
- Ireland	-	-	-	-	-	-	233	438	454		283	289
- Italy	-	-	-	-	-	-	4866	6652	9594	10349	13200	15845
- Latvia	-	-	-	-	-	-	-	-	-	-	-	-
- Lithuania	-	-	-	-	-	-	-	-	-	-	-	-
- Luxembourg	-	-	-	-	-	-	-	1602	1932	2536	1999	
- Malta	-	-	-	-	-	-	-	-	-	-	-	-
- Netherland	5017	6620	5926	3103	2107	2589	3432	3360	2931	3165	2797	3123
- Poland	77	38	40	65	90	124	131	13	5	197	201	227
- Portugal	1720	1097	1284	1356	1469	1810	2411	5162	3868	4868	5744	6846
- Romania	-	-	-	-	-	-	-	-	-	-	-	-
- Slovakia	-	-	-	-	-	-	-	-	-	-	-	-
- Slovenia	24	21	26	45	71	86	127	211	233	280	292	292
- Spain	-	-	2301	2536	3015	6304	6177	6168	7099	6205	6871	6258
- Sweden	937	1133	1808	2117	2513	2914	2495	2177	2529	3875	4356	4305

Source: UNCTAD 2014.

Table A4.3 2013 Statistical Bulletin of China's Outward FDI Stock by Country and Region, 2003–13

($US, millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
North Africa	26.72	59.98	266.81	407.29	629.54	753.38	1130.07	1364.55	1626.17	1930.62	2233.98
Algeria	5.7	34.49	171.21	247.37	393.89	508.82	751.26	937.26	1059.45	1305.33	1497.21
Egypt, Arab Rep.	14.29	14.28	39.8	100.43	131.6	131.35	285.07	336.72	403.17	459.19	511.13
Libya	0.86	0.87	33.06	28.57	70.83	81.58	42.69	32.19	67.78	65.19	108.82
Morocco	4.31	9.06	20.59	27.01	29.65	28.06	48.78	55.85	89.48	95.22	102.96
Tunisia	1.56	1.28	2.15	3.91	3.57	3.57	2.27	2.53	6.29	5.69	13.86
Sub-Saharan Africa	464.51	839.58	1328.42	2149.53	3832.29	7050.46	8202.2	11677.57	14618.15	19799.09	23951.79
Angola	0.3	0.47	8.79	37.23	78.46	68.89	195.54	351.77	400.59	1245.1	1634.74
Benin	7.71	20.51	19	22.12	35.6	53.15	54.01	39.33	40.03	47.6	49.91
Botswana	2.1	3.8	18.12	25.52	43.39	65.26	119.25	178.52	200.38	220.15	230.9
Burkina Faso	-	-	-	-	-	-	-	-	-	-	4.34
Burundi	-	0.02	-	1.65	1.65	1.65	4.64	6.51	7.2	8.7	9.79
Cameroon	5.73	6.98	7.87	16.46	18.51	20.34	25.05	59.61	61.54	79.5	148.4
Cape Verde	-	0.01	0.6	1.65	4.65	5.13	5.04	4.58	4.58	11.6	15.23
Central African Republic	-	-	2	3.98	3.98	3.98	16.71	46.54	51.02	51.02	60.38
Chad	-	-	2.71	12.78	13.53	25.36	76.57	80	108.12	194.12	321.26
Comoros	-	0.01	0.01	4.05	4.05	4.05	4.05	4.04	4.04	4.54	4.54
Congo, Rep.	-	5.65	13.32	62.9	65.4	75.42	115.17	135.88	142.4	504.9	695.43
Congo, Dem. Rep.	0.24	15.69	25.11	37.61	104.4	134.14	397.43	630.92	709.26	970.49	1091.76
Côte d'lvoire	8.05	14.1	29.11	25.04	28.18	21.16	37.65	32.99	34.67	40.04	35
Djibouti	-	0.4	0.4	0.6	1.6	1.6	7.03	12.47	18.13	17.99	30.55
Equatorial Guinea	8.64	10.21	16.56	30.44	44.63	40.62	61.5	86.25	98.68	404.64	260.85
Eritrea	1.88	0.12	0.12	6.63	7.22	6.73	9.6	12.54	14.31	103.78	104.55
Ethiopia	4.78	7.87	29.82	95.6	108.88	126.45	283.44	368.06	426.79	606.55	771.84
Gabon	24.05	31.27	35.36	51.28	55.59	88.14	100.05	125.34	127.1	128.47	168.48
Gambia	0.04	0.2	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19	1.19
Ghana	6.6	6.31	7.33	8.09	41.87	58.02	185.04	202	270.15	505.27	834.84
Guinea	14.34	25.77	44.22	54.63	69.97	96.37	129.32	136.41	168.43	234.67	338.58
Guinea Bissau	-	-	-	-	-	-	27	27	27	27	27
Kenya	25.53	28.46	58.25	46.23	55.13	78.36	120.36	221.58	308.83	402.73	635.9
Lesotho	0.24	0.03	0.6	7.6	7.6	8.22	8.32	8.88	8.91	9.13	9.13
Liberia	5.8	6.38	15.95	29.51	29.78	37.36	56.39	81.67	114.74	154.37	196.1
Madagascar	28.13	40.63	49.94	54.34	76.01	146.52	196.22	229.87	253.63	274.55	286.1
Malawi	0.72	0.72	0.73	0.96	1.16	6.59	14.54	32.4	30.07	49.3	253.82
Mali	12.09	13.16	13.28	19.83	32.22	30.95	44.72	47.77	160.06	211.43	316.67
Mauritania	1.82	2.13	2.4	20.12	15.14	24.76	31.29	45.88	74.71	106.15	108.28
Mauritius	12.59	12.63	26.81	51.16	115.9	230.07	242.84	283.29	605.94	700.8	849.59
Mozambique	2.42	5.6	14.68	14.68	34.24	43	74.96	75.24	98.07	336.91	508.09
Namibia	0.72	2.21	2.36	6.43	7.24	19.95	46.18	47.11	60.21	94.53	349.45

