China & Africa: Weathering the Global Financial Crisis

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Contents

Editorial 3
Dr Martyn J. Davies, Executive Director,
Centre for Chinese Studies

Commentary 3
China: Steaming Forward in Africa
Dr. Deborah Bräutigam

Policy Watch 8
Tracing the Effects of the Global Financial Crisis on Sub-Saharan Africa
Ms Yvonne Mhango and Mr. Jeremy Stevens

Business Briefs 11
A Round-up of China's Business News from the Past Month

China & Africa 14
News Briefs highlighting Chinese Relations with Africa

The China Forum 17
Recent Events at the Centre for Chinese Studies

Contact Us 19
Editorial

Perhaps it can be said that marginalization is better than globalization for Africa during this time of global crisis. Economists, governments and businesses are also trying to ascertain the impact of the crisis on the growth prospects of African economies. The withdrawal of portfolio capital, cutting of foreign aid and drying up of foreign direct investment will undoubtedly knock Africa’s growth prospects and set back development targets over the medium term. Going forward, demand for commodities mined in Africa will certainly be cut drastically in OECD economies, but there is hope that buoyant growth - albeit subdued to an extent - in some emerging markets will offset the revenue loss from commodities exports to the developed world.

A question I heard at an emerging markets conference recently was “Will China rescue the global economy?” China’s growth bottomed in the first quarter of this year at an official 6.1%. But with massive stimulus spend enabled by massive domestic liquidity and orchestrated by its state-owned banking sector, China’s growth prospects appear very positive. Its’ growth is “counter cyclical”, swimming upstream if you will in a global economy that is shrinking, not growing. Domestic investment and consumer spending is compensating for export losses.

China’s Keynesian-style recovery is good news for Africa. Preliminary evaluation of recent trade data indicates that China’s demand for African commodity exports has robustly picked up in the second quarter of 2009. The “New Coupling” argument I have made in the past of Chinese and Africa growth becoming linked, seems to be gaining traction.

Dr Martyn J. Davies
Executive Director, Centre for Chinese Studies
Commentary

Tracing the Effects of the Global Financial Crisis on Sub-Saharan Africa

By Ms. Yvonne Mhango and Mr. Jeremy Stevens
Economists for Standard Bank Group

The interconnectedness of the world’s economies implies that the global economic meltdown impacted Sub-Saharan Africa (SSA) through four main channels: trade, capital inflows, remittances and foreign aid. The advanced world’s recession depressed global demand for manufactured goods from Asia, and in turn Asia’s appetite for SSA’s commodities, to produce manufactured exports, declined. Commodity-dependent SSA thus witnessed a sharp drop in demand for energy commodities, including oil, coal and natural gas, and metals and minerals. The global credit squeeze also constrained trade financing, which exacerbated the demand slump and led to a collapse in commodity prices.

The external sectors of SSA economies were the first to experience the effects of the global recession and these were manifested by the sharp depreciation of local currencies. A combination of depressed commodity prices and low demand significantly reduced export earnings. For countries with undiversified exports, such as SSA’s oil exporters, their export revenue dropped, thus slowing the accumulation of foreign exchange reserves, which was reflected in declining months of import cover of goods and services. A decrease in the foreign exchange reserves required to purchase imports implied that the value of SSA’s currencies fell against the US dollar. A moderation in remittances from financially distressed diaspora households in the West and moderating aid from overstretched first world governments further reduced foreign exchange inflows into the current account.

In addition to declining export revenues, capital inflows, particularly foreign direct investment (FDI) and portfolio inflows, have slowed on the back of the global credit crunch. The lure of higher yields and returns has not been as enticing during this season of high risk aversion. A widening current account deficit coupled with declining inflows into the capital and financial account implies that several SSA countries’ balance of payments positions are dire.

The real economies of SSA countries have been impacted by a significant reduction in activity in the extractive industries and related sectors. Mineworkers in mines in
Zambia and the Democratic Republic of Congo have been retrenched by mining companies struggling to cover their costs with subdued prices. Household consumption in SSA countries has thus been dampened by the loss of income. Fixed investment has also slowed on the back of lower FDI inflows and limited financing options for the government development budget. Government consumption expenditure has been curbed by softening fiscal revenue, and trade has moderated owing to the global demand slump. The growth in SSA economies gross domestic products (GDPs) has thus slowed significantly in 2009 to a projected 1.7%, from an average of 6% in the period 2005 to 2008.

For some of the world’s economies, the ramifications of the meltdown have been disproportionately more severe than for others. To illustrate, the emerging markets, with China at the fore, are the only economies in the world that are expected to grow as a collective in 2009, while the rest of the world is mired in recession. Sub-Saharan Africa is also one of the few regions that is expected to record positive growth in 2009 at 1.7%, albeit a big step down from an average of 6% from 2005 to 2008. The destruction is a function of underlying economic fundamentals, the ability to extend counter-cyclical monetary and fiscal policy responses and the extent to which household and business confidence has been violated.

