FROM CHINA-AFRICA TO AFRICA-CHINA:

A BLUEPRINT FOR A GREEN AND INCLUSIVE CONTINENT-WIDE AFRICAN STRATEGY TOWARDS CHINA

DEVELOPMENT REIMAGINED

AFRICA UNCONSTRAINED

TABLE OF CONTENTS

GLOSSARY

AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AfriExim	African Export Import Bank
AGOA	African Growth Opportunity Act
AIDA	Accelerated Industrial Development for Africa
AMDC	African Minerals Development Center
AMV	African Mining Vision
AQSIQ	Administration of Quality Supervision, Inspection and Quarantine
ARIPO	African Regional Intellectual Property Organization
ATDC	Agricultural Technology Demonstration Centers
AU	African Union
B2B	Business-to-Business
B2C	Business-to-Consumer
BIAT	Boosting Intra-African Trade
BIT	Bilateral Investment Treaty
BRI	Belt and Road Initiative
CAADP	Comprehensive Africa Agricultural Development Program
CADFund	China-Africa Development Fund
CDC	Center for Disease Control
CEN-SAD	Community of Sahel-Saharan States
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus Disease
CSIS	Center for Strategic International Studies
DFQF	Duty-Free Quota-Free Scheme
DFQF	Duty-Free Quota-Free
DRC	Democratic Republic of Congo
DSR	Digital Silk Road
DTA	Double Taxation Agreement
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EPC	Engineering Procurement Construction
EU	European Union
EXIM	Export-Import (Bank)
FDA	Food and Drug Administration
FDI	Foreign Direct Investment
FET	Fair and Equitable Treatment
FOB	Freight on Board
FOCAC	Forum on China-Africa Cooperation
FTA	Free Trade Agreement
FTYIP	First Ten-Year Implementation Plan of the AU’s Agenda 2063
GDP	Gross Domestic Product
GI	Geographical Indications
GNI	Gross National Income
ICBC	Industrial and Commercial Bank of China

ICT	Information and Communication Technology
IGAD	Intergovernmental Authority on Development
ILO	International Labor Organization
IMF	International Monetary Fund
IP	Intellectual Property
ITC	International Trade Centre
JCET	Joint Committee on Economy, Trade, Investment and Technical Cooperation
LDC	Least Developed Countries
MOFCOM	Ministry of Commerce of the People's Republic of China
MOU	Memorandum of Understanding
NEPAD	New Partnership for African Development
NGO	Non-Governmental Organization
NTB	Non-Tariff Barrier
OAPI	Organisation Africaine de la Propriété Intellectuelle
PEACE	Pakistan East Africa Connecting Europe
PIDA	Program for Infrastructure Development in Africa
PPE	Personal Protective Equipment
PPP	Public-Private Partnership
RBL	Resource Based Loan
REC	Regional Economic Community
ROO	Rules of Origin
RTA	Regional Trade Agreement
SABMiller	South African Breweries
SACU	South African Customs Union
SADC	Southern African Development Community
SDG	Sustainable Development Goals
SDR	Special Drawing Rights
SEZ	Special Economic Zone
SGR	Standard Gauge Railway
SOE	State-Owned Enterprise
SPS	Sanitary and Phytosanitary Measures
STISA	Science Technology Innovation Strategy for Africa
TRIPS	Trade-Related Aspects of Intellectual Property Rights Agreement
UAE	United Arab Emirates
UMA	Arab Maghreb Union
UN	United Nations
UNCTAD	United Nations Conference of Trade and Development
UNECA	United Nations Economic Commission for Africa
UNWTO	United Nations World Trade Organization
WIPO	World Intellectual Property Organization

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CHAPTER 1 - INTRODUCTION

Context

As COVID-19 spreads across the world including to the African continent, it has exposed a range of both vulnerabilities and opportunities that African countries have in their relationships with development partners, including China. The pandemic has prompted trade and travel restrictions within countries and across borders, and resulted in drastically reduced flows of people, services, goods and money. As we write, this is being exacerbated by vaccine access trends.

Furthermore, while it is easy to speak of a China-Africa relationship, the fact is, there are multiple China-Africa relationships, because each African country has a different relationship with China.

For instance, there are a number of African countries whose economies are highly linked with China. Some rely on China as a buyer for their commodities for sources of growth, while others rely on Chinese imports and risk inflation because they do not have diversified economic structures to be able to easily manufacture and provide jobs for their populations[1]. Many African countries have turned to China because they cannot (easily) obtain infrastructure and equity finance from elsewhere (e.g., South Sudan, Ethiopia, Zimbabwe for loans and Foreign Direct Investment). Other countries are trying to build a stronger relationship with China in myriads of ways – for instance, countries such as Kenya, Rwanda, Tanzania and Mauritius had been hoping but struggling to increase Chinese tourism[2].

There is evidence that some deeper ties have been forged through stronger relationships between African governments and the Chinese government. For instance, from 2009 to 2018, African leaders from 53 countries visited China 222 times. This is approximately three times more than Chinese leaders have visited African countries over the same time period – and, more importantly the visits from African leaders appear to be correlated to outcomes on trade, investment, and finance decisions[3].

However, there is also evidence that the vast majority of African nations have not been intentional about how they engage economically with China (nor necessarily other development partners). For instance, to date, no African country has published a "China Strategy". African countries may act as "price takers" [4]. This has major effects on citizens. Many citizens – especially in countries such as Kenya and Zambia which have some of the most unbalanced economic relationships with China – have become

[1] For more detailed analysis see: https://thediplomat.com/2020/03/chinas-coronavirus-slowdown-which-african-economies-will-be-hit-hardest/
[2] See: https://developmentreimagined.com/2020/05/28/which-african-countries-are-most-vulnerable/
[3] https://thediplomat.com/2021/05/agency-bargaining-power-and-african-leadership-visits-to-china/
[4] https://thediplomat.com/2021/05/a-new-database-reveals-chinas-secret-loans-think-again/

disparaging and uncomfortable with China, with speculation ranging from consumer concerns about "fake rice" [5] to the seizing of entire national assets[6].

Furthermore, while an African Union Representative office in China has been in place since late 2018, and there is a longstanding and active African Ambassadors Group in China with 51 representatives, there is currently, no cross-continental strategy or strategic, Africa-only discussion of Africa's collective policy towards China, for instance at the African Union (AU) Headquarters in Ethiopia.

In contrast, China plans cooperation with Africa within broader strategies of "going out", the Forum on China Africa Cooperation (FOCAC) established in 2000 at the request of African leaders [7] (see **Box 1**), and most recently the Belt and Road Initiative (BRI) launched in 2013. Since 2015, China has had a separate office in Addis Ababa to engage directly with the AU, and there are 27-member agencies within China involved in FOCAC policymaking and implementation, led by vice-ministers of African Affairs in the Ministry of Foreign Affairs (currently Deng Li) and in the Ministry of Commerce (Qian Keming) [8]. There is also a "Follow-up Action Committee of FOCAC" which is mandated with implementing the agreements and policies of FOCAC, and for which current secretary-general is the Director of African Affairs of the Ministry of Foreign Affairs (Wu Peng)[9].

BOX 1: Overview of the Forum on China-Africa Cooperation (FOCAC)

The Forum on China-Africa Cooperation (FOCAC) was jointly established by China and African countries in 2000, and 53 African countries with diplomatic relations are now FOCAC members. The African Union has been a formal member since 2012. FOCAC follow-up mechanisms are built at three levels:

- the Ministerial Conference (now usually elevated to a Summit) held every three years;
- the senior officials follow-up meeting and the senior officials preparatory meeting for the Ministerial Conference are held in the year and few days before the Ministerial Conference is held, respectively;
- the consultations between the African Diplomatic Corps in China and the Secretariat of the Chinese Follow-up Committee are held at least twice a year.

There are multiple subject-based sub-forums under FOCAC, including the China-Africa People's Forum, China-Africa Young Leaders Forum, Ministerial Forum on China-Africa Health Cooperation, Forum on China-Africa Media Cooperation, China-Africa Poverty Reduction and Development Conference, FOCAC-Legal Forum, Forum on China-Africa Local Government Cooperation, and China-Africa Think Tanks Forum.

These cooperation mechanisms are backed by substance. In 2006, when FOCAC hosted its first summit in Beijing, China published its first Africa policy[10]. The most recent 2015 Africa policy paper aimed at establishing and developing a "comprehensive strategic and cooperative partnership" with

[5] https://www.bbc.com/news/world-africa-38391998
[6] https://www.scmp.com/economy/china-economy/article/2180026/will-china-seize-prized-port-if-kenya-cant-pay-back-its-belt
[7] *FOCAC Twelve Years Later: Achievements, Challenges and the Way Forward,* Anshan et al, (2012): https://www.files.ethz.ch/isn/151831/FULLTEXT01-4.pdf
[8] https://baijiahao.baidu.com/s?id=1685701222723727588&wfr=spider&for=pc
[9] http://dz.china-embassy.org/chn/zt/zfhz/t40336.htm
[10] "China's Africa Policy Paper. (2006)." January 2006. http://www.gov.cn/gongbao/content/2006/content_212161.htm

Africa in politics, economy, and culture, but also in development cooperation, military, poverty alleviation, technology, as well as climate change[11]. These White Papers play a key role in guiding subject-based departments as well as local and provincial governments on how and on what to engage with Africa and the key strategic areas to focus on. There are considerable links between various Chinese provinces to various African countries[12].

These robust strategic plans and mechanisms by China towards Africa, highlight the importance of the African continent working together to develop a long-term, sustainable strategy for China that complements China's ongoing guiding documents and strategies.

There are several reasons for hope in this respect.

There is evidence that African leaders are indicating more willingness to assert agency vis-à-vis other development partners[13]. In addition, they are coordinating more than ever – including via the Africa Centre for Disease Control (CDC) for health guidelines, via the United Nations Economic Commission for Africa (UNECA) vis-à-vis debt management, via the AU for medical equipment procurement, and through the Africa Continental Free Trade Area (AfCFTA) for trade policy.

There are also clear means to do so, for instance using the AU's Agenda 2063 - a continental strategic framework[14] that brings together Africa's sustainable development goals and poverty reduction plans, based on the Treaty Establishing the African Economic Community (Abuja Treaty) (see **Box 2**).

BOX 2: Key Goals of the African Union's Agenda 2063

- A high standard of living, quality of life and well-being for all citizens.
- Well-educated citizens and a skills revolution underpinned by science, technology and innovation.
- Transformed economies.
- Modern agriculture for increased productivity and production.
- Blue/ocean economy for accelerated economic growth.
- Environmentally sustainable and climate-resilient economies and communities.
- Full gender equality in all spheres of life.
- Engaged and empowered youth and children.
- Africa as a major partner in global affairs and peaceful co-existence.

[11] "China's Africa Policy Paper. (2015)." December 2015. http://www.focac.org/chn/zywx/zywj/t1321590.htm
[12] https://media.africaportal.org/documents/SAIIA_Occasional_Paper_no_22.pdf
[13] See: https://www.csis.org/analysis/seat-table-african-leadership-post-covid-19-world
[14] https://au.int/en/agenda2063/overview

With the reset in global relations that COVID-19 is presenting, African governments have a distinct opportunity to leverage a shift in the relationship with China.

A clear strategic relationship with China will help African governments both coordinate with each other, and strengthen accountability to citizens regarding this relationship, as well as take advantage of the COVID-19 "moment". Using the continental strategy, governments can develop more country-specific strategies that align to their own national development goals and plans.

Not only this, the 8th FOCAC is expected to be held at the end of 2021 in Dakar, Senegal. Now is the time to lay out a comprehensive strategy to anchor those negotiations and China-Africa agreements for the next three years.

This strategy, intended primarily to inform African policy makers, civil society organizations and citizens across Africa, provides an initial 'blueprint' or 'roadmap' for a comprehensive African continental strategy towards China with an underlying emphasis on green and inclusive recovery.