Niger	12.5	14.03	20.44	32.99	134.53	136.5	184.2	379.36	429.57	125.33	241.87
Nigeria	31.98	75.61	94.11	215.94	630.32	795.91	1025.96	1210.85	1415.61	1949.87	2146.07
Rwanda	3.3	3.3	4.72	7.71	7.3	20.18	28.8	41.63	58.52	63.54	73.33
São Tomé and Príncipe	-	-	-	-	-	-	0	0.31	0.31	0.38	0.38
Senegal	2.51	2.58	2.35	4.15	4.39	10.61	26.07	45.03	45.2	102.22	83.25
Seychelles	0.42	0.42	4.19	6.46	6.55	6.6	7	19.36	23.8	77.19	103.47
Sierra Leone	-	5.74	18.45	14.89	32.28	43.7	51.23	41.48	52.23	57.71	108.36
Somalia	-		-	-	-	-	-	-	-	-	-
South Africa	44.77	58.87	112.28	167.62	702.37	3048.62	2306.86	4152.98	4059.73	4775.07	4400.4
South Sudan			-	-	-	-	-	-	0.05	10.9	26.47
Sudan	0.55	171.61	351.53	497.13	574.85	528.25	563.89	613.36	1525.64	1236.6	1507.04
Swaziland			-	-	-	-	-	-	-	-	-
Tanzania	7.46	53.8	62.02	111.93	110.92	190.22	281.79	307.51	407.07	540.8	716.46
Togo	4.73	6.24	4.78	11.72	14.42	23.12	33.02	58.11	67.15	98.38	123.09
Uganda	1.33	0.23	4.97	14.67	18.68	11.98	58.56	113.68	126.21	141.1	383.76
Zambia	143.7	147.75	160.31	267.86	429.36	651.33	843.97	943.73	1199.84	1998.11	2164.32
Zimbabwe	36.74	38.06	41.63	46.15	59.15	60.01	99.75	134.54	576.44	874.67	1520.83

Source: MOFCOM 2014.