China has been less harmed than most. China’s government has maintained a low level of public debt of around 20% of GDP. China’s household and corporate balance sheets are relatively robust. Perhaps most importantly, China’s government has the fiscal space to partake in counter-cyclical fiscal policy support, estimated to be around US$242 billion in 2009 and US$292 billion in 2010. On the monetary policy front, China has reduced the benchmark interest rate on five occasions since late 2008 and reduced the capital reserve requirements. These policy changes have manifested in an acceleration of bank loans by an average of US$1 trillion per month since January.

Today, China is more exposed to international demand than ever before, with goods’ exports measured as a per cent of GDP increasing from 12% in 1990 to 35% in 2007. Worryingly, the US, EU and Japan, lying at the heart of the global economic crisis, constitute 47% of China’s total export destinations. The confluence of the negative external forces translated into a relatively sluggish Q1 2009 GDP growth rate of 6.1% y/y in China (markedly lower than the 2005-2008 average of 10.6% y/y). Promisingly, latest industrial production and Purchasing Managers Index (PMI) figures indicate that China’s cyclical slowdown is likely to
have bottomed out in Q1 2009. On the back of this and other similarly positive news flow, the International Monetary Fund (IMF) recently upgraded China’s 2009 GDP growth outlook from 6.5% to 7.2%.

China will emerge quicker from the global financial crisis than the world’s advanced economies and will be able to expand its global strategy to acquire assets and increase the international footprint of its state-owned and private enterprises. Despite the economic slowdown in China, and to a greater extent Africa, the Chinese mainland still needs both hard and soft commodities to fuel its ever-accelerating economic metabolism. (For instance, China imported 178 million barrels of crude oil in 2008, which accounts for half of its oil consumption.). Africa’s internal economic and political circumstances marry neatly with China’s attempt to diversify and internationalise through the outstretched tentacles of state-owned enterprises (SOEs), ushering in greater participation from private sector players while leveraging a growing Chinese diaspora on the continent.

For one thing, the policy response of China to the underlying growth shock has a large infrastructure-based component. For instance, as a per cent of the total stimulus, public housing projects (10%), rural infrastructure (9.3%), transport infrastructure (37.5%) and earthquake reconstruction (25%) make up around US$400 billion of the plan. Hence, the stimulus package will bolster demand for Africa’s commodities. Therefore, demand for Africa’s traditional exports to China will not be reversed as a result of the financial crisis and global recession.

Africa’s infrastructure deficit offers Chinese enterprises an opportunity to leverage their competitive advantage. Chinese construction companies are competitive owing to ample low-cost, but skilled, Chinese labour, often augmented by cheap inputs from China. In the long run, improving Africa’s physical infrastructure, such as roads, ports and railways, complements Chinese ventures by enhancing the export efficiency of Chinese enterprises operating in Africa.

China’s large pool of capital and desire to diversify its international assets will stand its SOEs in good stead, even to increase investments in Africa. At the Forum on China Africa Cooperation (FOCAC) summit in 2006 Chinese president, Hu Jintao, launched the China Africa Development (CAD) Fund, pledging US$5 billion to the fund to assist Chinese firms in expanding their operations across the African continent. This year US$2 billion has been made available. In all likelihood, this commitment will anchor Chinese investment in Africa in 2009.

“It would be entirely logical if China’s growing commercial and political relations with Africa brought a parallel interest in improving security relations.”
China's policymakers are acutely aware of the unparalleled domestic importance of the democratisation of economic opportunities. To this end, the labour market plays a critical role. Currently, an estimated nine million urban citizens are unemployed. Africa offers Chinese policymakers an opportunity to offshore some of the responsibility of employment creation (and wealth generation). Already in 2008, the Angolan embassy alone extended approximately 45 000 individual visas to Chinese citizens.

Another key driver is China's desire to open up African consumer markets to its expansionist enterprises. China's exports have grown at above 20% per annum since 1994, which is clearly important to its economic growth calculus. Given the shrinking of global aggregate demand, African markets have become increasingly relevant to Chinese production. China’s return to global economic and political dominance has coincided with, and in many ways assisted, the ongoing development and modernisation of Africa's nascent markets.

Typically Africa imports Chinese manufacturing goods, industrial equipment, textiles, footwear and clothing, electronic products and a host of consumer goods. On aggregate, Africa is the lowest consumer of most products and services of all developing regions. Therefore, Chinese low-cost, but decent quality, goods are in demand in Africa and, through a network of foreign trading posts in both rural and urban Africa, Africa offers a suitable pressure valve.