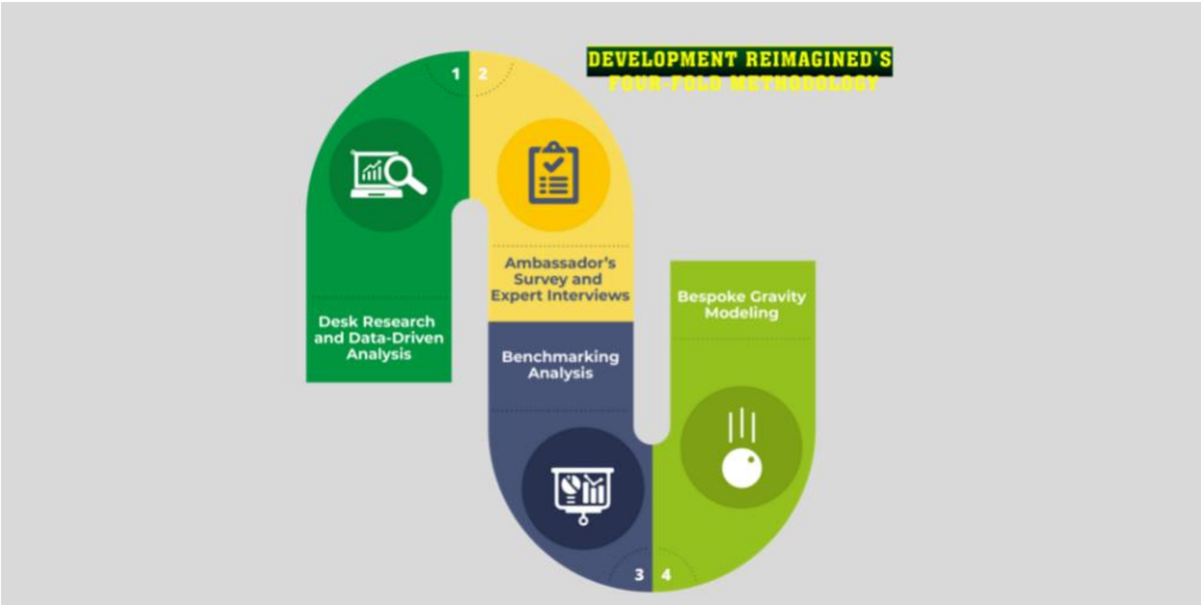
The strategy can also inform China, as a major development partner, how best to work with Africa to achieve the SDGs and Agenda 2063 across the continent. This strategy will also be of interest to African development partners – especially in terms of gaining insights into future cooperation opportunities.

However, it is important to note that the aim of this report is not to single out China compared to Africa's other development partners. Nor is it to suggest that Africa has a worse relationship with China than others, or vice versa. However, given our proximity, networks and expertise, and the potential of the Africa-China relationship, this report is our starting point. We encourage consideration of similar analysis with respect to Africa's other donors and international organisations.

Methodology

This report employs a mixed method approach in order to harness insights, with four specific methods as shown in **Figure 1**.

Figure 1: The Blueprint's Four-Step Methodology



First, extensive desk research and analysis is conducted to understand the current context of the Africa-China relationship with regard to trade (flows of goods as imports and exports), finance (including aid, loans and equity or Foreign Direct Investments (FDI)) and people flows (including students, tourism and business) and current opportunities and challenges.

These three areas, illustrated in **Figure 2,** are chosen specifically for three reasons.

1. First, they focus on engagement with countries and regional assets.

2. They are a means to ensure an impartial framework for assessment of the relationship, because they *can* be assessed quantitatively. Other types of frameworks such as "soft power"[15], "hard power"[16], which have a more geopolitical focus can be more normative in nature, though they are important in their own right;

3. They are a means to ensure a holistic framework for assessment of the relationship, beyond aid, which is important but not a panacea for sustainable development[17].

This data, collated from numerous external sources as well as specially for this report, is summarised in **Chapter 2.**

[15] E.g. see work by L. Bellabdallah: https://www.foreignaffairs.com/reviews/capsule-review/2020-12-08/shaping-future-power-knowledge-production-and-network-building
[16] E.g. see work by P. Nantulya: https://africacenter.org/spotlight/chinese-hard-power-supports-its-growing-strategic-interests-in-africa/
[17] https://developmentreimagined.com/our-values/

Figure 2: An Impartial, Holistic and Qualitative Assessment framework for the Africa-China Relationship

Second, benchmarking analysis is used to first analyze China's contribution to the achievement of the sustainable development goals (SDGs) in Africa through the African Union's six continental frameworks (**Chapter 3**), and then compare Africa's relationship with China to other development partners and China's relationship with Asia compared to Africa (**Chapter 4**).

Third, the report uses the results of a survey designed to understand the perspectives of African ambassadors/embassies on the China-Africa relationship. The survey utilizes Development Reimagined's large network in China and was undertaken by a trusted set of anonymous Ambassadors from seven African countries (**Chapter 5**). The report also draws on key interviews with other African stakeholders, such as other diplomats and African experts and policy makers, to further understand perceptions of progress and challenge.

Finally, bespoke economic modelling is used for a preliminary assessment of different types of trade arrangements between Africa and China – for instance a Free Trade Agreement (FTA), the results of which are highlighted alongside bespoke recommendations for the future strategic direction of the Africa-China relationship (**Chapter Six**).

CHAPTER 2 - WHAT DOES THE AFRICA/CHINA RELATIONSHIP LOOK LIKE?

Chapter Two at a Glance

Trade flows

- China is currently the largest bilateral trading partner for the African continent.
- Africa's trade balance with China has shown a downward trend since 2000, with the exception of 2008 and 2012.
- Africa's exports focus largely on natural resources and agricultural products with little to no value addition.
- There is underutilization of China's Duty-Free Quarter Free Scheme by African countries, in part due to stringent market access challenges.
- China is increasingly entering into SPS Agreements with different African countries to enable Africa's agricultural products to access the Chinese Market.
- Some African countries such as Rwanda are tapping into the e-commerce infrastructure to access the Chinese market.

Finance Flows

- Capital flows from China to Africa comprise of grants, loans and FDI.
- From 2013 to 2018, China allocated a total US$18.25 billion for foreign assistance to African countries.
- The volume of Chinese loans increased significantly from US$129 million in 2000 to US$7.0 billion in 2019.
- Since 2001, China has encouraged Chinese investment to go abroad, including to Africa countries. However, while rising from US$74.8 million in 2003 to US$5.4 billion in 2018, annual flows to Africa have been fairly volatile.
- The impact of China's finance as well as FDI flows into the African continent are important, for example through their job creation potential

People Flows

- Every year, over 200,000 Chinese workers travel to African countries to help deliver construction projects, and most return to China.
- There is a general trend towards relaxation of entry requirements for Chinese nationals across the continent.
- While there are very few Chinese young people that travel to African countries for education, the number of African students in China has grown rapidly.

The China Africa relationship is often discussed in very broad terms or very specific terms – from being part of grand strategies to scholarships or agricultural trade centers.

This chapter aims to provide a more holistic approach, exploring the existing literature, existing government-level agreements where relevant as well as key data with regards to three broader linkages that exist between all countries: the flows of goods (trade), finance (capital) and people (migration in various forms).

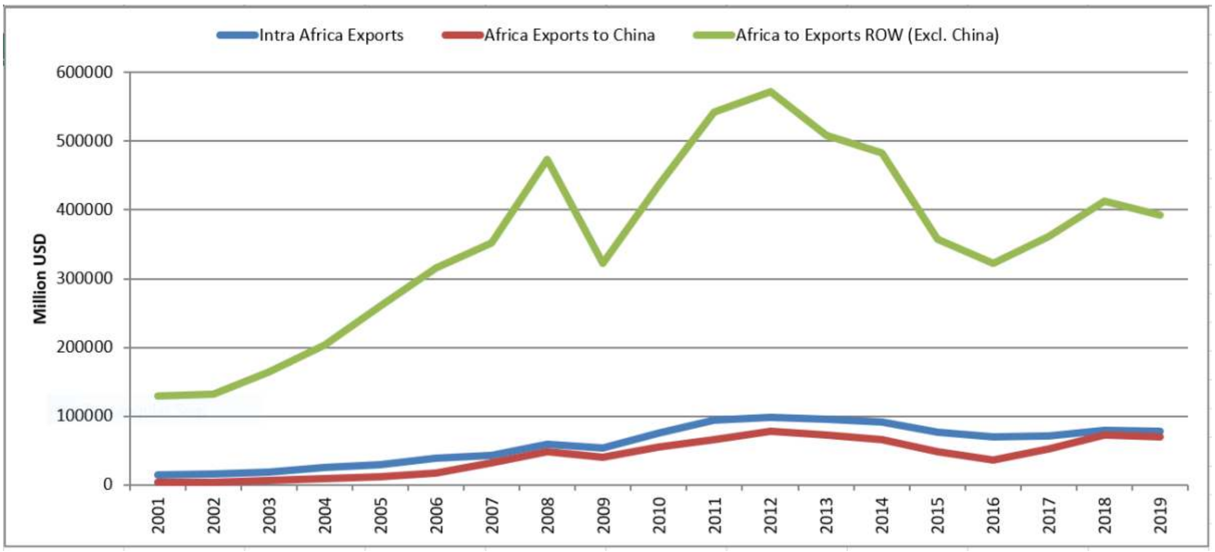
The chapter sets out to provide the trends in these three areas, including identifying where opportunities are being seized and/or challenges being met.

Linkage 1: Flows of Goods

The Overall Trends in China-Africa Trade

Whilst behind the EU as a region, China is now the largest bilateral trade partner for African countries. In other words, current exports from Africa to China are as important as current intra-Africa exports, as shown in **Figure 3**.

Figure 3: Growth of China-Africa trade compared to growth of Africa's trade with other regions[18]



[18] Source: Trade map database

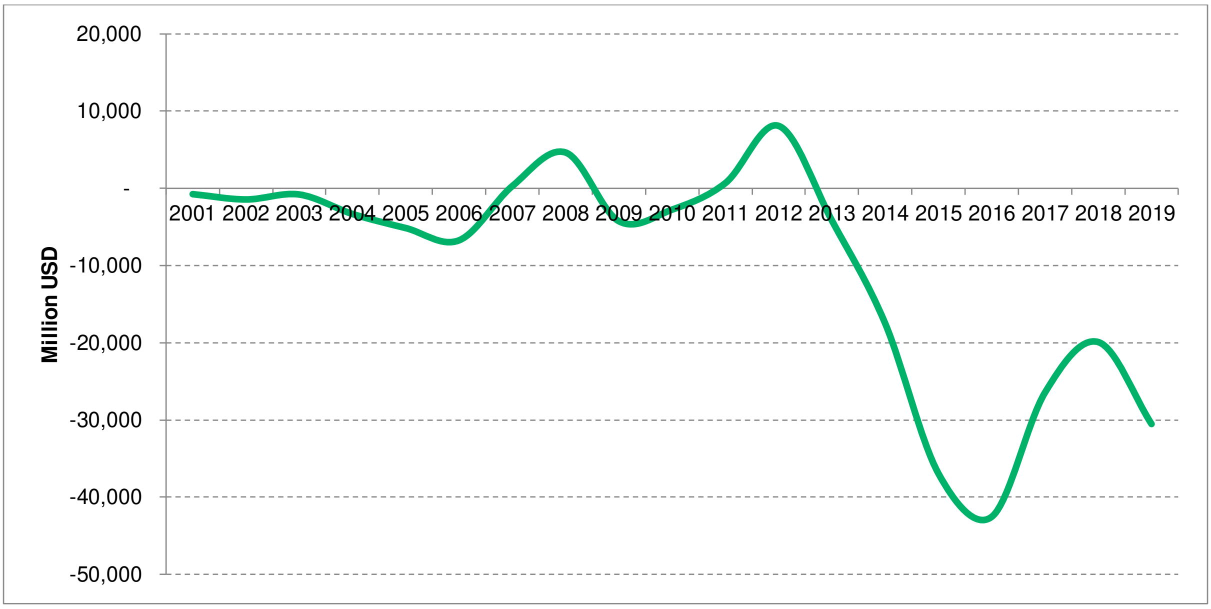
Furthermore, overall, Africa's exports to China in relation to Africa's exports to the world have been steadily increasing since 2000 (**Figure 4**). The exports have also been diversifying – over the same period there was no significant increase in the top 20 exports from Africa to China as in relation to total exports. Diversification is in line with a shifting China. For instance, Ethiopian exports of coffee, tea, and spices to China were US$8.45 million during 2017[19]. The demand for black tea, specialty tea and other related health products and cosmetics is increasing in China[20].

Figure 4: Africa's Exports to China as a % of Africa's total exports to the World[21]

However, as shown in **Figure 5**, overall, Africa's trade balance with China has shown a downward trend since 2000, with the exception of 2008 and 2012 where a small trade surplus was recorded.