Table A4.4 2013 Statistical Bulletin of China's Outward FDI Flows by Country and Region, 2003–12

($US, millions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
North Africa	4.86	19.01	99.28	102.78	215.46	74.24	339.19	228.61	241.54	359.01	229.77
Algeria	2.47	11.21	84.87	98.93	145.92	42.25	228.76	186	114.34	245.88	191.3
Egypt, Arab Rep.	2.1	5.72	13.31	8.85	24.98	14.57	133.86	51.65	66.45	119.41	23.22
Libya	0.1	0.06	0.25	-8.51	42.26	10.54	-38.55	-10.5	47.88	-6.68	0.45
Morocco	0.19	1.8	0.85	1.78	2.64	6.88	16.42	1.75	9.11	1.05	7.74
Tunisia		0.22		1.73	-0.34		-1.3	-0.29	3.76	-0.65	7.06
Sub-Saharan Africa	75.89	298.42	292.4	417.08	1358.85	5416.32	1099.68	1883.38	2931.6	2157.65	3140.87
Angola	0.19	0.18	0.47	22.39	41.19	-9.57	8.31	101.11	72.72	392.08	224.05
Benin	2.09	13.77	1.31	-	6.32	14.56	0.09	1.76	0.75	5.06	8.44
Botswana	0.8	0.27	3.69	2.76	1.87	14.06	18.44	43.85	21.86	21.1	10.19
Burkina Faso	-	-	-	-	-	-	-	-	-	-	4.34
Burundi	-	-	-	-	-	-	0.69	-	-	1.5	1.09
Cameroon	0.28	0.37	0.19	0.73	2.05	1.69	0.82	14.88	1.87	17.65	57.2
Cape Verde	-	-	0.32	0.23	0.09	0.48	-	-0.46	-	-	0.13
Central African Republic	-	-	-	-	-	-	-	25.81	2.48	-	1.3
Chad	-	-	2.71	1.61	0.75	9.47	51.21	2.13	-12.48	80.68	120.95
Comoros	-	-	-	-	-	-	-	-0.01	-	0.5	-
Congo, Rep.	-	0.51	8.11	13.24	2.5	9.79	28.07	34.38	6.81	98.8	109.94
Congo, Dem. Rep.	6	11.91	5.07	36.73	57.27	23.99	227.16	236.19	75.18	344.17	121.27
Côte d'lvoire	0.62	6.75	8.74	-2.91	1.74	-7.02	1.51	-5.02	0.87	3.61	-4.79
Djibouti	-	-	-	-	1	-	3.4	4.23	5.66	-	2
Equatorial Guinea	0.48	1.69	6.35	10.19	12.82	-4.86	20.88	22.08	12.47	138.84	22.41
Eritrea	-	-	-	0.01	0.45	-0.49	0.23	2.94	3.3	1.96	0.9
Ethiopia	0.98	0.43	4.93	23.95	13.28	9.71	74.29	58.53	72.3	121.56	102.46
Gabon	-	5.6	2.08	5.53	3.31	32.05	11.88	23.44	1.93	30.69	32.1
Gambia	0.04	-	-	-	-	-	-	-	-	-	-
Ghana	2.89	0.34	2.57	0.5	1.85	10.99	49.35	55.98	40.07	208.49	122.51
Guinea	1.2	14.44	16.34	0.75	13.2	8.32	26.98	9.74	24.55	64.44	100.13
Guinea-Bissau	-	-	-	-	-	-	-	-	-	-	-
Kenya	0.74	2.68	2.05	0.18	8.9	23.23	28.12	101.22	68.17	78.73	230.54
Lesotho	-	0.03	0.6	-	-	0.62	0.1	0.56	0.03	0.21	-
Liberia	0.4	0.58	8.65	-7.03	-	2.56	1.12	29.89	21.09	12	30.34
Madagascar	0.68	13.64	0.14	1.17	13.24	61.16	42.56	33.58	23.1	8.43	15.51
Malawi	-	-	-	-	0.2	5.44	-	9.86	1.2	10.33	8.25
Mali	5.41	-	-	2.6	6.72	-1.28	7.99	3.05	47.58	44.42	108.01
Mauritania	1.7	0.09	0.36	4.78	-4.98	-0.65	6.53	5.77	19.69	30.87	15.27
Mauritius	10.27	0.44	2.04	16.59	15.58	34.44	14.12	22.01	419.46	57.83	61.07
Mozambique	-	0.66	2.88	-	10.03	5.85	15.85	0.28	20.26	230.52	131.89
Namibia	0.62	-	0.18	0.85	0.91	7.59	11.62	5.51	5.04	25.12	7.05