In summary, remember, China's activities in Africa reflect a long-term strategy and the cyclical adjustments in the global economic growth cycle are unlikely to alter the direction of this engagement. China’s expansive engagements with Africa have rejuvenated expectations across Africa, but, for the lofty ambitions of two-way China-Africa prosperity to be achieved, Africa needs to package its growing markets, relatively sound economic growth prognosis and abundance of natural resources in an attractive framework. And this framework must be underscored by political stability.

"The advanced world's recession depressed global demand for manufactured goods from Asia, and in turn Asia’s appetite for SSA's commodities, to produce manufactured exports, declined."

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How has the global economic crisis affected Chinese engagement in Africa? A widely read article in *The New York Times* with the title “As Chinese Investment in Africa Drops, Hope Sinks,” shaped many peoples’ perceptions that China’s grand plans for a new economic partnership with the African continent were sinking fast. The NYT reporter was writing from Conakry, Guinea, where a recent coup and political instability had put everyone’s plans on hold, not just those of the Chinese. But does the evidence elsewhere back this pessimism?

The economic crisis could affect Chinese engagement across three areas: aid, trade, and investment. In February this year, Chinese Assistant Foreign Minister Zhai Zun repeated China’s commitment to double aid between 2006 and 2009. On the other hand, according to Mark George, a Beijing-based analyst, the first few months of trade figures show significant declines from levels prevailing in 2008, the year when Sino-African trade reached US$108 billion. Investment figures have not been released. However, across the continent, there are cases of continued countercyclical interest in African business by Chinese banks and firms, as well as deals that have slowed because of the crisis.

Three areas stand out. First, Chinese industries facing increased competition at home due to market slowdowns in China are looking hard for new markets. Some are setting up factories in Egypt, Ethiopia, Nigeria, and other countries, both to supply those markets and to export to the region and beyond. Second, Chinese natural resource companies are expanding in a counter-cyclical fashion, using China’s still massive foreign reserves to buy up assets at bargain prices from companies unable to wait out today’s lower prices. Third, Chinese banks continue to team up with Chinese construction companies to finance and build infrastructure projects.

Energy projects for the power-hungry African continent are a central feature of this interest. Take Botswana, for example. In June this year, China’s largest bank, the Industrial and Commercial Bank of China (ICBC) and South Africa’s Standard Bank...
signed an agreement to co-finance just over half of Botswana’s US$1.6 billion Morupule B coal-fired power station expansion project. Chinese co-financing is likely in a second mega-project being developed by Canadian-listed CIC Energy: the US$3-billion Mmamabula coal-fired power station in Botswana. CIC Energy has already signed an engineering, procurement and construction contract with Shanghai Electric Power Generation Group. Power from Botswana’s ample reserves of coal will find a ready market in South Africa, where shortages have recently led to power cuts. These co-financing examples are signs of the increasing maturity of Chinese banks as global players.

Chinese interest remains strong in mining. Although many small, private companies owned by ethnic Chinese closed their doors in places like the DRC when prices fell in the global recession, larger, well-capitalized companies are holding firm, and even expanding. For example, Chinese copper companies in Zambia have increased their investments. At least one other large project has also been signed since the global financial crisis began. In January this year, the Liberian government announced a contract with a Hong Kong company, China Union, for a US$2.6 billion project to develop the dormant Bong iron ore mines. However, details on the financing for the project have not been released, casting some doubt on the project’s viability.

The Chinese companies behind Sicomines, a US$3 billion copper and cobalt mining joint venture in the Democratic Republic of Congo (DRC) where the Congolese will hold 32% of the shares, have shown every intention of going forward. Another in a series of package deals brokered by China Eximbank, some of the output of the mining venture, estimated to be worth up to US$50 billion, is slated to repay the US$3 billion investment loan, and at least one, and possibly two, US$3 billion commercial rate loans from China Eximbank that will finance Chinese companies to build roads, hospitals, railways and schools in the war-ravaged country.

