



# China-Africa Trade to Benefit from Growing Economic Cooperation

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Chinese President Xi Jinping recently completed a week-long trip to Africa, where he visited Senegal, Rwanda, South Africa, and Mauritius.

During the trip, Xi discussed and signed new trade and investment deals with these countries, in an effort to capture greater opportunities for the [Belt and Road Initiative](#).

This latest trip to Africa is yet another sign of China's growing engagement with the continent and reinforced its role as one of Africa's closest economic and diplomatic allies.

This [Sino-African relationship](#) dates back to the early days of the People's Republic and has deepened in line with China's need for natural resources to sustain its economic boom and rapid industrialization.

Seemingly indifferent to the risky investment and political structures of the countries that make up much of the continent, [China has boosted oil](#) and mining sectors in Africa in exchange for advantageous conditions of trade.

## **Sino-African relations**

In 2000, representatives from 44 countries and 17 international and regional organizations joined the first Summit of the Forum on China-Africa Cooperation (FOCAC).

The inaugural FOCAC summit represented a landmark in Sino-African cooperation, triggering soaring bilateral political and economic interactions between China and individual African countries.

Since the first FOCAC summit, bilateral trade, aid, and investment have increased rapidly, and political relations are more interconnected than ever before.

This is of immense significance for Africa's political and economic development.

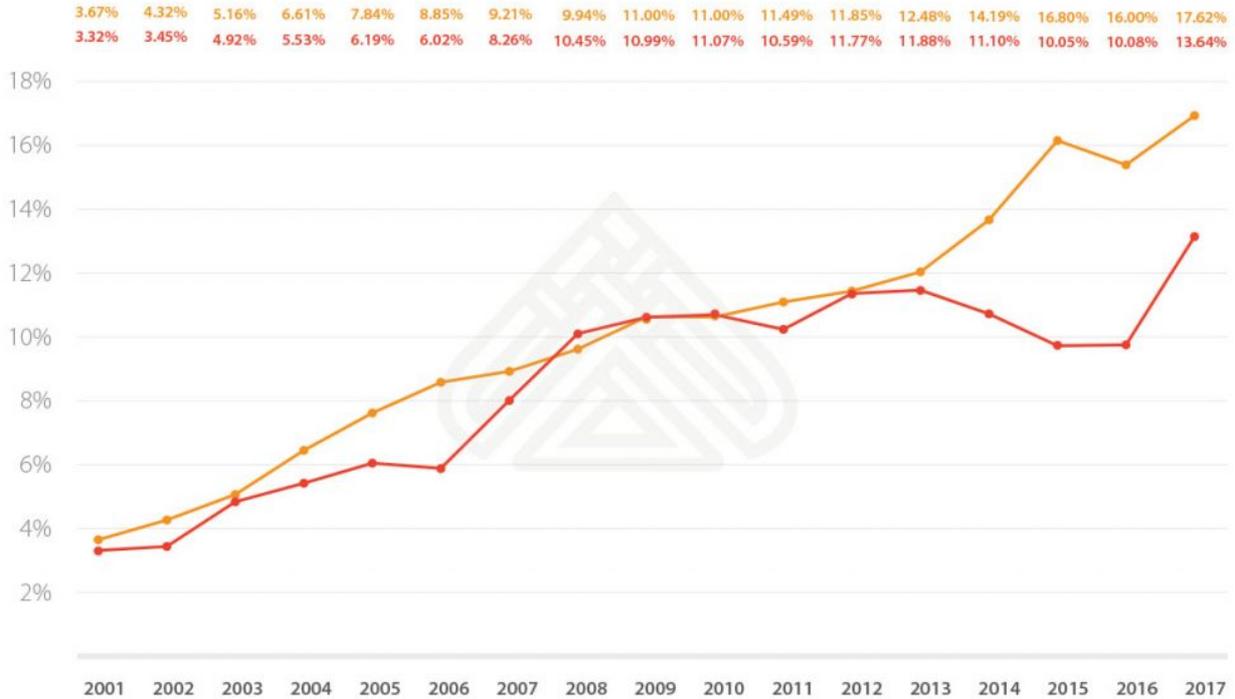
Many African leaders consider China to be instrumental in solving their development challenges. Meanwhile, the US and the EU are being pushed out of the picture and face a renewed need to reposition themselves strategically in the continent.



## Africa-China Trade 2001-2017

■ Share of Imports from China

■ Share of Exports to China



Note: Some countries have not yet reported statistics for 2015-2017. Therefore, actual import and export levels are expected to be higher than illustrated for the years 2015, 2016, and 2017.

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In recent years, the FOCAC has played an increasingly significant role in the integration of the Chinese and African economies, which are highly complementary and hold tremendous potential for bilateral trade and investment.

Partly due to the FOCAC's efforts in supporting and streamlining Sino-African trade, China is now Africa's largest trade partner.

