In 2011, China-Africa trade reached USD 166 billion, once again reiterating the ever-strengthening trade relations between the two regions. In this edition, we report the latest China-Africa trade data, review major China-Africa trade and investment deals of 2011 and early 2012, and also spotlight China's investment relationship with the East African Community (EAC).

China-Africa Briefing: Increasing Chinese cooperation with regional African bodies; Kidnapping of Chinese workers; New AU headquarters

- In late 2011, The EAC and China signed a Framework Agreement on economy, trade, investment and technical cooperation. For China, this is the first such working mechanism with a regional bloc and the first of its kind in sub-Saharan Africa. The Agreement will attempt to further open up Sino-EAC investment and trade opportunities. The Agreement will focus on the promotion of commodity trade, exchange of visits by businesspeople from both sides, co-operation on investment, infrastructure development and human resource development and training.

- 2012 opened on a sour note for China-Africa relations with several high-profile kidnapping of Chinese workers on the continent. In January, 34 Chinese workers were kidnapped in Sudan and although most were released, several were killed during the raid. In February, 25 workers from a Chinese cement factory in Egypt’s Sinai region were kidnapped by Bedouin tribesmen but were later released. The kidnapping re-focused global attention on China's investments in what are traditionally high-risk areas, while also raising awareness of how China should ensure the safety of its citizens working overseas.

- In January, China continued to increase its soft-power in the continent by officially launching China Central Television (CCTV) Africa in Nairobi, Kenya. The channel will cover the political, economic, social and cultural aspects of the entire African region.

- The biggest Sino-Africa event of 2012 thus far is undoubtedly the opening of the new 52,000 square meter African Union (AU) headquarters in Addis Ababa, Ethiopia. The USD 124 mn centre – entirely funded by China – was opened by Jia Qinglin, the chairman of the National Committee of the Chinese People’s Political Consultative Conference and Jean Ping, the current AU chairman. Moreover, in a sign of continuing co-operation with the AU, China also agreed to provide USD 95 million in aid to the AU over the next three years for additional projects to be agreed upon by the two sides at a later stage.

China-Africa Trade

Total Trade

- In 2011, China-Africa trade reached USD 166 billion, and new record high and increase of 31% y-o-y. South Africa and Angola remained China’s largest trading partners (see chart below: Ten Largest Partners). China’s imports from Africa grew at much faster pace than its exports, widening its trade deficit with the continent.

China-Africa Annual Trade (USD bn, 2001-11)

China Imports from Africa

- China’s imports from Africa in 2011 totalled USD 93.1 bn, up 40% y-o-y.

- Trade data for 2011 reveal that the five-biggest African exporters to China (South Africa, Angola, Sudan, DR Congo and Congo-Brazzaville) accounted for nearly 80% of China’s imports from the continent during this period (see chart below: Ten Largest Partners).

China Exports to Africa

- China’s exports to Africa in 2011 totalled USD 73.1 bn, up 20% y-o-y.

- Trade data for 2011 reveal that the leading five export destinations for Chinese goods in Africa were South Africa, Nigeria, Egypt, Liberia and Algeria. These five countries accounted for 54% of the continent’s total imports from China in 2011.

China-Africa Trade, Ten Largest Partners (USD bn, 2010 vs. 2011)

Source: CEIC; The Beijing Axis Analysis
China-Africa Investment

Trends

- Based on the major China-Africa investment activities in late 2011 and 2012, China’s investment appetite in Africa remained strong in three sectors: oil & gas, mining, and infrastructure.