The International Monetary Fund and several of the DRC’s creditors oppose the package as risky, believing that low commodity prices or unexpected difficulties with extracting the ores could impair the ability of the venture to repay the infrastructure loan, forcing the DRC to borrow to repay the Chinese. An underlying issue is the structure of the loan, which gives the China Eximbank first claim to the export resources generated by the mining venture. Traditionally, countries that borrow from the IMF and the World Bank agree to make them preferred creditors with a priority claim to any foreign exchange generated by the country’s exports. A final geological study of the project commissioned by Sicomines was slated to be concluded by the end of 2009, but the Chinese construction companies have already begun work on the first installment of infrastructure projects. Reports from Zimbabwe suggest that a large, resource-backed Eximbank line of credit is being negotiated for that country as well.
On the other hand, the financial crisis has affected some of the other large infrastructure projects often mentioned in the media. A case in point is the $8.3 billion Lagos-Kano railway construction contract awarded to China Civil Engineering Construction Corporation (CCECC) by the Nigerian government, in 2006. The contract was suspended in late 2008 after CCECC had begun work. Low oil prices caused by the global recession cast doubt on the Nigerian government’s ability to finance the project out of its oil windfall account. A newly elected government also took issue with the non-transparent award of the contract by the previous government. A US$2 billion line of credit from China Eximbank for infrastructure projects in Nigeria -- some of which was expected to be used for this project -- expired without being used.

Chinese banks have access to the country’s still-ample foreign currency reserves. This gives them a comparative advantage in providing low-cost financing during the global financial crisis when many of the other global banks are under stress. *People’s Daily* reported that ICBC, which owns 20% of Standard Bank, now is working with Standard Bank on more than 60 projects in Africa. China Development Bank has also increased its exposure in Africa, and is reportedly close to concluding a US$1 billion loan to Angola, which may finance agriculture projects. Chinese banks continue to scrutinize proposed projects with a close eye to their repayment capacity. Still, Chinese interest in using the global crisis as a countercyclical opportunity remains high.

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Business Briefs

The Business Briefs section summarises key events regarding China’s economy during the month of June

PetroChina Matches Exxon as Most Valuable Company
PetroChina Co. briefly overtook Exxon Mobil Corp. as the world’s most valuable company after China’s stimulus plan caused a surge in the nation’s stocks this year. State-controlled PetroChina’s Shanghai-traded shares rose as much as 3% to US$1.90 today for a market value exceeding US$ 336 billion, surpassing Exxon’s US$ 335.9 billion as of the end of May. The gain came as China’s largest oil producer agreed to pay as much as US$ 2.2 billion to buy Singapore Petroleum Co.

Chinese Manufacturing Grows, Adding to Recovery Signs
China’s manufacturing expanded for a third month, driving stocks to the biggest gain since March and adding to evidence that the economy is recovering. A surge in lending and investment and rising retail sales have spurred confidence that Premier Wen Jiabao’s US$ 586 billion stimulus package is reviving growth in the world’s third-biggest economy.

One fifth of China’s energy to come from renewables by 2020
A senior Chinese official has said China wants to produce one-fifth of its energy needs from renewable sources by 2020, a significant increase on the current target. "We are now formulating a plan for development of renewable energy. We can be sure we will exceed the 15% target. We will at least reach 18%. Personally I think we could reach the target of having renewables provide 20 per cent of total energy consumption," he added.

China & Japan to team up on development projects
Japan and China will jointly provide financial support for development projects in poorer Asian countries in what will be the first such tie-up between the regional giants, a recent report indicates. It would be the first arrangement between Japan and China under which they jointly provide development assistance to third countries. By combining Japan’s advanced technologies and expertise with China’s labour power, the two countries are seeking to underpin economic expansion in developing nations in the region, the reports indicated.

GM to Sell Hummer to Chinese Company
Hummer, the most potent symbol of General Motors’ commitment to giant gas-guzzling SUVs, will apparently survive the company’s bankruptcy filing. GM has a deal to sell the SUV brand to China's Sichuan Tengzhong Heavy Industrial Machinery, the companies said on June 2. Sichuan Tengzhong specializes in building heavy-duty construction trucks in China.

China-Pakistan railway station makes India see red
Pakistan has hired a Chinese company to build a railway station on no man's land near the Indian border at Barmer. The railway station of the Munabao-Khokhrapar rail link on which the Thar Express crosses the India-Pak border is one of the signs of friendship between the two countries. But the makeshift railway station on Pakistani side could become a permanent security threat to India.

China's Exports in Record Fall after Global Demand dries up
China’s exports fell by a record as the global recession cut demand for goods produced by the world’s third-largest economy. Overseas sales dropped 26.4% in May from a year earlier, the customs bureau said in a statement on its Web site recently. That compares with the median estimate for a decline of 23% in a Bloomberg News survey of 15 economists, and a 22.6% contraction in April. China, the world’s second-biggest exporter, has cut taxes, boosted lending and pledged to keep its currency stable to sustain overseas sales amid the worst global slump since the Great
The economy grew at the slowest pace in almost a decade last quarter as tumbling orders forced manufacturers to shut factories and fire workers.