[19] UN Comtrade
[20] http://www.fao.org/economic/est/est-commodities/tea/tea-meetings/en/
[21] Source: Trade map database

Figure 5: Africa's Trade Balance with China (All Products) between 2001-2019[22]

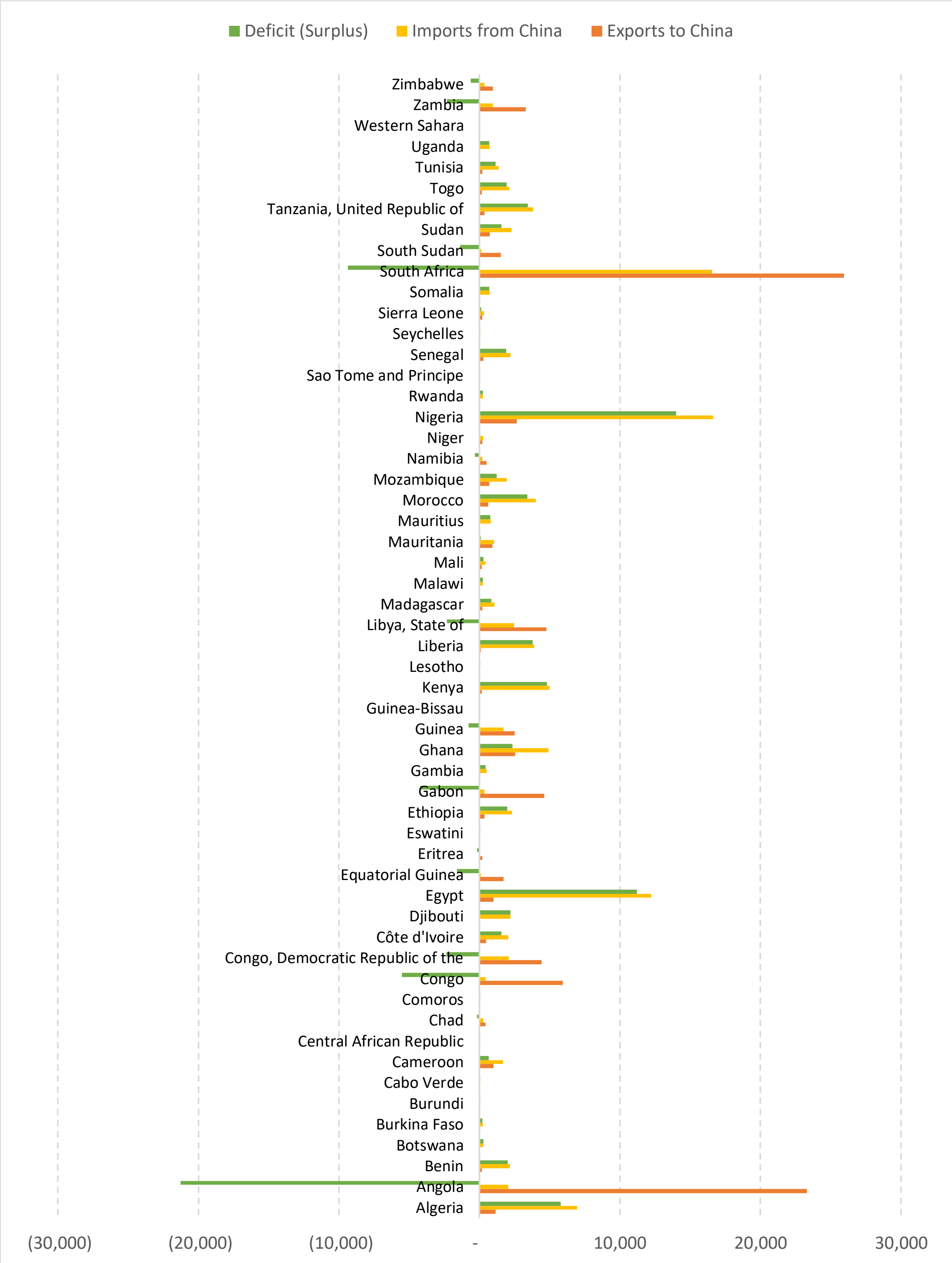


Indeed, the vast majority of African countries have a trade deficit with China (i.e. their imports from China are larger than their exports to China). In both 2018 and 2019, only 15 countries in Africa had a trade surplus with China. The largest surplus in 2019 was for Angola at 21 billion, followed by South Africa and the Republic of Congo, and the smallest surplus being Chad (11 million). In contrast, the African countries with largest deficits were Nigeria at 14 billion, followed by Egypt and Algeria (**Figure 6**).

This unbalanced relationship is linked to four other underlying trends.

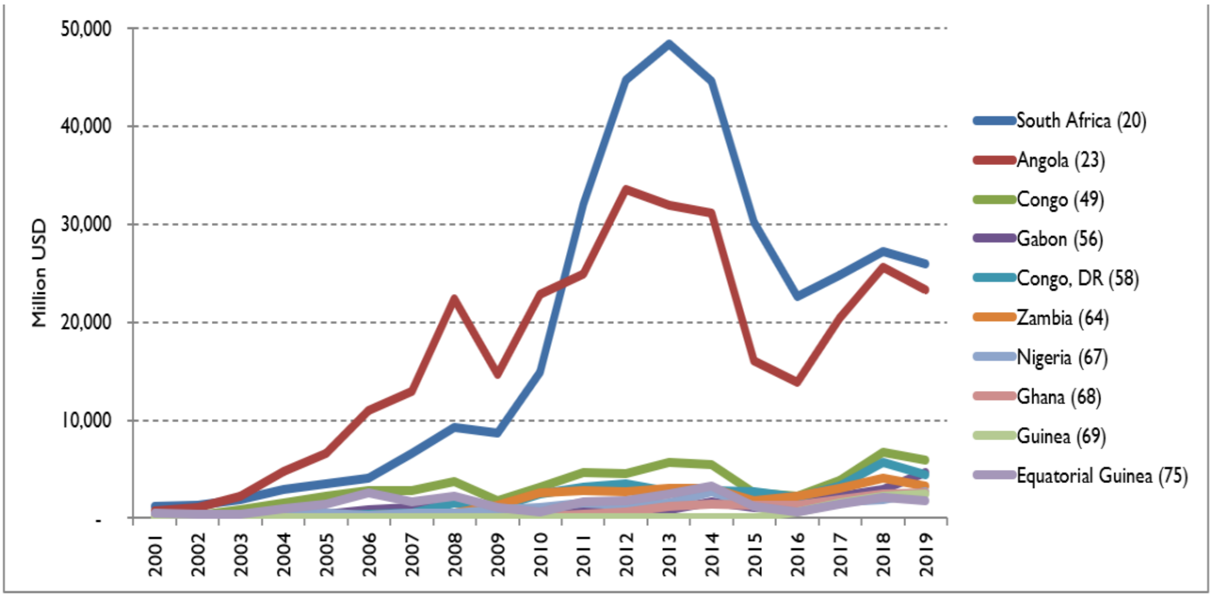
[22] **Source:** Trade Map database

Figure 6: African Countries with Trade Surpluses with China in 2019 (' Million USD)[23]



First, the Top 10 African suppliers to China in all products are countries that either have relatively more developed economies or are rich in natural resources, as shown by **Figure 7**[24]

Figure 7: Africa's Top 10 Suppliers to China (all products by rank)[25]

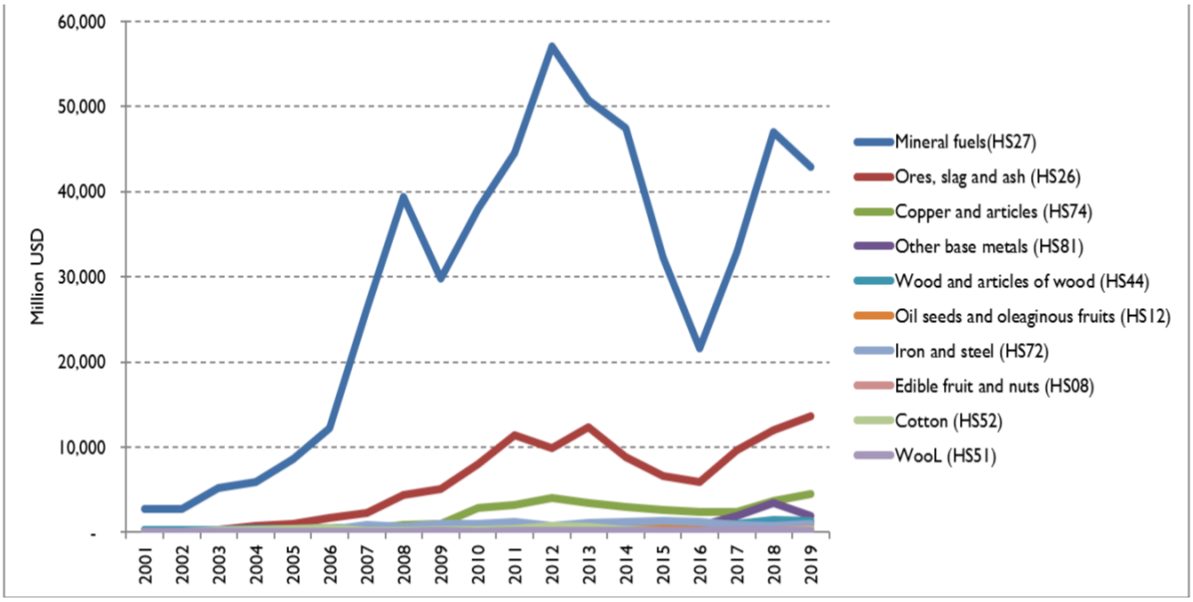


Second, the type of exports – and the focus on raw materials – have hardly changed over time.[26] Between 2001 and 2019, the leading exports from Africa to China included petroleum oil products, copper and other base metals and wood, with a steady increase being observed in petroleum products (**Figure 8**). This contrasts with the exports of fruits, wool and cotton, which occupy the bottom three in Africa's top ten exports to China.

This pattern is also seen at a regional level if African countries are classified according to the various Regional Economic Communities (RECs).

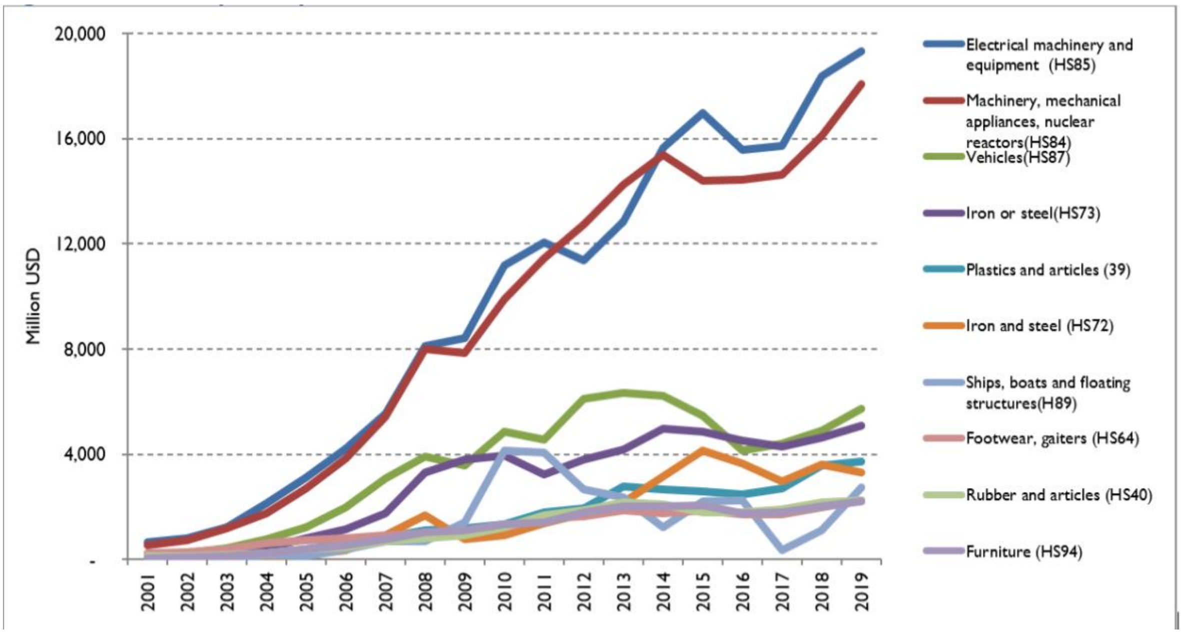
[24] Obuah. (2012). *Trade between China and Africa: Trends, Changes, and Challenges*. 15.
[25] Source: Trade Map Database
[26] Coface. (2017). Press Release. https://www.coface-usa.com/News-and-Publications/News/China-Sub-Saharan-Africa-Trade-Relations-Still-Unbalanced

Figure 8: Africa's Top 10 Exports to China[27]



Third, the trends are driven by China's growth as a manufacturing powerhouse, and to some degree the growth of African consumer markets. For instance, imports from China into Africa of electrical equipment have increased steadily between 2001-2019, followed by machinery (see **Figure 9**). Some of this may be associated with infrastructure projects (see next section on finance).