### Forum on China – Africa Cooperation (FOCAC) at a Glance

Forum	Year	Location	Significant results
1st Summit	2000	Beijing, China	<ul style="list-style-type: none"> <li>Beijing Declaration of the Forum on China-Africa Cooperation, as an official pledge for mutual cooperation in economic and social development;</li> <li>Programme for China-Africa Cooperation in Economic and Social Development;</li> </ul>
2nd Summit	2003	Addis Ababa, Etiopía	<ul style="list-style-type: none"> <li>Addis Ababa Action Plan, praising openness to political dialogue, security, and social and economic development;</li> </ul>
3rd Summit	2006	Beijing, China	<ul style="list-style-type: none"> <li>US\$5 billion in the form of concessionary loans rolled out by Chinese President Hu Jintao to African countries;</li> <li>Creation of the China-Africa Development Fund;</li> </ul>
4th Summit	2009	Sharm el-Sheikh, Egypt	<ul style="list-style-type: none"> <li>US\$10 billion preferential loans to African countries;</li> <li>Special US\$1 billion loan for African SMEs wired by China;</li> <li>Food security, agriculture, and infrastructure plans;</li> </ul>
5th Summit	2012	Beijing, China	<ul style="list-style-type: none"> <li>Further US\$20 billion loan for African countries announced;</li> <li>Beijing Declaration, promoting strategic partnerships and mutual benefits of economic cooperation and trade;</li> </ul>
6th Summit	2015	Johannesburg, South Africa	<ul style="list-style-type: none"> <li>Infrastructure development agreements through PPPs (Public-Private Partnership) and B-O-T (Build-Operate-Transfer);</li> <li>Ocean Economy: 21st Century Maritime Silk Road;</li> <li>Access to Satellite TV for 10,000 African Villages;</li> </ul>
7th Summit	2018	Beijing, China	<p>Topics expected to be covered:</p> <ul style="list-style-type: none"> <li>Belt and Road Initiative (BRI), and its intended linking with:               <ul style="list-style-type: none"> <li>&gt; UN 2030 Agenda for Sustainable Development;</li> <li>&gt; AU 2063 Agenda;</li> <li>&gt; Other development plans of African countries, such as Nigeria's Economic Recovery and Growth Plan (ERGP);</li> </ul> </li> <li>Swaziland inclusion in FOCAC (currently maintaining relations with Taipei).</li> </ul>

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## Bilateral trade

Factoring into the Sino-African equation is the [Least Developed Country \(LDC\)](#) state of many African countries.



Exporters from LDC countries can enjoy the benefits of preferential tariffs agreement from China granted by the *Administrative Measures of the PRC Customs on Rules of Origin of Imported Goods from the Least Developed Countries Entitled to Special Preferential Tariff Treatment* (GACC Decree no. 231, "the Decree"), passed on March 3, 2017 and effective since April 1, 2017.

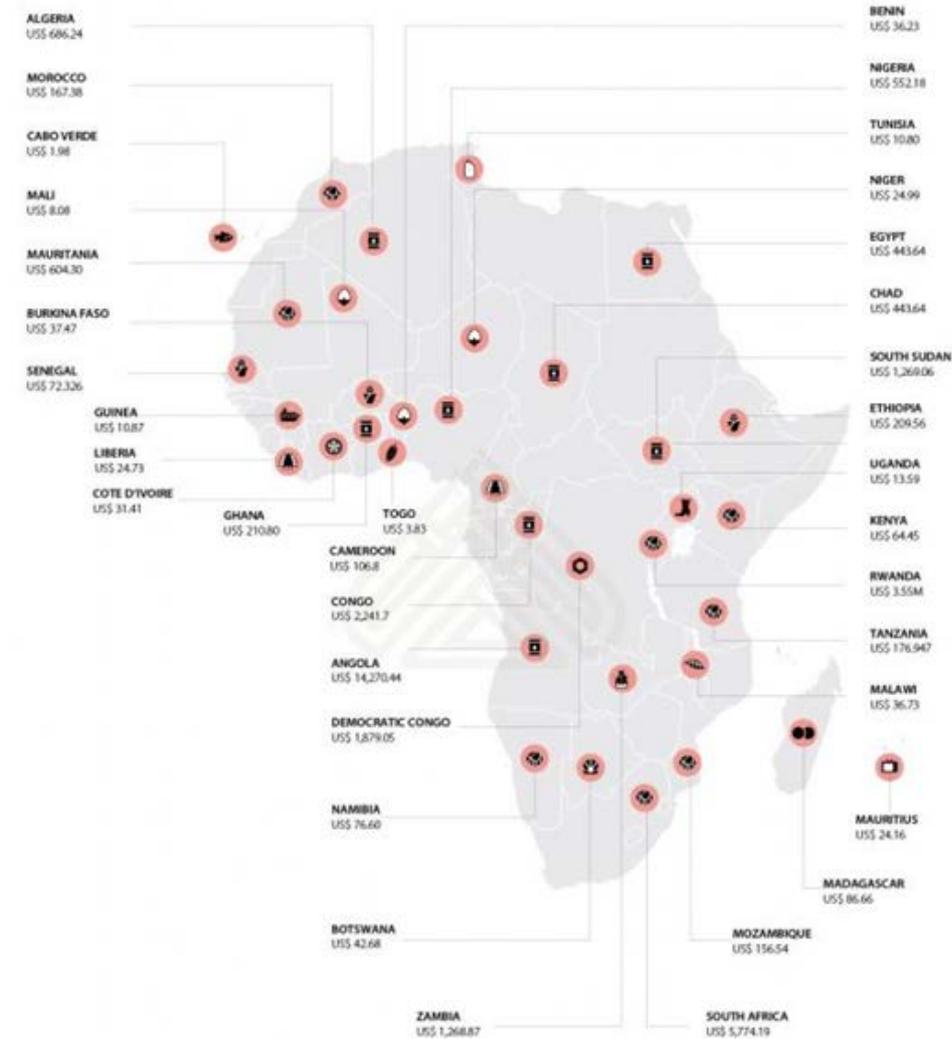
The perks of the *Decree* consist in the expansion of the criteria determining the national source of a product, and in a more streamlined consignment process, making the delivery of goods from such countries to China more efficient.