**China Forges Strategic Links with Gulf**

The Middle East is becoming steadily more important to Beijing. Arab countries have become China’s biggest crude oil supplier. Saudi Arabia, Iran, Oman, Sudan and Yemen supply some 60% of China’s oil a percentage that is steadily rising. In Oman, more than 80% of the sultanate’s oil production is sold to the Far East, mainly China. In Sudan, China is the main shareholder of the consortium that is the biggest player in Sudan’s expanding oil industry. China and Saudi Arabia are laying the foundations for a strategic relationship that suggests changes to the traditional western tilt of Saudi foreign policy.

**Beijing to launch clean energy plan**

Ten million energy-saving lamps will be distributed on the streets of Beijing in one of the largest ever energy conversion exercises. Achieving a significant reduction in electricity consumption in urban households is crucial for China to reach its ambitious target of producing one-fifth of all its energy needs from renewable energy by 2020. In spite of huge investments in renewable energy, coal consumption in China still grew by 7% last year, and accounted for 43% of global coal consumption. The government envisages the energy conversion programme as one important way of controlling consumption in cities.

**China on right path to more balanced growth according to IMF**

China realized the importance of boosting domestic demand to reduce its reliance on exports and is taking the right steps, but the key lies in the swift implementation of reforms. The International Monetary Fund economist said the high level of Chinese household savings was partly a result of a poor social security system rather than a cultural trait.

**Foreign Direct Investment in China Tumbles on Crisis**

Foreign direct investment in China fell for an eighth month from a year earlier as companies cut spending to weather the worst economic slump. Investment slid 17.8% in May to US$ 6.38 billion, the commerce ministry said at a briefing in Beijing recently, after falling 22.5% in April. China is relying on government-led spending under a US$ 586 billion stimulus plan to revive growth. Investment from abroad may increase when the global economy recovers from what the World Bank forecasts will be a contraction of almost 3% this year.

China Mining reported that China is expected to see a decline in both coal prices and exports to the major destinations of Japan and South Korea. China Shenhua Energy Co Ltd, the country's largest coal producer will likely reduce the price of coal exports to US$ 79 per tonne dropping nearly 40% below last year's US$ 131.4 million per tonne. Analysts are predicting that China's coal export price and volume will both post sharp declines in 2009.

**China to see decline in coal export price and volume**

China National Petroleum Corp has announced that September will mark the beginning of construction on a 1,100 km long crude oil pipeline to Myanmar, after signing a memorandum of understanding with Myanmar's Ministry of Energy. The move comes in an attempt to cut transportation costs by shortening the journey for crude travelling from the Middle East and Africa, from where it is expected to transfer 20 million tonnes of crude oil annually.

**China-Myanmar to build oil pipeline**

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**EU to help finance clean coal plant in China**

The European Commission announced that it would provide financing up to US$ 70 million to help China build a coal-fired power plant equipped with new technology to give it near-zero emissions. Europe deems the carbon capture and storage technology, which is in its infancy, to be a key factor in fighting climate change, and a demonstration plant would be
particular significance in China, which produces and uses a massive amount of coal.

**OECD Raises China Growth Forecast to 7.7% on Stimulus Measures**
The Organization for Economic Cooperation and Development raised its forecast for China’s economic growth and said stimulus measures may spark the biggest boom in urban investment since the early 1990s. China’s economy will grow 7.7% from a year earlier, up from a 6.3% forecast in March, the Paris-based group said in a report. Gross domestic product will climb 9.3% next year, up from an 8.5% estimate.

**US and China hold defence talks in Beijing**
China and the United States discussed recent naval confrontations, including a collision between a Chinese submarine and a U.S. sonar device, during their first high-level military talks in 18 months, state media reported. Senior defense officials meeting in Beijing are also expected to discuss North Korea, which counts China as its closest ally.

**Wen Pledges to Add More Money to China’s Economy to Spur Growth**
Chinese Premier Wen Jiabao pledged to keep pumping money into the financial system to sustain growth in the face of recessions around the world. The world’s third-biggest economy is in a “critical” phase as the government’s US$ 585 billion stimulus plan counters a collapse in trade, Wen reiterated. China’s target of 8% growth in 2009 contrasts with a World Bank forecast that the global economy will shrink by 2.9%.

**China eyes oil refinery in Indian Ocean**
The Industrial and Commercial Bank of China (ICBC) is interested in building an oil refinery and pipeline to the Indian Ocean, chairperson Jiang Jianqin, said. Meeting President Yoweri Museveni, Jianqin said his institution was keen on developing hydro-power stations, construction of power transmission lines and roads. According to a State House release, President Museveni pledged support to the ventures, saying the investments would boost the economy. ICBC is the largest bank in the world and owns a stake in Standard Bank of South Africa. Standard Bank of South Africa is the majority share holder in Stanbic Bank Uganda.