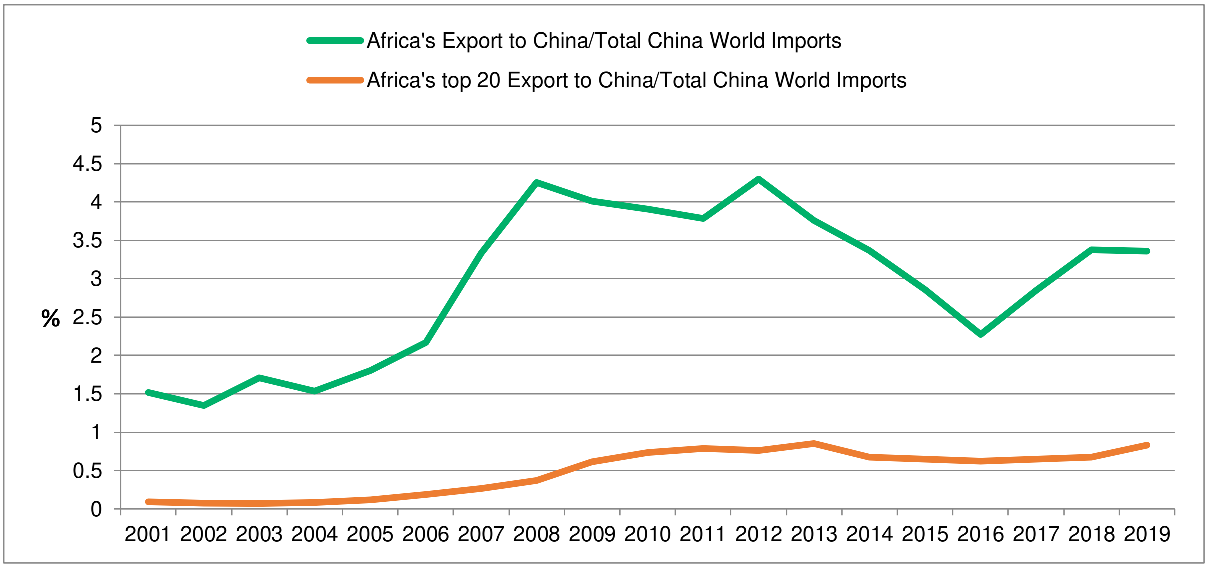
Figure 9: Africa's Top 10 Imports from China[28]



[27] Source: Trade map database
[28] Source: Trade map database

Finally, while higher incomes in China have led to domestic consumption growth, this demand has not spilt over to African nations. Exports from Africa to China compared to overall total worldwide exports to China over the last 20 years have fluctuated with a margin between 2% to 4% since 2006 (**Figure 10**).

Figure 10: Africa's Exports to China as a % of China's total Imports[29]



The Role of Trade Agreements on China-Africa Trade

In 2010, China agreed to allow imports from Least Developed Countries (LDCs) under a Duty-Free Quota Free Scheme (DFQF). This scheme was renewed in 2015 and is estimated to cover 97% of tariff lines. However, it has had a limited impact so far. For example, while 99% of all LDC imports into China in 2011 were under the DFQF scheme, China has imported little beyond such commodities from African LDCs[30]. The WTO largely attributes under-utilization of these preference schemes to complex Rules Of Origin (ROOs) [31], market access challenges and direct transportation requirements[32].

Beyond the DFQF Scheme, so far, all other trade agreements with China in Africa have been negotiated between individual countries. Most extensively, in 2019 China and Mauritius agreed the first full Free Trade Agreement (FTA) with an African country[33]. **Box 3** sets out some interesting facts about the agreement, which came into force on 1st January 2021.

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29 Source: Trade map database
30 IISD.org – https://ictsd.iisd.org/bridges-news/bridges-africa/news/duty-free-quota-free-market-access-what%E2%80%99s-in-it-for-african-ldcs
31 The countries currently covered by the scheme in Africa are the 33 LDCs in Africa – namely: Angola, Benin, Burundi, Burkina Faso, Central African Republic, Chad, Comoros, Democratic Republic of the Congo (DRC), Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda and Zambia
32 WTO_https://www.wto.org/english/news_e/news19_e/roi_16may19_e.htm
33 The WTO's General Agreement on Tariffs and Trade (GATT) Article XXIV allows WTO Members to conclude agreements leading to formation of Free Trade Areas and Customs Union. In the case of an FTA, the condition is that the agreement should eliminate duties and other restrictions of commerce on 'substantially all the trade between the constituent territories in products originating in such territories. See also https://www.wto.org/english/docs_e/legal_e/gatt47_02_e.htm#articleXXIV

BOX 3: Key facts about the China-Mauritius FTA

- The agreement includes a tariff rate quota (in quota of 15%) for 50,000 tons of sugar to be implemented on a progressive basis over 8 years, starting with 15,000 tons in 2021.
- China is expected to eventually reach zero tariffs on 96.3% of traded items (i.e. 8547 products) with 88% of China's tariffs for Mauritian imports being at zero immediately and 5% liberalized over 5 years, and 3% liberalized over 7 years. Products under these two categories include a wide range of agricultural products as well as footwear, motorcycles, and mounted diamonds; vehicles, parts, and accessories; wool fabrics; and film.
- The 313 tariff lines excluded from liberalization include shark fins, tea, rice, soya beans, seed oils, tomato juice, tobacco refuse, cigars and cigarettes, urea, toilet tissue, most types of paper, wool, cotton, sewing machines, and hand tools.
- Mauritius is expected to eventually reach zero tariffs on 94.2% of traded items
- Rules of Origin (ROO) exclude products exported from Mauritius that contain non-originating Mauritian materials exceeding 10% of the product's Freight on Board (FOB) value. This is more restricted than e.g. Mauritius' preferential trade agreement under the US African Growth Opportunity Act (AGOA).
- The FTA also enables access by China to more than 40 service sectors and 130 sub-sectors in Mauritius, including financial services, telecommunications, ICT, professional services, construction, and health services.

African countries also have Sanitary and Phytosanitary (SPS) Agreements with China for specific fresh agricultural products, and/or Memorandums of Understanding (MOUs) to export certain volumes of such products. These are necessary since China has had its own system for agricultural/raw products certification since the 1990s [34], administered by China's Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) – equivalent to the US Food and Drug Administration (FDA) or the EU's Health and Food Audits and Analysis office. Countries are authorized by the WTO to impose SPS requirements – although they can be seen as "discriminatory" because they can be applied to all countries regardless of what capacity a given country has to deliver them[35].

There are at least 11 African countries that have signed SPS agreements with China, starting from 1998 onwards, as set out in **Table 1**. Beyond these official agreements, MOUs with Chinese firms have also been signed between governments and firms from Ethiopia[36], Rwanda and Uganda for coffee, and there is discussion of opening up of the Chinese market for cocoa (Ghana) [37].

[34] See: https://www.files.ethz.ch/isn/100675/42.pdf
[35] Wood et al. (2017).
[36] https://qz.com/africa/1432178/ethiopias-garden-of-coffee-to-open-100-cafes-in-china/
[37] https://agrighanaonline.com/ghanas-ambassador-to-china-calls-for-tariff-free-entry-of-ghanas-cocoa-products-into-chinese-market/

Table 1: Existing SPS Agreements and MOUs between China and African Countries

Country	Year signed	Product
Zimbabwe	1998	Tobacco Leaves[38]
South Africa	2000	Citrus (1st shipment 2004), Grapes (1st shipment 2006)[39]
Ethiopia	2002	Sesame
Morocco	2008	Citrus[40]
Namibia	2015	Beef[41] (1st shipment 2019)[42]
South Africa	2015	Royal Beaut apples[43]
Egypt	2016	Grapes[44]
Kenya	2018	Avocados (cut and frozen only, 1st shipment 2020)[45], Stevia, *inter alia* cut flowers, French beans and macadamia nuts.[46] (all still to enter)
Ethiopia	2018	Soybeans[47]
Egypt	2019	Dates Palm [48]
Seychelles	2019	Fish and sea products, coconut oil/essence and cinnamon essence[49]
Botswana	2020	Beef and beef by products[50]
Rwanda	2021	Unprocessed dried chilli[51]
Tanzania	2021	Soybeans[52]

The low numbers of existing agreements are possibly a contributing factor to low export volumes, However, in many cases a significant and consistent rise in products covered by the SPSs have not been seen to date or have had significant lags. For instance, around 9,000 tonnes of Namibian beef enter the EU every year, while so far, only 3,000 tonnes have entered China. In 2020, Namibia also became the first African beef exporter to the US, with the ambition to export 5,000 tonnes annually by 2025. In some cases, the technical requirements are too stringent even under SPS arrangements, for instance, required conditions for freezing and cutting avocados from Kenya has hampered the flow of trade, reducing benefits to farmers.

[38] http://220.163.128.46/Front/StatuteContent.aspx?StatuteID=3944
[39] https://agritrade.cta.int/Agriculture/Commodities/Horticulture/Good-progress-reported-in-South-Africa-China-SPS-dialogue-in-citrus-and-apple-sector.html and https://www.nda.agric.za/docs/npposa/protocol_of_phytosanitary_requir.htm
[40] http://ma.mofcom.gov.cn/article/ddfg/waimao/201408/20140800689880.shtml
[41] http://na.mofcom.gov.cn/article/jmxw/201510/20151001126889.shtml
[42] Namibia 29th March 2018 protocol on inspection, quarantine and veterinarian and sanitary requirements on beef to be exported to China. See https://www.nbc.na/news/namibia-china-sign-various-trade-agreements.16826 and http://na.mofcom.gov.cn/article/jmxw/201905/20190502862471.shtml
[43] https://www.freshplaza.com/article/2137415/south-africa-first-apples-to-china/
[44] http://news.afrindex.com/zixun/article7799.html
[45] https://www.sohu.com/a/339734694_291959, and http://www.fruitnet.com/asiafruit/article/178558/kenya-china-avocado-deal-signed;seealso https://africa.cgtn.com/2020/11/07/kenya-to-prioritize-avocado-exports-to-china/ (accessed on 10th January 2021)
[46] http://www.xinhuanet.com/english/africa/2019-09/12/c_138384812.htm
[47] https://www.reuters.com/article/us-china-soybeans-imports-idUSKCN1LN0VL
[48] http://www.customs.gov.cn/customs/302249/302266/2480148/2622503/index.html
[49] The Seychelles SPS Agreement with China covers inspection, quarantine and veterinary sanitary requirements for wild marine fishing aquatic products to be exported from Seychelles to the People's Republic of China. See http://www.nation.sc//articles/2338/seychelles-and-the-peoples-republic-of-china [accessed on 10th January,2021]
[50] http://www.xinhuanet.com/english/2020-12/18/c_139600727.htm
[51] https://www.newtimes.co.rw/news/rwandas-dry-chili-debut-chinese-market
[52] https://www.scmp.com/news/china/diplomacy/article/3107445/china-start-buying-soybeans-tanzania-it-seeks-new-suppliers

It has been argued that any trade arrangement where African countries negotiate with other actors as a trading block, such as Africa's RECS[53], can enhance the bargaining capacity of the African countries and simultaneously ensure capacity to implement and monitor policies effectively.[54]

However, some regional coordination forums have been created but hardly used. For instance, in November 2011, the EAC created the China Framework Agreement on Economy, Trade, Investment and Technical Cooperation, which was expected to promote commodity trade, exchange visits by businesspeople, cooperation in investment, infrastructure and human resource development and training.[55] A Joint Committee on Economy, Trade, Investment and Technical Cooperation (JCET) was expected to follow up implementation, however it only met a few times before dissipating. China has recently reiterated its willingness to negotiate a region-wide FTA with EAC, and a new demonstration park in Hunan Province aims to promote trade and cooperation with the EAC.[56]

Similarly, negotiations were initiated on a FTA between China and the South African Customs Union (SACU) back in 2004, but currently no agreement has been signed. [57] SADC has a working relationship with China following the SADC China Infrastructure Investment Seminar which took place in 2015, but the focus is on infrastructure and not directly on trade.[58] Also, a US$1 billion fund aimed at boosting trade and economic ties between China and Portuguese-speaking African countries was launched in 2010[59] and a China-ECOWAS trade forum set up in 2012 but nothing has been recorded since of progress on either of these.

Beyond these direct trade-related agreements there are two other key points to note about the China-Africa trade relationship.