Niger	-	1.53	5.76	7.94	100.83	-0.01	39.87	196.25	51.63	-195.94	116.54
Nigeria	24.4	45.52	53.3	67.79	390.35	162.56	171.86	184.89	197.42	333.05	209.13
Rwanda	-	-	1.42	2.99	-0.41	12.88	8.62	12.72	9.69	5.02	-5.94
São Tomé and Príncipe	-	-	-	-	-	-	-	0.02	-	0.07	-
Senegal	0.65	-	-	-	0.24	3.6	11.04	18.96	0.19	4.47	10.44
Seychelles	-	-	0.05	0.06	0.09	0.05	0.36	12.28	4.34	53.4	17.69
Sierra Leone	-	5.92	0.49	3.71	2.85	11.42	0.9	-	10.75	7.69	40.03
Somalia	-	-	-	-	-	-	-	-	-	-	-
South Africa	8.86	17.81	47.47	40.74	454.41	4807.86	41.59	411.17	-14.17	-814.91	-89.19
South Sudan	-	-	-	-	-	-	-	-	0.05	7.8	11.49
Sudan	-	146.7	91.13	50.79	65.4	-63.14	19.3	30.96	911.86	-1.69	140.91
Swaziland	-	-	-	-	-	-	-	-	-	-	-
Tanzania	-	1.62	0.96	12.54	-3.82	18.22	21.58	25.72	53.12	119.7	150.64
Togo	0.03	1.85	0.31	4.58	2.7	4.2	8.91	11.77	9.04	20.59	23.59
Uganda	1	0.15	0.17	0.23	4.01	-6.7	1.29	26.5	9.91	9.79	60.6
Zambia	5.53	2.23	10.09	87.44	119.34	213.97	111.8	75.05	291.78	291.55	292.86
Zimbabwe	0.03	0.71	1.47	3.42	12.57	-0.72	11.24	33.8	440.03	287.47	517.53

Source: MOFCOM 2014.

Table A4.5 FDI Inflows, Global and by Group of Economies, 2000–13

($US, billions)

Economic group	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
World	1415	838	629	604	738	997	1482	2002	1819	1222	1422	1700	1330	1452
Developing economies	267	226	172	197	285	341	433	591	669	533	648	725	729	778
Transition economies	6	8	10	18	29	32	60	88	118	71	71	95	84	108
Developed economies	1142	603	446	389	424	623	988	1323	1032	619	703	880	517	566
- Africa	10	20	15	18	17	31	36	51	59	56	47	48	55	57
- Sub-Saharan Africa	7	15	11	14	12	21	16	30	39	40	33	42	41	45

Source: UNCTAD 2014.