**China playing bigger role in UN peacekeeping operations**
China supports UN peacekeeping activities that conform to the UN Charter and has gradually increased its own participation since 1990, a Chinese general told Xinhua recently. Major General Liu Pei, head of the Chinese delegation to the UN Military Staff Committee, made the statement to Xinhua in an exclusive interview, as the United Nations marked the annual International Day of Peacekeepers. At present, there are 1,949 Chinese peacekeepers serving in 9 mission areas, including the Democratic Republic of the Congo, Liberia, Lebanon and Sudan, Liu said.

**Geithner calls for closer economic ties with China**
After years of acrimonious economic relations with China, the U.S. insists it wants to turn the page and develop closer ties with the world’s third largest economy. New U.S. Treasury Secretary Timothy Geithner, who arrived recently in Beijing for two days of talks with Chinese leaders, said he wanted to foster the same kind of working relationship with China that the United States has enjoyed for decades with European economic powers. China is America’s biggest creditor, holding US$ 768 billion in US Treasury securities. The U.S. also hopes China will play a positive role in resolving a tense dispute with North Korea over its nuclear weapons program.

**BHP, Rio may face China sanctions on ore plan**
China may impose trade sanctions against BHP Billiton and Rio Tinto if the two miners merge their Australian iron-ore operations without the approval of Chinese competition agencies, an Australian newspaper reported recently. In June, Rio walked away from a planned US$ 19.5 billion equity tie-up with China’s state-owned Chinalco and instead proposed a US$ 116 billion iron-ore joint venture with bigger rival BHP Billiton. Rio also launched a US$ 15.2 billion rights issue. The paper said China’s new antitrust law empowered it to block offshore deals, but enforcement mechanisms remained unclear.

China and Africa
The latest updates on China's involvement on the African continent.

Chinese company builds road in Angola's Uíge province
Chinese company China Road and Bridge Corporation (CRBC) is rebuilding the national road that links the Angolan city of Uíge to the municipality of Maquela do Zombo, Angolan news agency Angop reported. Reconstruction work on the road, as well as the Negage-Bungo section that began in 2008, is estimated to cost US$79.6 million and is due to be concluded in 2010.

China has no plans to alter US$9 Billion Congolese deal
China has no plans to change a US$ 9 billion investment accord with the Democratic Republic of Congo, after the International Monetary Fund threatened to withhold debt relief unless it was altered. The deal, signed last year, gives China's state-owned Sinohydro Corp. and China Railway Engineering Corp. rights over deposits containing more than 10 million metric tons of copper and 600,000 tons of cobalt.

Chad’s President Meets with Chinese Government’s Special Representative on African Affairs
On 5 June President of Chad Idriss Deby met in the presidential residence with visiting Ambassador Liu Guijin, special representative of the Chinese government on African affairs. Deby made positive remarks on Chad-China relations and expressed satisfaction with the current development of bilateral friendly cooperation. He said that Chad attaches importance to the relations with China and expects to further promote the bilateral cooperation. Deby also thanked the Chinese side for its recent humanitarian material assistance to Chad.

China Kenya jointly develop solar products for Africa
A joint research project between China and Kenya will help utilize solar energy in Africa, scientists said on 10 June. An Xingcai, deputy head of the Natural Energy Resource Research Institute based in Gansu Province, northwest China, said researchers would study how to adapt Chinese solar panels and heaters to the Kenyan climate. The demonstration project will run until 2012. The Kenyan partner is an electronic technology company. China’s Ministry of Science and Technology approved the project in April and allocated 2.64 million yuan (US$ 386,000) for the work.

COMESA customs union conducive to Sino-African cooperation
The customs union launched by the Common Market of East and South Africa (COMESA) at its 13th summit in Victoria Falls is conducive to deepening the economic cooperation between China and African countries, a Chinese diplomat has said. Launching of the customs union would not only be a milestone in the history of COMESA development, but also good news to larger economies around the world. Most of COMESA countries have diplomatic relations with China and enjoy friendly relations with China. The launch of the customs union will most likely promote the bilateral trade between China and Eastern and Southern African countries.

China urged to invest more in Africa’s manufacturing sector
Africa needs more Chinese investment in the manufacturing sector so that it can move up the value chain and increase the incomes of its people, a senior COMESA official said. Although Chinese companies had invested mainly in the services sector, Africa would want them to do more in the manufacturing sector so that less wealth is exported abroad. With regard to trade, the trade between COMESA countries and China has been growing more than 50% to 100% depending on the country but on average more than 50% annually, and this can be reflected by the trade figures themselves where by the end of 2008 China-Africa or Africa-China trade was approaching the US$ 100 billion mark.