First, it seems the focus so far by African governments has been around increasing the volume of trade into China, rather than the value of trade. This is demonstrated by the lack of African Geographical Indications (GI) recognition in China.

GIs are a sign used on products that possess qualities or a reputation that is due to a specific geographical origin. When used they can increase the value of these products in markets and avoid the existence of poor copies[60]. As such, GI's can be part of trade promotion strategies[61].

So far there are a total of 186 African GIs documented. Broadly, they fall into two categories: food and non-food products (**Figure 11)** and are very diverse. Wines account for the majority of protected non-food products.

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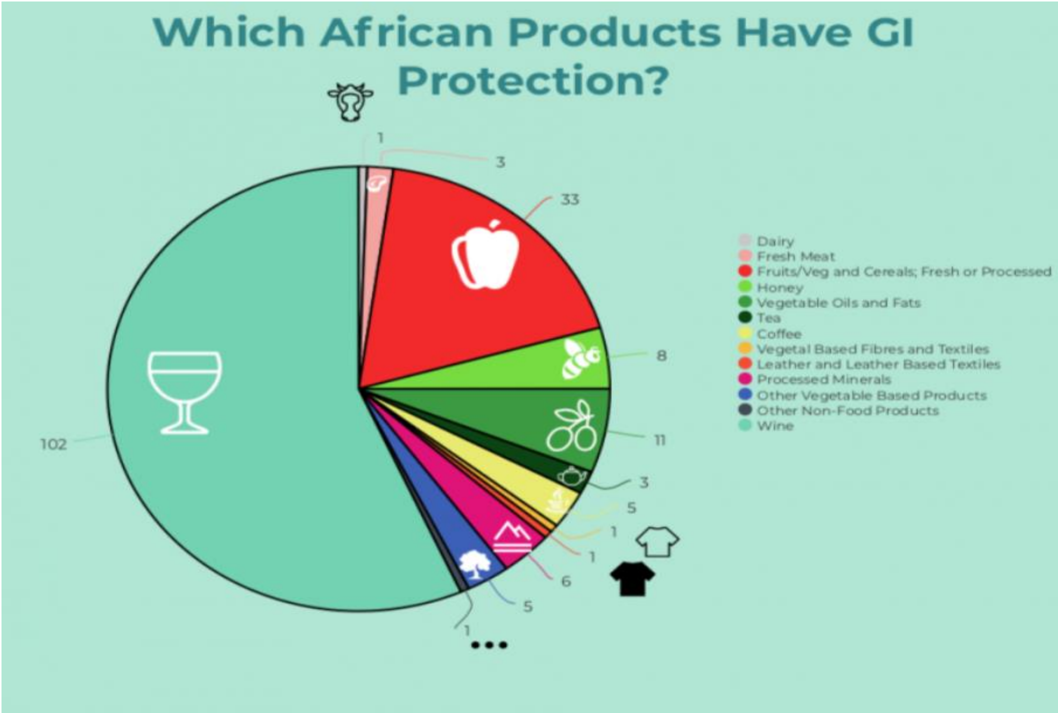
[53] Presently, there are 8 recognized regional blocs by African Union (AU) - Arab Maghreb Union (UMA), Common Market for Eastern and Southern Africa (COMESA), Community of Sahel-Saharan States (CEN-SAD), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD), and Southern African Development Community (SADC)
[54] http://www.ccs.org.za/wp-content/uploads/2015/11/CCS_PB_REC_DB__BT_2015_02.pdf
[55] Aspen Institute- https://www.aspeninstitute.org/wp-content/uploads/files/content/images/ghd/China_EAC_Press_Release_11.17.2011.pdf
[56] https://baijiahao.baidu.com/s?id=1684123648821985664&wfr=spider&for=pc
[57] China MFA http://fta.mofcom.gov.cn/topic/ensacu.shtml
[58] https://www.sadc.int/news-events/news/sadc-china-infrastructure-investment-seminar/
[59]https://www.gov.mo/en/news/52418/
[60] https://www.wipo.int/geo_indications/en/
[61] https://unctad.org/topic/least-developed-countries/geographical-indications#:~:text=Geographical%20Indications%20(GIs)%20are%20tools,an%20overall%20trade%20promotion%20strategy.

Figure 11: African Products with GI Protection[62]



However, no African products have GI protection in China. Yet, some, such as South African wines, South African rooibos tea, and Kenyan teas,[63] may face high demand in China.

Second, cross-border logistics – including digital trade or e-commerce – is becoming a focus of African governments and Chinese stakeholders as an enabler to trade. In transport services and infrastructure, China now has Civil Aviation Transport Agreements with Ethiopia, Angola, Zambia, South Africa, Seychelles, Libya and Uganda.

A number of African countries have signed agreements to promote products from their country on Chinese e-commerce platforms, both wholesale (B2B) and retail (B2C). In 2018, Rwanda and China signed a MOU on e-commerce cooperation. Since 2020, Rwanda's Ambassador to China livestreamed five times to promote Rwandan coffee, pepper and other local products and tourism products on the Chinese online store Tmall.[64] Similarly, in late 2019, the government of Ethiopia and Alibaba Group entered into a partnership.[65] In 2020, Ethiopia coffee was officially launched on Alibaba's Tmall,[66] with Gera YirgaCheffe and Sidamo Coffee from Ethiopia signing contracts to sell goods.[67]

[62] Source: Development Reimagined
[63] https://developmentreimagined.com/2020/01/24/geographical-indications/
[64] Rwanda Coffee https://baijiahao.baidu.com/s?id=1679245976487796459&wfr=spider&for=pc
[65] People's Daily http://en.people.cn/n3/2020/1107/c90000-9777678.html
[66] People's Daily http://en.people.cn/n3/2020/1107/c90000-9777678.html
[67] China New https://www.chinanews.com/business/2020/11-06/9332299.shtml

However, most Chinese e-commerce platforms do not have any stores operated by Africans to sell products directly from Africa into China. Some notable products sold in Chinese online shops are Kericho Kenya tea, South Africa Rooibos tea, South African Alcare Aloe gel, Ethiopia Yirgacheffe Coffee and Queen Elisabeth's Coco Butter.

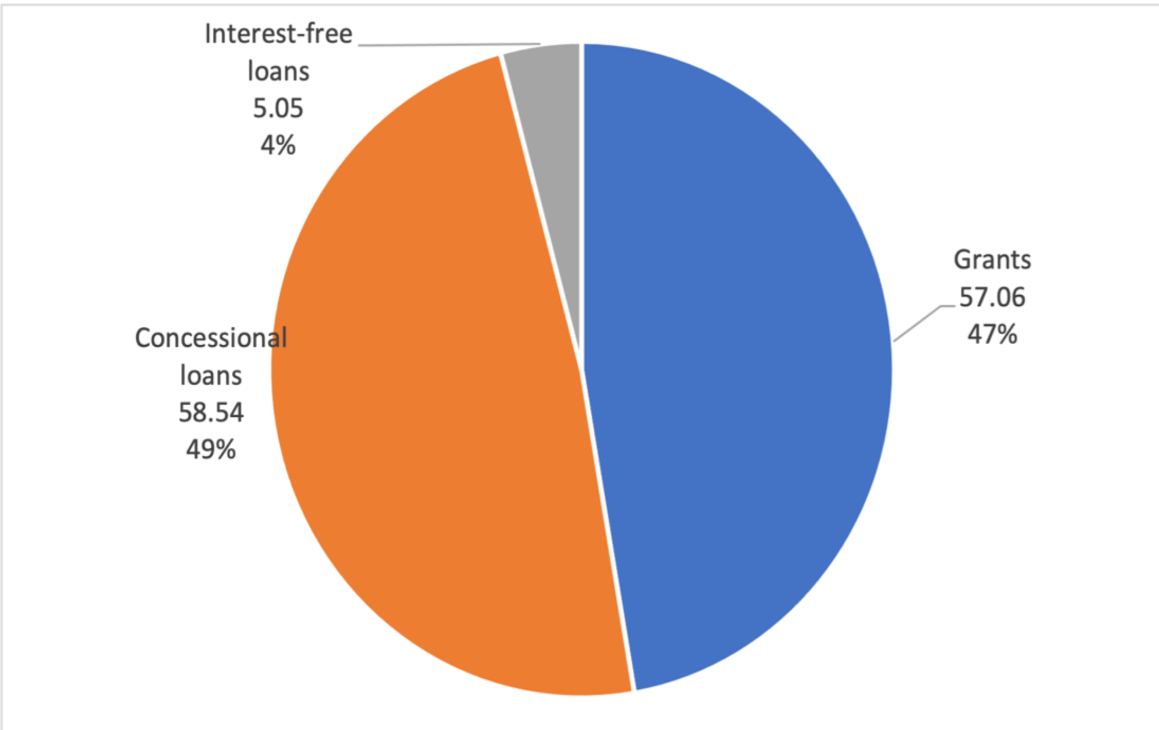
Linkage 2: Flows of Finance

This section focuses on three types of financial flows namely grants (aid), loans and Foreign Direct Investment (FDI).[68] We explore the overall trends for each as well as country differences, where data is available. For FDI, we also explore the trends of African investment into China.

Grants or Aid from China to Africa

Grants to Africa have been used to "build small and medium-sized social welfare projects and to fund projects for cooperation in human resources development, technical cooperation, material assistance and emergency humanitarian assistance, as well as projects under the South-South Cooperation Assistance Fund.[69] According to China's most recent White Paper, from 2013 to 2018, China allocated a total of RMB120.6 billion (US$18.25 billion) to African countries, i.e. approx. US$3 billion per year, including grants of US$1.4 billion per year (47%),[70] as shown in **Figure 12**.

Figure 12: China's Aid to Africa, 2013-2018[71]



[68] https://www.cgdev.org/sites/default/files/chinas-foreign-aid-primer-recipient-countries-donors-and-aid-providers.pdf
[69] The People's Republic of China the State Council. "China's International Development Cooperation in the New Era." January 10, 2021.
[70] ibid http://english.www.gov.cn/archive/whitepaper/202101/10/content_WS5ffa6bbbc6d0f72576943922.html
[71] Source: *White Paper 2021 "China's International Development Cooperation in the New Era"*

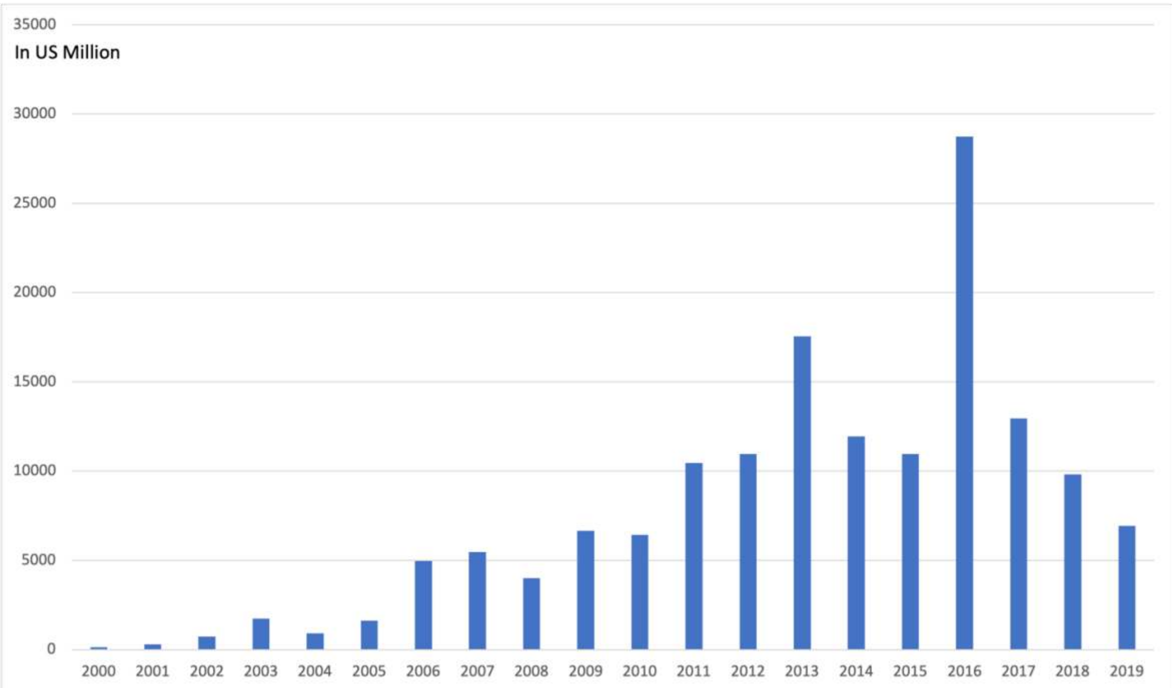
There is no comprehensive data for the distribution of these grants by African country. The breakdown by sector for the different types of grants is also not clear. For example, a certain proportion of aid to Africa is spent on agriculture (e.g. in the form of Agricultural Demonstration Centres and expert training), on health (e.g. in the form of permanent and emergency medical teams, or donations of medical equipment, or building hospitals), and so forth. Therefore, it is challenging to understand whether certain African sectors have received more investment by China over time than others.