While Chinese exports include manufactured goods like machinery, electronics, textiles, and high-tech products, African exports mainly consist of natural resources like timber and cotton, and agricultural and semi-processed goods.



## Major African Exports to China

Unit: US\$ Million



**LEGEND**

Mineral fuel mineral oils and products of distillation	Ores, slag and ash	Natural or cultured pearls, precious or semi-precious stones	Fish and crustaceans, molluscs and other aquatic invertebrates
Electrical machinery and equipment	Tobacco and manufactured tobacco substitutes	Raw hides, skins, furskins and leather	Ships, boats and floating structures
Other base metals; cermet; articles thereof	Cocoa and cocoa preparations	Oil seeds and oleaginous fruits	Rubber and articles thereof
Cotton	Plastics	Nickel	Copper and articles

The data aggregated are mirror and direct data, to the latest year available (2017);  
 Some members reported statistics up to given years: 2016 (Botswana, Burkina Faso, Cameroon, Cote d'Ivoire, Mali, Mauritius, Namibia, Niger, Rwanda, Senegal, Tanzania, Togo, and Tunisia), 2015 (Angola, Cabo Verde, and Guinea), 2014 (Congo), 2013 (Ghana)

Source: ITC Trade Map

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The above map highlights the major categories of products exported from Africa to China in 2017.

In the east, food products such as livestock, coffee, and grains are the biggest exports to China.

Textiles, once dominant in North African countries like Morocco and Tunisia, have been surpassed by ores and plastic goods, respectively.

Export of cotton products remained strong for the smaller economies of Mali and Benin, while Niger experienced explosive growth in its cotton export levels.

In the south, ores and other precious metals still constitute the largest sources of revenue.

The future of the cooperation looks bright. But as China's economy shifts from manufacturing to consumption, Africa's oil and ferrous metal exporters (especially in Nigeria, Angola, and the Republic of Congo) are expected to experience a downturn in their export volumes, even though Chinese investments in Africa might compensate with infrastructure and industrial capacity building.

For instance, the establishment of Africa's largest textile industrial center, sponsored by a Memorandum of Understanding between Kano State (in northern Nigeria) and Shandong Ruyi Technology Group – a deal worth US\$600 million and potentially 5,000 jobs – can be considered as hedging a fall in oil prices and a lower supply of oil.

## **Outlook for future exports**

However, it's not just oil and gas. Africa's exporters of non-ferrous materials, textile, and food and agricultural products – which are already enjoying eased access to the Chinese market – can expect their potential to be further unleashed by the expansion of the Chinese middle class.

African exporters must carefully assess the requirements of the *Decree*, consisting mainly in a new and eased Rule of Origin, further shaped by the *Rule of Cumulation* and by the *Rule of De Minimis*, as the present state of the global economy and its intricate value chains can pose some regulatory challenges.

Companies entitled for the qualification of such preferential measures should perform due diligence when planning to export goods to China, getting the relevant licenses, and be agile in making adjustments when needed given the fast pace at which regulatory updates are being brought forward by Chinese authorities.

As time goes by, the cooperation between African countries and China will most likely create many more opportunities for African businesses. Yet, a major drawback of the cooperation could consist in the overreliance of a given country on a given commodity.

Major efforts by the governments of export-oriented countries are expected to be involved into the diversification of their economies and into the design of an accurate "China plan", as the Middle Kingdom's economic model continues to shift.

In this sense, the seventh FOCAC Summit, to be held in Beijing next September, is likely to shed more light on the ties between Africa and China and lay out more precious considerations on the future of the cooperation while also considering its linkage with the Belt and Road Initiative.

*This article was first published on [China Briefing](#).*

*Since its establishment in 1992, [Dezan Shira & Associates](#) has been guiding foreign clients through Asia's complex regulatory environment and assisting them with all aspects of legal, accounting, tax, internal control, HR, payroll, and audit matters. As a full-service consultancy with operational offices across China, Hong Kong, India, and ASEAN, we are your reliable partner for business expansion in this region and beyond.*



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