Zambia signs another US$11 million contract with China
The Zambian government has signed another contract with China totalling US$ 11.6 Million. President Rupiah Banda subsequently announced that the contract will allow the Chinese to construct food grain storage facilities. The total cost of construction is US$ 11.6
Controversial Chinese firm given another Zambian copper mine

The desperate need to find an alternative investor for the closed Luanshya Copper Mines (LCM) in Zambia’s Copperbelt has not prevented some Zambians from fiercely opposing the government’s decision to let Chinese-owned Non-Ferrous Metals Mining Company (NFCA) run the mine. The choice of NFCA is controversial following the death of 49 miners in an accident at the Chambishi Mine which it had taken over in 2003.

Chinese company builds Mozambican office building

Chinese company, Construção CCM, Lda is building a six storey building in the Mozambican capital that will be used as office space, amongst other uses, in Maputo. The Chinese company is also involved in other large projects in Mozambique, similar to China Heinan International Cooperation Group (Chico) and Anhui Foreign Economic Construction Corporation (AFEC).

China and Nigerian state firms find oil in Niger Delta

China's state oil firm SIPEC and Nigerian Petroleum Development Company (NPDC) have discovered crude oil in the Niger Delta region. According to an official statement, SIPEC, a subsidiary of China Petroleum Corporation, and NPDC, the exploration and production arm of the state-run Nigerian National Petroleum Corporation (NNPC), discovered crude in the Oil Mining Lease (OML) 64. In 2004 NPDC and SIPEC entered into an alliance and jointly developed OML 64.

China and Egypt vow to enhance strategic co-operation

China and Egypt vowed to flesh out strategic co-operation. The pledge was jointly made by China's anti-graft chief He Guoqiang and Egyptian Minister of International Cooperation Fayza Abul Naga during a meeting. The meeting was held at the end of a three-day long visit to Egypt by He, a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee. Egypt ranks as China's fifth trade partner in Africa, with bilateral trade volume hitting US$ 6.2 billion in 2008.

First Sudan-China agricultural co-operation forum starts

The first Forum on Agricultural Co-operation between China and Sudan commenced in Khartoum. Sudanese Minister of Finance and National Economy Awad al-Jaz said that the next period of Sudanese-Sino relations would focus on developing agriculture and raising the two nations’ capacity in this field. Sudan is also expecting Chinese companies and private enterprises to build an industrial base in Sudan for the development of agricultural and livestock products.

Zambia to re-open nickel mine soon

Zambia plans to re-open the Munali nickel mine within the next month. This is according to Mines Minister Maxwell Mwale. Mwale told Reuters that the mine, Zambia's sole nickel operation, would be re-started by China's Jinchuan Group, the country's largest producer of nickel. Operations at the mine were suspended in March due to low nickel prices. At full capacity the mine was expected to produce about 10 500 tons per year.

Chinese Vice-Premier attends funeral of Gabon's late President Bongo

Chinese Vice Premier Zhang Dejiang, attended the state funeral of Gabon's late President Omar Bongo Ondimba. The vice premier told Gabon's interim president Rose Francine Rogombe that President Bongo was a close friend to the Chinese people and he had made great contributions to the friendly relations between the two countries. “The death of President Bongo is not only a huge loss for Gabon, but also a great loss for Africa as a whole,” Zhang said.

Chinese Vice-foreign Minister Meets with Senior African Diplomats Delegation

Chinese Vice-foreign Minister Wang Guangya met with a delegation of senior African diplomats and African diplomatic envoys to China. At a dinner in honour of the delegation, Wang spoke highly of China-Africa relations, as well as the Forum on China-Africa Cooperation (FOCAC). According to him, China is ready to work closely with Africa to ensure the success of the fourth ministerial FOCAC meeting to be held in Egypt this year.

China and Sudan agree to two agriculture partnerships

Sudan and China recently signed two memoranda of understanding on agricultural cooperation at an agriculture symposium in Djibouti. Sudan is China's third largest partner in Africa. The volume of trade exchange between the two countries is US$8.18 billion and Chinese companies' investments in Sudan amount to...
US$ 13.1 billion while the non-financial investment has jumped to US$ 10 billion.

**Chinese Firm Pledges to Make Luanshya Mines Profitable**

CHINA Non-Ferrous Metal Mining Company (CNFC) group chairperson Tau Xinyu has said his company is determined to transform Luanshya Copper Mines (LCM) into a sustainable and profitable entity. Mr. Tau said in Luanshya recently that CNCF would ensure that the US$ 400 million investment in the mine added value to Zambia's economy, as more people would be employed at the mine and at the Mulashi Mine project. He was speaking during an official handover ceremony of LCM from the former owners, Enya Holdings to CNFC.