African Loans borrowed from China

Due to international concerns around debt levels, African countries are facing pressure to avoid taking on new debt. These concerns are disputed. Since 2000, while debt has been rising in absolute terms, debt as a percentage of gross national income has fallen. In 2019, the external debt to gross national income ratio for the continent was 44% – relatively close to the ratio in 1978 at 43%. There are just three African countries that have debt levels around or larger than the current size of their economies – Djibouti, Mauritania and Mozambique – and five African countries (Cabo Verde, Mauritius, Mozambique, South Africa, and Tunisia) are currently forecast to see debt to GDP ratios above those seen in the early 1990s "African debt crisis"[72].

African countries have borrowed significant loans from China as part of this. It is estimated that African governments borrowed a total US$153 billion from China between 2000-2019 – i.e. on average $7.6 billion per year, with a significant increase over the period, peaking in 2016 (**Figure 13**).[73]

Figure 13: Loans taken by African countries from China, 2000-2019[74]

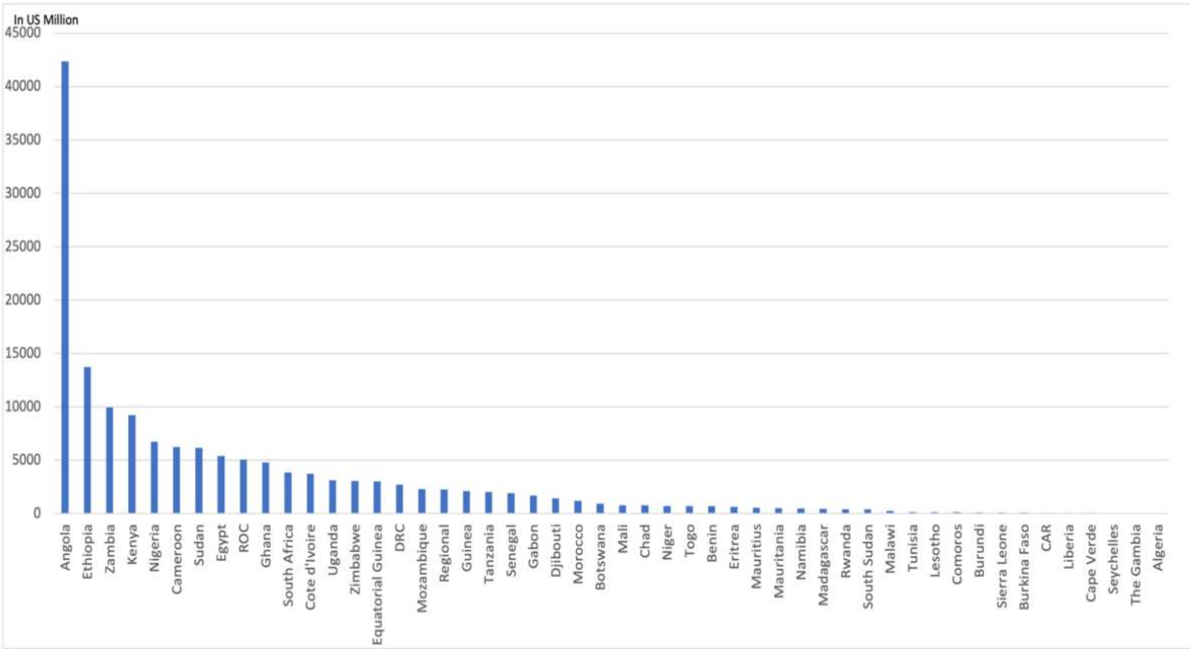


[72] https://developmentreimagined.com/2020/06/12/is-africa-drowning-in-debt/
[73] China Africa Research Initiative and Boston University Global Development Policy Center. 2021. Chinese Loans to Africa Database, Version 2.0. Retrieved from https://chinaafricaloandata.bu.edu/.
[74] Source: China Africa Research Initiative and Boston University Global Development Policy Center2021. Chinese Loans to Africa Database, Version 2.0.

The loans are distributed very unevenly across the continent – with 28% of the total borrowed by Angola alone (**Figure 14**).

Overall, a 2018 study of 48 African countries suggested that 20% of their debt was owed to China, compared to 35% to multilateral institutions, 32% to private creditors, and the remaining 13% to the "Paris Club" of lenders[75]. However, others suggest that China's loans are bigger because they are "hidden"[76]. Our own analysis suggests just three African countries owe over 40% of their debt to China (Republic of Congo, Djibouti, and Angola), while three other African countries owe 40% of their debt to the private sector (Mauritius, Nigeria and Zambia). Other countries have a broader mix of creditors[77].

Figure 14: Distribution of China's Loans to African Country (total amount between 2000-2019)[78]



Transport, power and mining are the top three sectors that Africans have sought the most loans from China[79]. Some loans are linked to natural resources (and therefore to the trade trends identified earlier in this chapter). For instance, in order to get access to finance, given a very low asset base, some African countries (e.g. Sudan, Republic of Congo, etc) have used flows of resources such as oil and minerals to provide collateral to be able to get loans from China – known as Resource Based Loans (RBLs). RBLs can ensure natural resource revenues are fully dedicated (i.e. hypothecated) to infrastructure projects and provide less chances for funds to be lost to corruption or tax havens. If well

[75] Jubilee Debt Campaign, https://jubileedebt.org.uk/wp/wp-content/uploads/2018/10/Who-is-Africa-debt-owed-to_10.18.pdf
[76] Horn, S., Reinhart, C. R. and Trebesch, C., 2019. *China's Overseas Lending*. National Bureau of Economic Research, Working Paper No. 26050, https://www.nber.org/system/files/working_papers/w26050/revisions/w26050.rev0.pdf
[77] https://www.africaunconstrained.com/the-african-debt-guide/
[78] **Source**: *China Africa Research Initiative and Boston University Global Development Policy Center. 2021. Chinese Loans to Africa Database, Version* 2.0.
[79] Brautigam, Deborah, Jyhjong Hwang, Jordan Link, and Kevin Acker (2020) *Chinese Loans to Africa Database*.

negotiated, they can also be designed to provide a buffer for borrowers against low natural resource prices[80].

However, the impact of China on overall infrastructure building in Africa goes beyond these loans, because Chinese firms themselves also bid for, and often win, delivery of projects commissioned/financed entirely by African governments and/or other development partners[81]. Chinese firms often bid for projects in sectors such as transport, power engineering and even housing. Such African projects contributed 27% of China's turnover from projects all over the world.

Trends on Chinese-funded Infrastructure Projects

Chinese-built projects have been declining since 2016, as have, it seems, loans from China. One reason for the former is that many African countries, such as Zambia, Algeria, Egypt and Morocco, have begun to implement policies which aim at increasing usage of local materials and equipment, hiring local employees and so on. Chinese labor has also become relatively more expensive. This can reduce margins that Chinese companies can make and therefore the incentives to bid for projects. In addition, Chinese enterprises are cautious about certain challenges, including default of project payments and other contract and tax issues. For example, in Cameroon, most projects were in arrears for more than half a year[82]. That said, as is explained in **Box 4**, loans issued to Africa as a whole are a small proportion of China's loan issuance globally and domestically, therefore the overall "risk assessment" should not be overblown.

BOX 4: Loans to Africa as a proportion of China's total loans

To understand the degree of risk aversity Chinese banks have when it comes to loans to Africa, it is important to understand whether these loans make up a large or small proportion of China's banking activity. The Export-Import Bank of China (EXIM) issues the most loans for Chinese overseas projects. In 2019, EXIM's outstanding balance for overseas contracting loans stood at RMB788.864 billion (US$122 billion), accounting for 21% of EXIM's total loan portfolio, the rest of which was domestic. Of this $122 billion, the specific proportion for African loans is unclear. However, in the past, EXIM said that over an unspecified period up to 2018 they had provided more than 600 projects in Africa with loan balances of more than RMB340 billion (US$52.7 billion), in 47 African countries[83]. If that period were, say, 10 years, that would indicate $5.7 billion per year being issued. This indicates that Africa is a small proportion of China's overall overseas and domestic lending activity, which may indicate potential for write offs and/or increased lending. The spread across numerous African countries also indicates a diversified risk management strategy.

[80] https://carnegieendowment.org/2021/06/02/what-do-we-know-about-chinese-lending-in-africa-pub-84648?mkt_tok=MDk1LVBQVi04MTMAAAF9hn9ZMcv_xmbciP5BMlA_2C2kyq1Ce2ivWqmZiJgp1r1Crl46eBcDM3kJV8hi_i8lgK1DCbPnFACXXjMZPcyTEk_MzHMu3qQeC8cVNv4I7QJ8Cg

[81] Ministry of Commerce of the People's Republic of China. *Relegations on the Administration of International Contracting* Projects (对外承包工程管理条例). 2017. http://file.mofcom.gov.cn/article/gkml/201810/20181002799147.shtml

[82] Ministry of Commerce of the People's Republic of China. *Annual Report on China international Project Contracting 2019-2020*. January 20, 2021. http://www.mofcom.gov.cn/article/i/jyjl/e/202101/20210103032457.shtml

[83] The Export-Import Bank of China. "Annual Report 2019." http://www.eximbank.gov.cn/info/ztzl/fzzt/201810/t20181012_6929.html

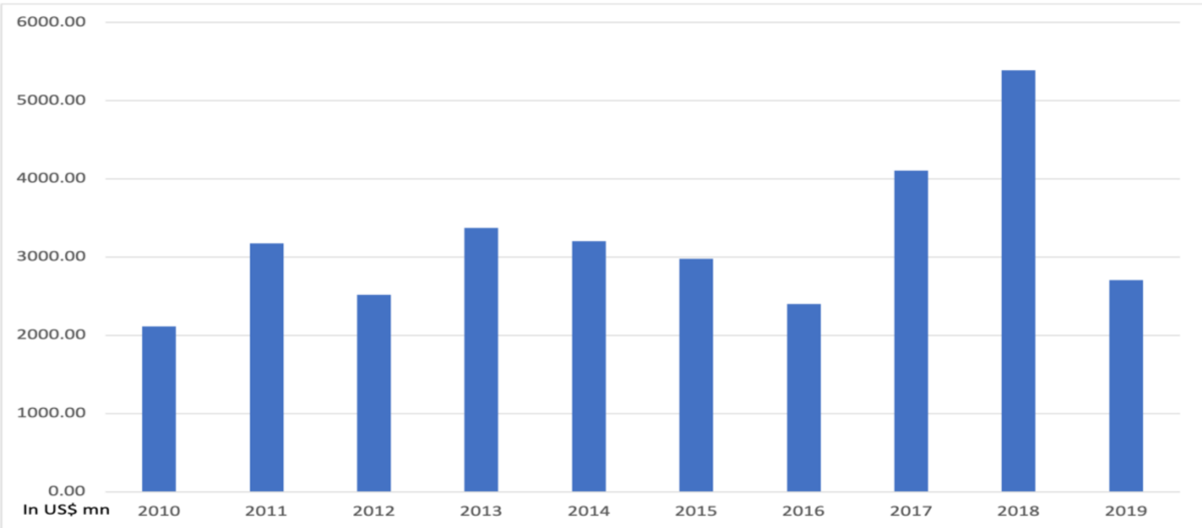
Trends in Debt Relief

From 2000-2018, China has cancelled debt for at least 20 African countries, equivalent to 1.5% of all loans taken out across Africa from China. Most cancellations have been for amounts that are less than US$100 million[84]. Scenario estimations reveal that up to 40% of finance spent on COVID-19 so far by African countries could be covered by suspending debt payments to Chinese official creditors.[85]

China's Foreign Direct Investment in Africa

Chinese Foreign Direct Investment (FDI) annual flows to Africa have been consistently positive but fairly volatile over the past ten years, as shown in **Figure 15.**[86] Flows peaked during 2008's US$5.5 billion worth purchase of 20% of South Africa's Standard Bank shares by the Industrial and Commercial Bank of China (ICBC).