Major Recent Deals and Developments

- In October 2011, an official from the state-owned China Development Bank announced that it would provide a USD 1 bn special purpose loan to support small and medium-sized enterprises in Ethiopia, Egypt and other African countries.
- In October 2011, Australia-listed Sundance Resources announced that it would be acquired by China’s Sichuan Hanlong Group for USD 1.65 bn. The deal would give Hanlong access to the USD 4.7 mn Mbalam iron mine, located in the Republic of Congo and Cameroon.
- In November 2011, China signed a series of agreements with Tanzania during the 4th meeting of the China-Tanzania Joint Economic and Trade Commission. The agreements guarantee loans of about USD 95 mn to the African country, which will be earmarked towards improving the nations’ public telecom networking as well as its transportation system.
- In November 2011, state-owned China Petrochemical Corp (Sinopec Group) said that it had completed its acquisition of an 80% stake in Pecten Cameroon Co. in Cameroon, from Royal Dutch Shell, gaining its first oil production assets in the African country.
- In November 2011, China Nonferrous Metal Mining (Group) Co Ltd, one of China’s largest state-owned enterprises announced plans to invest around USD 2 bn in Zambia from 2011 to 2015, to expand operations and begin construction of infrastructure facilities, adding that it had already injected nearly USD 2 bn into the African country.
- In December 2011, a subsidiary of Shanghai Construction Group Co. Ltd. announced it would acquire 60% of Eritrea-based Zara Mining Share Co. for USD 80 mn, and retain the option of further acquiring unconfirmed mines at a price of no more than USD 20 mn.
- In December 2011, Ethiopia and China signed two agreements, with China agreeing to provide USD 400 mn in loans to support the country’s water projects and its Growth and Transformation Plan.
- In February 2012, China National Material Group Corporation Ltd. (Sinoma) officially completed construction of a USD 1 bn cement plant in Nigeria, empowering the country with new cement export capabilities.
- In February 2012, China Railway Construction Corp. announced that it had won several railway construction contracts in Africa. The contracts, worth a total of USD 1.2 bn, include projects in Nigeria, Djibouti and Ethiopia.
- In February 2012, the China Minmetals Corporation announced that it had already obtained more than 90% of Anvil Mining Limited, an Africa-based mining company with several metal ore mines in the DRC.
- In February 2012, China’s state-owned CNOOC announced that along with Anglo-Irish Tullow Oil and France’s Total, it would invest in a USD 1.5 billion refinery in the Lake Albert rift basin in western Uganda.
- In February 2012, a Chinese firm, Good Time Steel Zambia Limited, announced it would invest more than USD 26 million in its expansion programme to produce angle iron bars in Zambia.

Africa Regional Focus: China and the East-African Community (EAC)

Brief Regional Profile

- The EAC is composed of five countries: Kenya, Uganda, Tanzania, Rwanda and Burundi who have a combined GDP of around USD 80 bn. The average GDP growth rate between the five countries was over 5% in 2011.
- As East Africa’s integration advances with the launching of a Common Market Protocol in 2010 and greater political and currency integration planned in the coming five years, China’s investments into the region have also been increasing.
- Chinese OFDI stock into the region has increased over the past decade from a lowly USD 38 mn in 2003 to around USD 691 mn in 2010, representing a CAGR of 52% over eight years. Chinese investment into the region is more diverse than in other regions on the continent partly due to region’s comparatively lower natural resource endowments.

Allocation of China’s FDI Stock in E. Africa (USD mn, 2003-10)

- In November 2011, China signed a Framework Agreement with the EAC on economy, trade, investment and technical co-operation in order to boost Sino-EAC trade, which in 2010 stood at nearly USD 4 bn, a 39% y-o-y increase.

Select Chinese Investments in Eastern Africa (USD mn, 2009-11)

<table>
<thead>
<tr>
<th>Year</th>
<th>Major Investment by Chinese Firm</th>
<th>Country</th>
<th>Sector</th>
<th>Value</th>
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<tbody>
<tr>
<td>2009-11</td>
<td>Nairobi-Thika Highway</td>
<td>Kenya</td>
<td>Infrastructure</td>
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<td>Kigali Urban Roads</td>
<td>Rwanda</td>
<td>Infrastructure</td>
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<td>Uganda</td>
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<td>2011</td>
<td>Michuchuma Coal Project; Liganga Iron Project</td>
<td>Tanzania</td>
<td>Mining</td>
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<td>2011</td>
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<td>Burundi</td>
<td>Industry/ Telecom</td>
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<td>Rehabilitation of Northern Corridor Highway</td>
<td>Kenya</td>
<td>Infrastructure</td>
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</tbody>
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Source: Chinese Statistical Bulletin of OFDI; Various; The Beijing Axis Analysis