**Russia horns in on China in Africa**

Russian President Dmitry Medvedev's visit to Nigeria, sub-Saharan Africa's biggest oil producer, to sign natural gas deals threw down the gauntlet to energy-hungry China, which has been aggressively sinking its commercial hooks in the mineral-rich continent for the last few years. Medvedev is the first Russian president ever to visit Africa, underlining the importance Russia attaches to getting its hands on the continent's minerals -- particularly oil and gas -- and to bolster its status as a global power.

**Zambian Minister urges patience on benefits of economic zones**

Zambians must be patient as they wait to see the benefits of the Multi-Facility Economic Zones which Zambia is copying from China. Commerce Minister Felix Mutati said in China that it took the Chinese over twenty-five years to start enjoying the benefits of its economic zones. He was speaking in Tianjin, the third biggest city on the world body. Resisting the budget cut are G-77 nations and other developing countries and other developing countries and other developing countries and other developing countries and other developing countries.

**Nigeria, China, others oppose cut in UN peacekeeping budget**

Intense negotiations and controversies have been kindled at the United Nations (UN) headquarters in the past few weeks as Nigeria leads African nations in opposing a proposed 2.5% reduction in the peacekeeping budget of the world body. Resisting the budget cut are G-77 nations of the UN and China.

**Sinopec to drill its 1st oil well near Nigeria in July**

China Petrochemical Corp (Sinopec Group), the parent of Sinopec, will begin drilling its first oil well in Nigeria-Sao Tome and Principe Joint Development Zone (JDZ) next month, said two officials of the firm recently. The group has had the rights to oil exploration in JDZ since 2006, but development was delayed due to a shortage of deepwater rigs. Sinopec Group declined to speculate as to when oil production would start, but insiders have said that about 275 million barrels of crude oil will be available.

**Shenhua / Sasol project to start building next year**

A coal-to-oil plant, developed by South Africa's Sasol, the world's biggest coal-to-oil producer and China's Shenhua Group, is expected to launch construction in October 2010, the official Xinhua News Agency said. The total investment in the project, located in the northwestern region of Ningxia, was estimated at US$7 billion, Xinhua said, up from the original plan of US$5 billion.


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The China Forum - Recent Events

CCS attends Southern African Shanghai World Trade Expo
Ms Carine Kiala, CCS Analyst, Ms Hayley Herman, CCS Research Manager and Ms Tracy Hon, CCS Projects Director, attended the Southern African Shanghai World Trade Expo Roadshow in Cape Town on 1 June 2009. An introduction to the Shanghai World Trade Expo 2010, including the countries participating and the theme was provided. Approximately 50 African countries have confirmed attendance at the event next year.

CCS visits Cameroon’s Confucius Institute in Yaoundé, 4th June 2009
Johanna Jansson, CCS Senior Analyst, visited the Cameroonian Confucius Institute housed at the University of Yaoundé 2 on the 4th of June 2009. Ms. Jansson met with Mrs. Zhang Xiaozhen, Deputy Director, and Mr. Etienne Songa Bidjocka, Administrative Coordinator.

CCS representatives awarded EXIM Scholarships
China’s Export Import Bank (EXIM Bank) has awarded scholarships to CCS representative Tebogo Lefifi and Natasha Pamplin-Bailey to study in Beijing from June 2009-May 2010. The scholarship grant is for studies in Chinese Language and Chinese Business Studies at leading Chinese Universities, namely the University of International Business and Economics (UIBE) and Beijing Language and Culture University (BLCU).

CCS Executive Director Chairs WEF Africa Summit Session – 10-12 June 2009
CCS Executive Director, Dr. Martyn Davies, chaired a session at the World Economic Forum’s Africa summit held in Cape Town from the 10-12 June 2009. The session entitled “Exploring China's New Silk Road” which explored China’s growing commercial ties with Africa. Panelists included Jiang Jiaqing, Chairman of the Industrial Commercial Bank of China, Jacko Maree, Group Chief Executive of Standard Bank, Ambassador Liu Guijin, Ministry of Foreign Affairs, China, Ebrahim Patel, Minister of Economic Development, South Africa and Omwan’ Busty Okundaye, President, USTY Global Company, China. A discussion summary of the panel session is available from the World Economic Forum here.
DFID Event- Understanding China’s Engagement with Africa & how the UK can build relationships with China in Africa

The UK Department of International Development (DFID) approached the CCS to organise and support the delivery of an innovative three day event in Pretoria, South Africa from 23rd -25th June 2009. Underwritten by the PRC embassy in South Africa, the event focused on knowledge and capacity building amongst DFID and FCO senior officials based in China, Africa and the UK to enable effective engagement and collaboration with China in Africa. The event aimed to address areas for future collaboration and engagement between China and the UK in Africa.