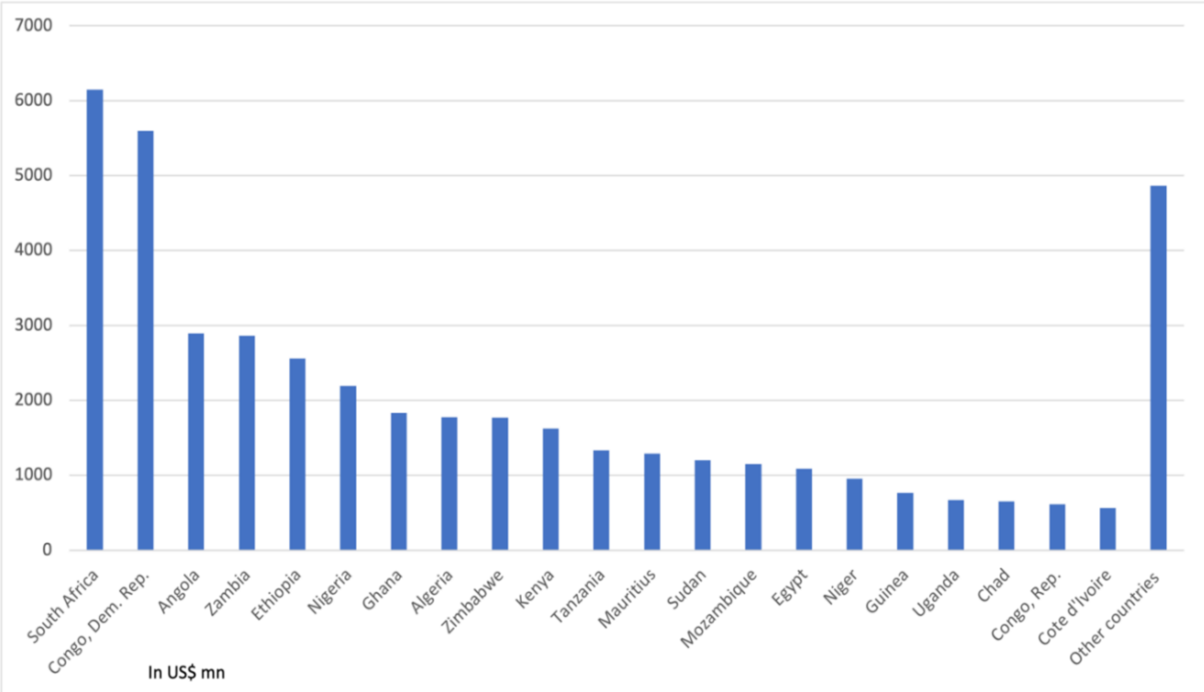
Figure 15: Chinese FDI to Africa between 2010-2019[87]



The top 5 African destinations for Chinese non-financial FDI in 2019 were South Africa, Democratic Republic of Congo, Angola, Zambia and Ethiopia (**Figure 16**)[88]. Many of these are resource-rich countries[89].

[84] https://developmentreimagined.com/2020/12/11/chinadebtreliefimpact/
[85] https://developmentreimagined.com/2020/12/11/chinadebtreliefimpact/
[86] Data not available for earlier than 2010.
[87] Source: 2019 Statistics Bulletin by China MOFCOM
[88] http://www.sais-cari.org/chinese-investment-in-africa
[89] http://faculty.buffalostate.edu/qianx/index_files/ChinaODIafrica.pdf

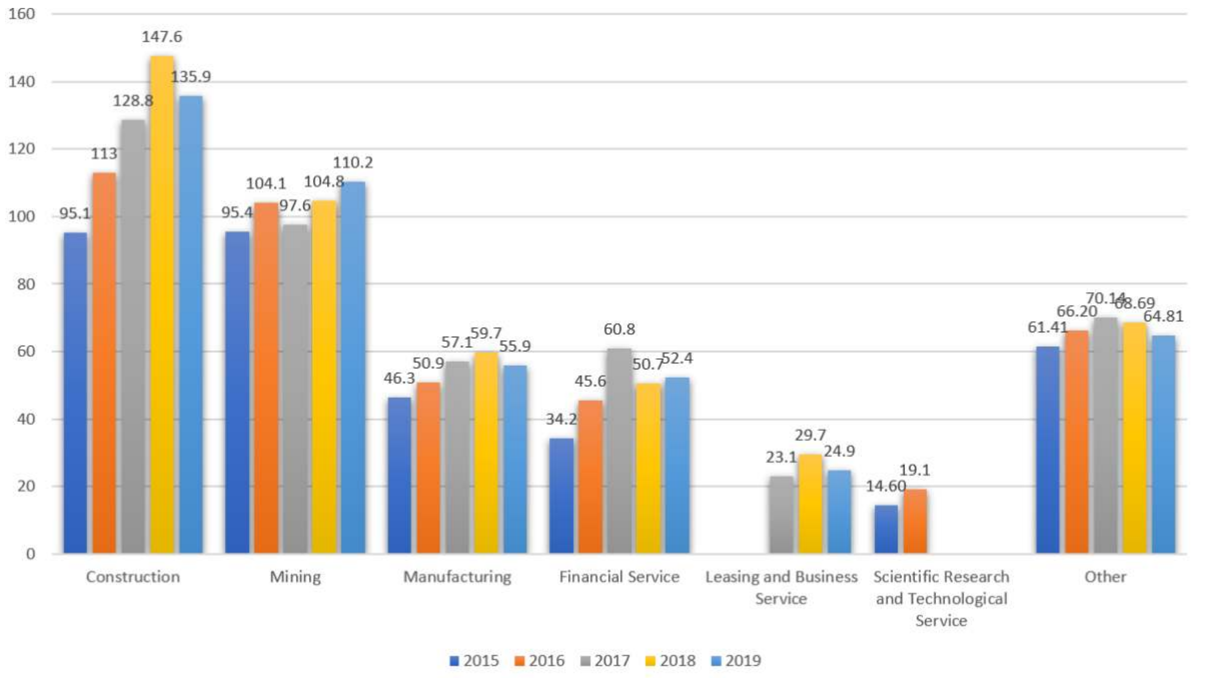
Figure 16: Africa's top Chinese FDI Destinations[90]



This focus is because construction and mining sectors remain the dominant investment destinations for Chinese FDI (**Figure 17**), followed by manufacturing, into countries with Special Economic Zones, high economic growth or large domestic markets. Some FDI is also moving to countries with Chinese contracted projects – for instance linked to Public Private Partnerships (PPPs)[91].

[90] Source: China's National Bureau of Statistics
91 https://pedl.cepr.org/sites/default/files/PEDL_Synthesis_Papers_Piece_No._2.pdf

Figure 17: Top 5 Industries: Chinese FDI Stock in Africa between 2015-2019[92]

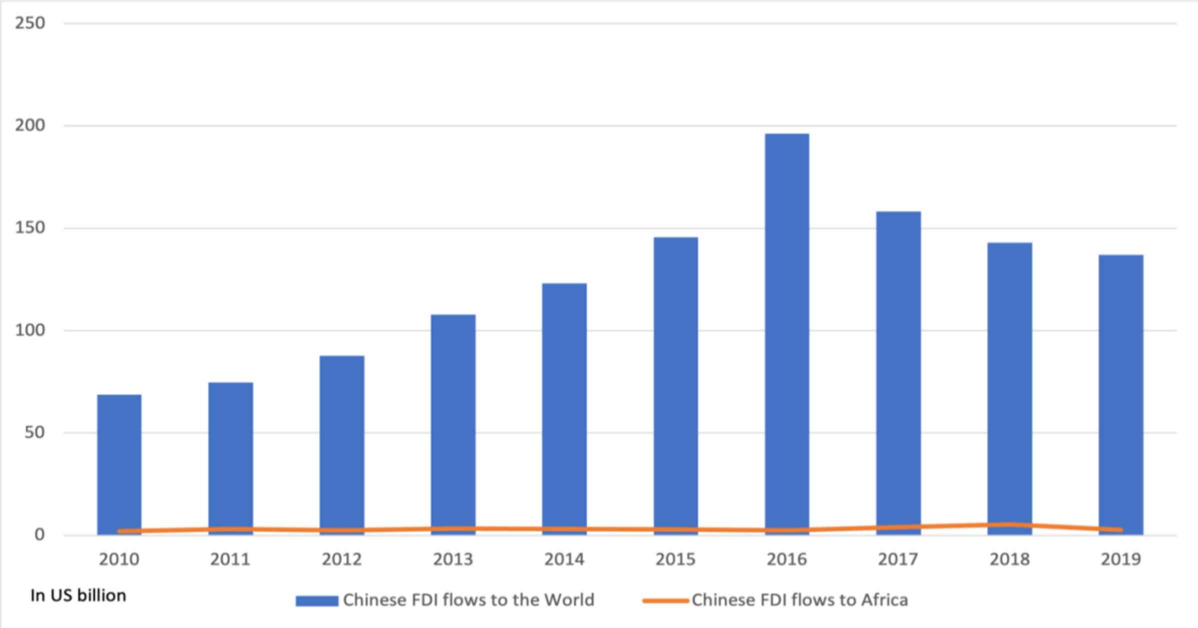


Several Chinese manufacturing companies have chosen Africa as the destination for the transfer of labour-intensive industries since 2015[93]. A 2017 study by McKinsey revealed that there are more than 10,000 Chinese-owned companies operating in Africa, accounting for around 12% of Africa's industrial production.[94] However, it is important that the impact of China's finance as well as FDI flows into the African continent is assessed, for example, through their job creation potential and delivery, including a focus on manufacturing[95]. Well known examples of this trend include Huajian Group based in Ethiopia[96], Humanwell in Mali and Ethiopia[97], and more recently BGI in Ethiopia[98].

That said, it is important to note that Chinese FDI in Africa makes up a very small portion of its total FDI outflows, an average of 3% of total outflows over 2010 to 2019, as shown in **Figure 18**.[99]

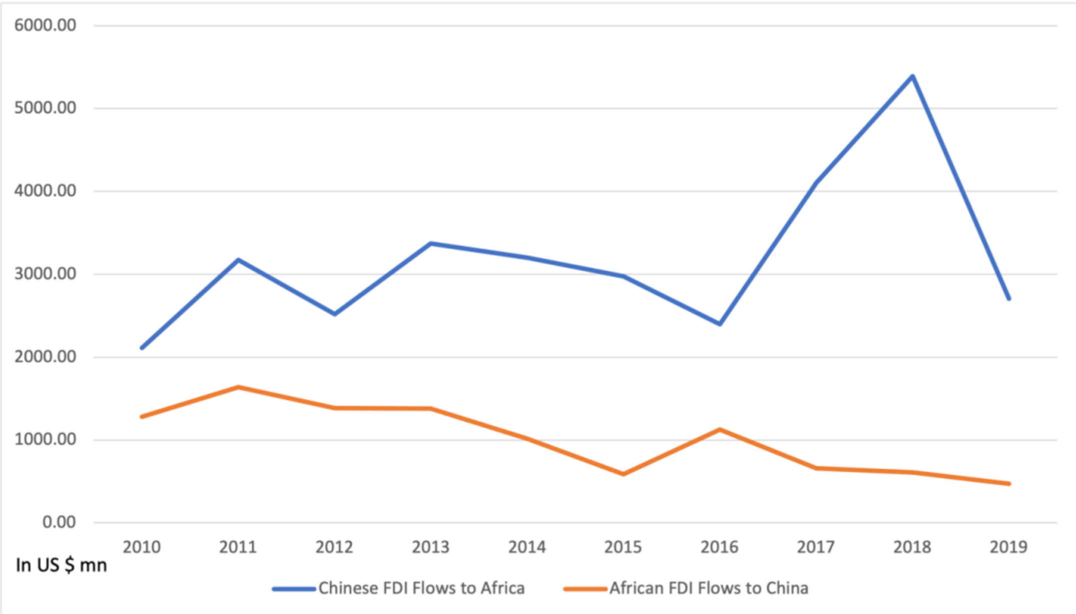
[92] Source: 2019 Statistics Bulletin by China MOFCOM
[93] McKinsey & Company. *Dance of the lions and dragons*. June 2017. https://www.mckinsey.com/~/media/mckinsey/featured%20insights/middle%20east%20and%20africa/the%20closest%20look%20yet%20at%20chinese%20economic%20engagement%20in%20africa/dance-of-the-lions-and-dragons.ashx
[94] McKinsey & Company. *Dance of the lions and dragons*. June 2017.
[95] http://eprints.lse.ac.uk/108455/1/Paper_22_the_impact_of_chinese_fdi_in_africa.pdf
[96] China Daily. "Huajian Group puts its best foot forward." June 27, 2019. http://www.chinadaily.com.cn/cndy/2019-06/27/content_37485271.htm
[97] https://developmentreimagined.com/2021/04/23/qa-how-the-chinese-private-sector-can-help-develop-pharmaceutical-production-capacity-in-africa/
[98] http://www.xinhuanet.com/english/2020-10/21/c_139454811.htm
99 https://pedl.cepr.org/sites/default/files/PEDL_Synthesis_Papers_Piece_No._2.pdf

Figure 18: Chinese FDI Flows between 2010-2019[100]



Finally, FDI also flows from Africa to China, although at a lower rate, as **Figure 19** shows. Levels rose from 2000 and peaked in 2008. There has been a fairly steady decline since 2011[101].

