

Regional Focus: Africa

In 2010, China-Africa trade surpassed the USD 100 billion mark for the first time, and despite the political turmoil in North Africa, trade in H1 2011 is around 30% higher y-o-y. We also review the major China-Africa deals in H1 2011, and profile China Civil Engineering Construction Corporation, one of China's leading EPC contractors in Africa.

China-Africa Briefing: China Eyeing Unrest in North Africa; Building Relations with the Sudans; First China-Africa NGO forum

- China is paying close attention to the political situation in North Africa and the potential impact on China's resource security in the region. Libya in particular is one of China's leading suppliers of crude oil in Africa; in 2010 Libya exported roughly USD 4.5 billion worth of oil to China. Over the years, China has invested billions of dollars in infrastructure projects in Libya, which China is urging the emerging post-Gaddafi government to protect during the transition period
- During a meeting in late June, President Hu Jintao and his Sudanese counterpart Umar al-Bashir signed agreements on infrastructure and equipment loans and for economic and technological cooperation. On 9 July, China also welcomed the independence of South Sudan, which holds three-fourths of old unified Sudan's oil reserves. President Hu also pledged to develop China's mutually beneficial relationship with the continent's newest country
- In late August, around 200 representatives from 20 Chinese and 100 African non-governmental organisations gathered in Nairobi, Kenya for the first China-Africa NGO forum. The two-day forum, with the theme 'Enhance partnership and promote friendship between China and Africa', featured discussions on climate change and food security, NGOs' credibility and transparency, and the relationship between governments, NGOs, businesses and communities

China-Africa Trade

Total Trade

- In H1 2011, China's total trade with Africa reached USD 78.96 bn, up 29% y-o-y. South Africa and Angola were China's largest trading partners (see chart below to the right). China's imports from Africa experienced rapid y-o-y growth in H1 2011, yet China's exports to Africa decreased slightly

China Imports from Africa

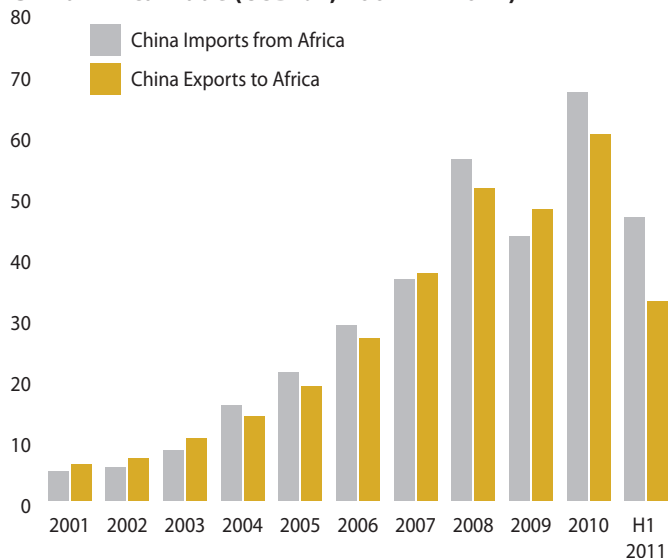
- Chinese imports from Africa in H1 2011 totalled USD 46.34 bn, up 65.3% y-o-y
- China Customs data for Q1 2011 showed that the five

biggest African exporters to China (South Africa, Angola, Sudan, Libya and Congo) accounted for just over 80% of Chinese imports from the continent during this period

China Exports to Africa

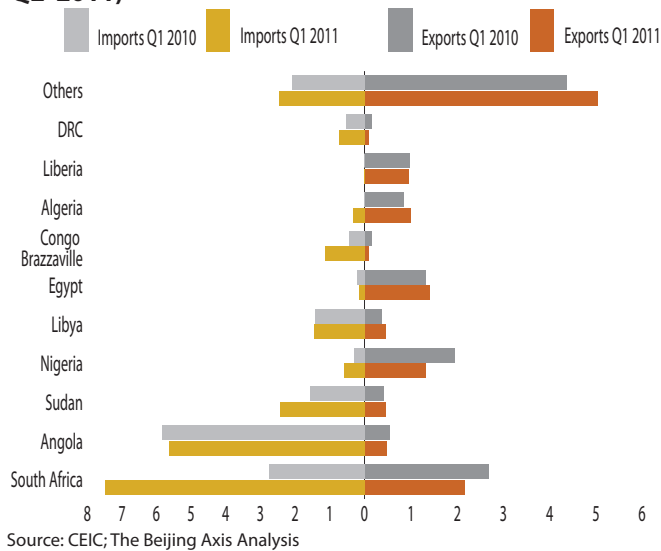
- Chinese exports to Africa in H1 2011 totalled USD 32.60 bn, down 1.65% y-o-y
- China Customs data for Q1 2011 showed that the five most popular export destinations for Chinese goods in Africa were South Africa, Nigeria, Egypt, Liberia and Algeria. These five countries accounted for 54% of the total