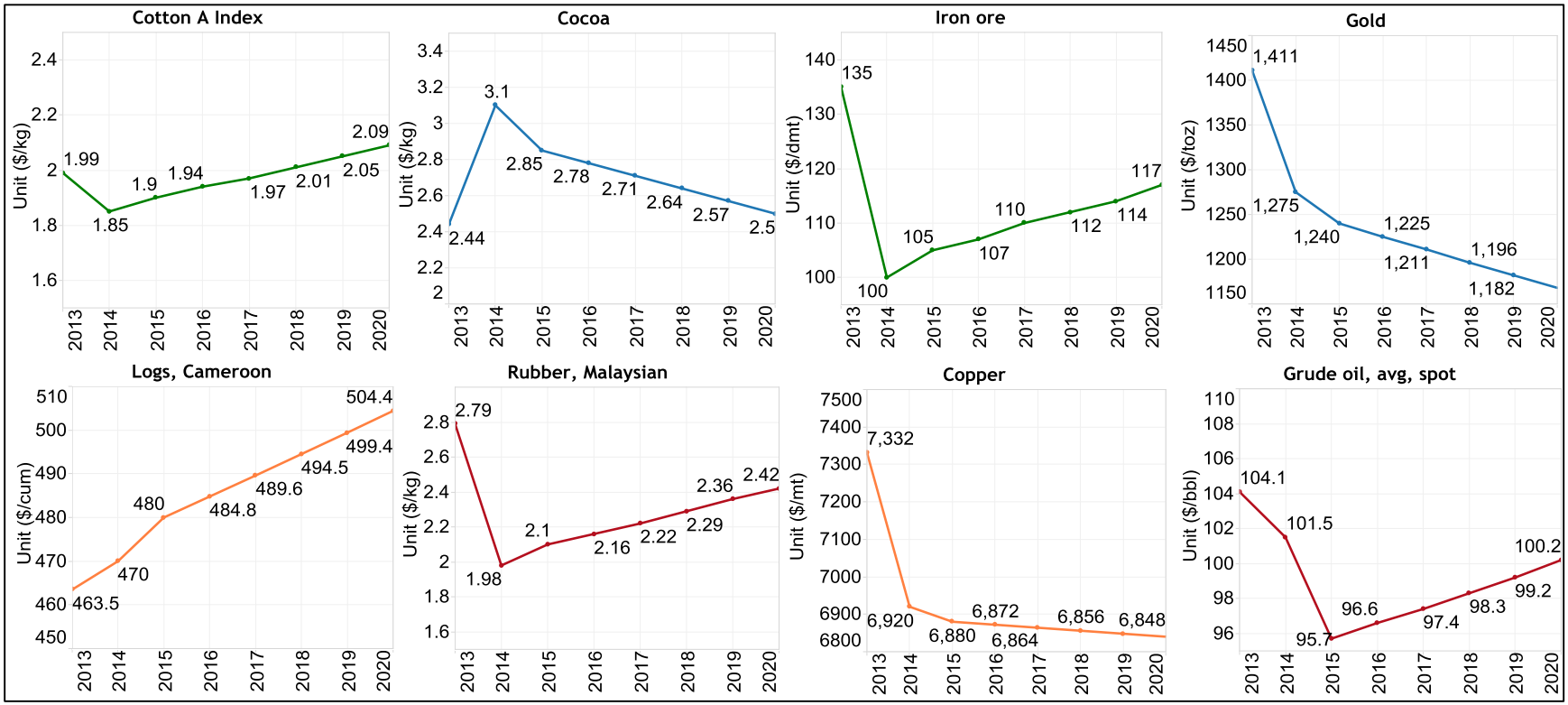
Table A4.6 China's Five Officially Approved Special Economic Zones in SSA, Circa July 2013

Country	Country & zone name	Location	Tender year	Original lead Chinese developer/later lead developer	Initial zone focus/later focus	Constr. start date	No. of tenant companies (signed)	No. of tenant companies (in operation)	Tenant company commitments to invest ($USm)	Tenant company actual investment ($USm)	Tenants: approx. # of Chinese workers	Tenants: approx. # of African workers
Ethiopia	Ethiopia Eastern	Dukem, Addis Ababa	2007	Yonggang /Qiyuan Investment Group	Steel products, construction materials	2010	12	6	129.5	n/a	300	1,600
Mauritius	Mauritius Jinfei	Terre Rouge	2006	Tianli/Three Shanxi companies	Industrial and real estate	2009	n/a	0	n/a	n/a	n/a	n/a
Nigeria	Nigeria Lekki	Lagos State	2007	CCECC	Industrial estate	2007	26	6	700	76	n/a	n/a
Nigeria	Nigeria Ogun-Guangdong	Ogun State	2006	Guangdong XinGuang	Industrial estate	2009	34	7	150	58	177	1,619
Zambia	Zambia Zambia–China	Chambishi/Lusaka	2006	China Nonferrous Metals Corporation	Mineral processing	2004	36	26	1,000	322	1,372	7,973

Source: Bräutigam and Tang 2011.

Figure A4.1 World Bank Commodity Price Forecasts: Agricultural Products and Oil and Metals

(nominal US$)



Source: World Bank commodities price forecast (October 16, 2014).

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