China-Africa Trade (USD bn, 2001-H1 2011)



Source: China National Bureau of Statistics; CEIC; The Beijing Axis Analysis

China's Africa Trade by Country (USD bn, Q1 2010 vs. Q2 2011)



Source: CEIC; The Beijing Axis Analysis

China-Africa Investment

Trends

- Based on the major China-Africa investment activities in H1 2011, China's investment appetite in Africa remained strongest in three sectors namely Oil & Gas, Mining, and Infrastructure (see our China OFDI dealsheet in the China Capital Section for details on specific deals)

Major Recent Deals and Developments

- In May, the government of **Chad** and Chinese engineering firm CAMC signed a USD 1 bn agreement for the construction of a new international airport north of the capital N'Djamena. The new airport will have an ultra modern terminal, and the project also includes the construction of a 40 km motorway between the airport and the capital
- In May, China's Export-Import (Exim) Bank granted **Cameroon** a loan of USD 542 mn for the construction of the 210 MW Memvé'ele hydropower dam on the Ntem River. The Memvé'ele dam is expected to be completed within five years
- In June, **Kenya** signed a concessional loan agreement worth around USD 110 mn with China. The loan will be used to build the third referral hospital at Kenyatta University in the capital city of Nairobi
- In June, Chinese bank ICBC granted a USD 285 mn loan to **Zambia** for the development of a new electricity transmission line. The new line will connect Zambia's power grids with those in Tanzania and Kenya
- In July, Canadian rare earths miner Great Western Minerals announced that it had signed an agreement with Ganzhou Qiondong Rare Earth Group (GQD) to build a rare earths separation plant in **South Africa**, to be followed later by the building of a mine
- A consortium of Chinese investors is currently bidding for Gold One International Ltd., estimated to be the lowest cost gold producer in **South Africa**, for about USD 642 mn. In early August, Gold One obtained approval from SA's competition authorities for the buyout
- In August, Chinese steel producer Shandong Steel Corporation completed the acquisition of a 25% stake in the **Sierra Leone**-based Tonkolili iron ore project for USD 1.5 bn, which is owned by London-listed Africa-focused mining giant African Minerals Ltd
- In August, a contract of USD 526 million was signed between the China Water and Electric Company (CWE) and the **Guinean** government for the construction of a dam in the country's capital Conakry. The construction of the dam is expected to take 24 months
- In August, China Development Bank agreed to lend **Ghana** – Africa's newest oil producer – USD 800 million to build natural gas infrastructure
- On a state visit to China in August, **Mozambican** President Armando Guebuza signed ten cooperation agreements with Chinese President Hu Jintao. Included among these was an agreement for Chinese firm China Kingho to finance the construction of a new railway line linking the town of Maotize in western Mozambique to the port of Beira

Chinese Contractors in Africa: China Civil Engineering Construction Corporation

Brief Country Profile

- Established in 1979, China Civil Engineering Construction Corporation (CCECC) is one of China's leading contractors for international projects, with over 80% of its revenues coming from overseas projects. CCECC is active in 40 countries and regions and has established more than 20 offices overseas
- CCECC was transformed into a state-owned enterprise for project contracting out of the earlier Foreign Aid Department of the Ministry of Railways (which participated in China's then largest foreign-aid project in Africa, the TAZARA railway)
- Its range of services include international contracting for railway construction, civil engineering design & consultancy, real estate development, trading, industrial investment and hotel management

CCECC Selected Major Projects in Africa

Nigeria

- Abuja-Kaduna Railway Project (USD 874 mn; 2011-14)
- Construction/Rehabilitation of Nigerian railway System (USD 528 mn; 1995-2000)

Botswana

- Rehabilitation of Botswana Railway (USD 40.56 mn; 1996-99)

Uganda

- Rehabilitation of Nakivubo Drainage Channel (USD 14.55 mn; 2000-03)



Djibouti

- Djibouti Industrial and Commercial School (USD 10 mn; 1991-93)

Rwanda

- Stadium of Rwanda (USD 21 mn; 1984-88)

Tanzania

- Kahama and Shinyanga Water Supply Project Contract no. 4 (USD 47 mn; 2005-06)
- 140km track renewal on central line (USD 6.25 mn; 2005-06)