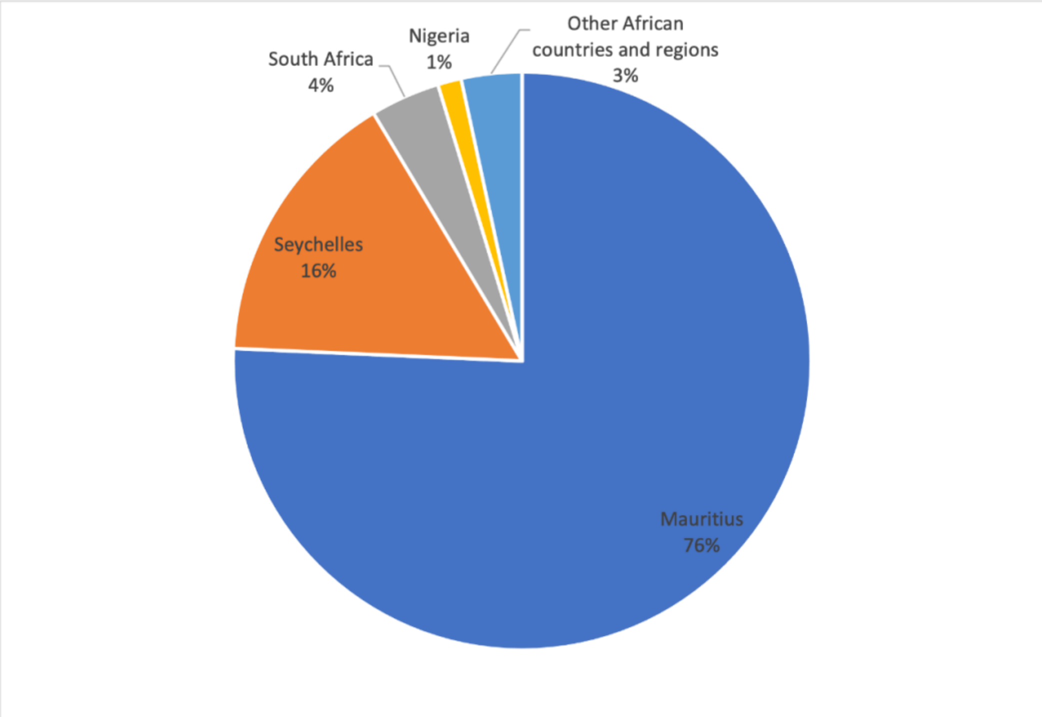
Figure 19: Chinese and African FDI Investment Flows Comparison[102]



[100] Source: China's National Bureau of Statistics
[101] https://data.stats.gov.cn/easyquery.htm?cn=C01
[102] Source: China's National Bureau of Statistics

FDI from Africa to China[103] has been mostly in petrochemicals, manufacturing, wholesale and retailing industries.[104] As shown in **Figure 20**, top African FDI sources include Mauritius and Seychelles.

Figure 20: African FDI in China[105]



There is little information about the companies behind these trends partly because of the unavailability of centralized data in China and also because many large firms use joint-ventures with Chinese firms to navigate state restrictions (**see Box 5**).

BOX 5: Case Studies of African Investment in China

Cumulative FDI from Mauritius to China was US$14.7 billion as of 2019, representing 75% of total FDI from African countries to China[106]. Mauritius has signed a double taxation agreement with China and allows outsiders to invest in wholly foreign-owned enterprises in Mauritius, who in turn can invest in China.[107]

Seychelles has cumulatively invested around US$3 billion in China as of 2019, accounting for 15% of total African FDI in China.

South Africa is another top African investor in Africa. In 2019, cumulative South African FDI exceeded US$752 million. The South African Breweries (SABMiller) has invested more than US$400 million in China since 1994[108], through a joint venture with China Resources Enterprises, known as China

[103] http://www.focac.org/eng/zfgx_4/jmhz/t832788.htm
[104] https://www.un.org/africarenewal/magazine/august-2015/africans-also-investing-china
[105] Source: China's National Bureau of Statistics
[106] China's National Bureau of Statistics. *China Actual Use of FDI from Africa.* https://data.stats.gov.cn/easyquery.htm?cn=C01
[107] Shinn, David H. and Joshua Eisenman. *China and Africa: A Century of Engagement.* 1st ed. Philadelphia: University of Pennsylvania Press, 2012. Print.
[108] Shinn, David H. and Joshua Eisenman. *China and Africa: A Century of Engagement*

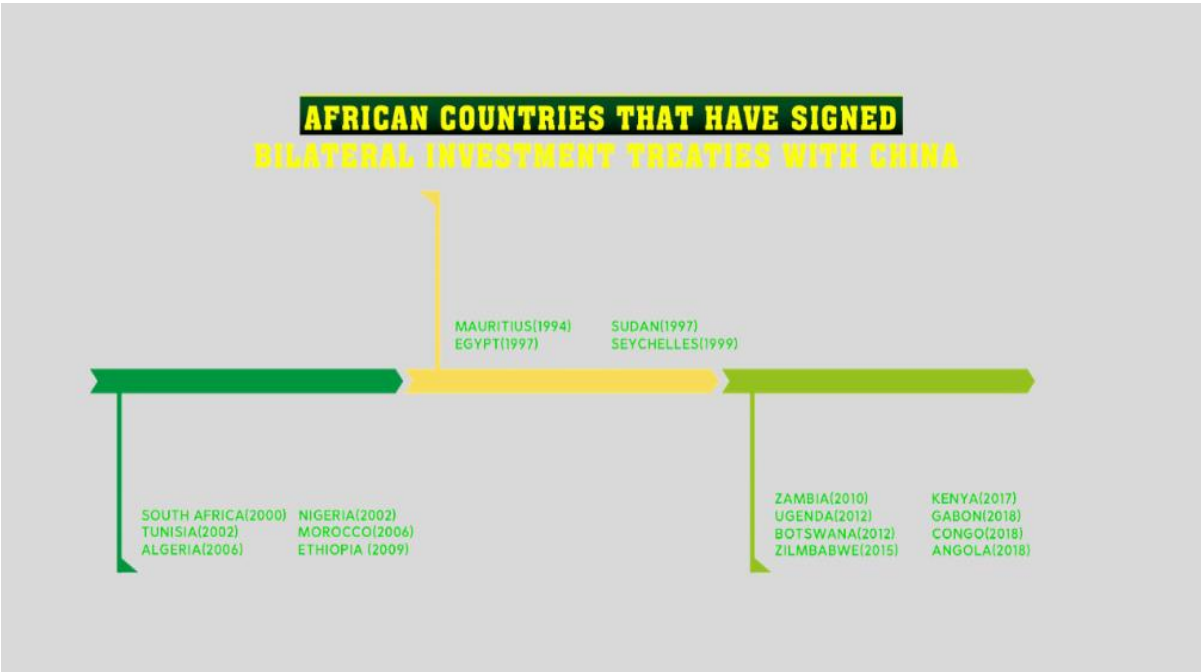
Resources Snow Breweries. It is the largest brewery in China by sales volume and brewing capacity with a 23% market share[109].

Some other examples of Africans investing in China include Tunisia's investment in China's fertilizer production through the joint venture, the Sino-Arab Chemical Fertilizers Company[110].

The Role of Official Finance-related Agreements

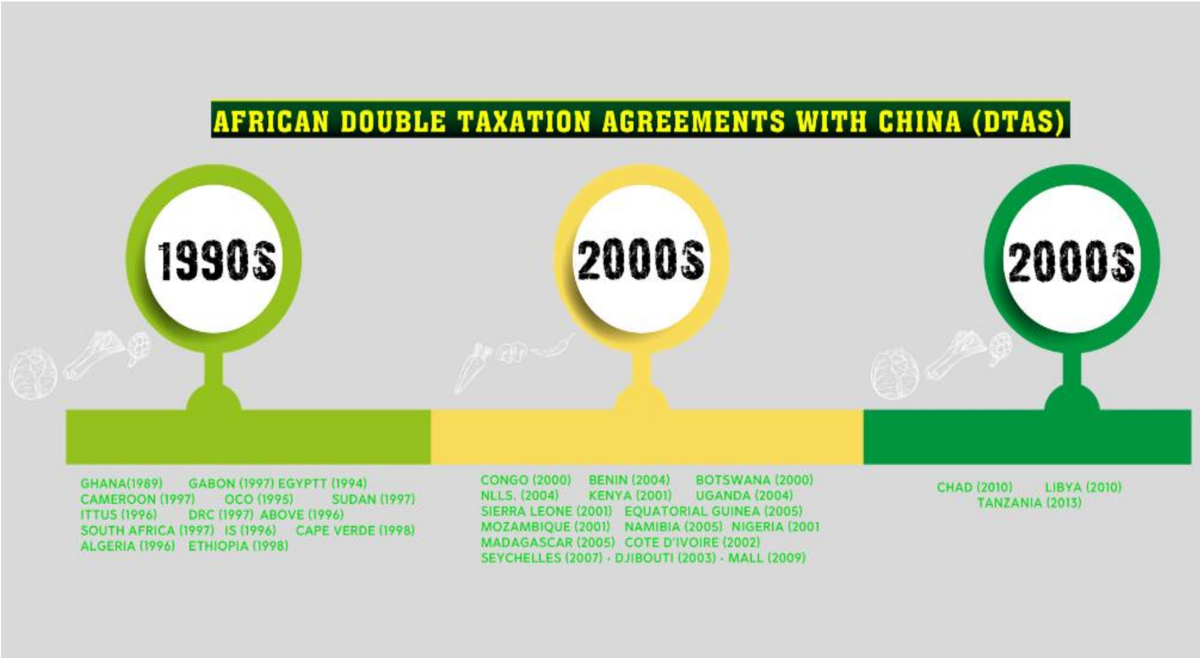
To date, 33 African countries – both LDCs and middle-income countries – have Bilateral Investment Treaties (BITs) with China (**Figure 21**). While 18 African countries – also a mix of income levels – have Double Taxation Agreements (DTAs) with China (**Figure 22**)[111].

Figure 21: African countries that have signed bilateral investment treaties with China[112]



[109] Bo Li. *Africans also investing in China.* United Nations Africa Renewal. August 2015. https://www.un.org/africarenewal/magazine/august-2015/africans-also-investing-china
[110] Bo Li. *Africans also investing in China.* United Nations Africa Renewal.
[111] UN.org- https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/UN-SG-Roadmap-Financing-the-SDGs-July-2019.pdf
[112]www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/UN-SG-Roadmap-Financing-the-SDGs-July-2019.pdf
[112]Source: https://investmentpolicy.unctad.org/international-investment-agreements/countries/42/china

Figure 22: African countries that have signed double taxation agreements with China[113]



BITs with China tend to feature obligations to afford fair and equitable treatment (FET) to foreign investors, guarantee or ensure due process in case of expropriation, and determine forums for international dispute settlement[114].

It is unclear whether BITs have affected the shape and volume of FDI from China. DTAs, on the other hand, seem to have some correlation with FDI volumes/focus areas – such as flows to East African islands in the 1990s. However, correlation does not imply causation. Ado (2020) notes that Chinese investors appear to care less than other foreign investors about indices of corruption or human rights in African countries, given the diversity of Chinese flows[115].

Linkage 3: People flows

While the increase in economic interaction between Africa and China receives much attention, the study of human flows – migration – between African counties and China is less well explored[116], though it is not a new phenomenon.[117] Under FOCAC, people flows are described primarily as a means of

[113]Source: https://ins-globalconsulting.com/china-tax-system-guides/china-double-taxation-treaties-guide-countries/
[114] https://www.wto.org/english/res_e/reser_e/ersd200801_e.pdf
[115] https://asq.africa.ufl.edu/ado-oct-2020/
[116] Dankwah & Amoah, 2019. *Gauging the Dispositions between Indigenes, Chinese and other Immigrant Traders in Ghana.*
[117] Li, 2015. African Diaspora in China.

enhancing cultural exchanges[118], flow of skills and ideas between African countries and China. However, people flows also drive and are driven by economic factors[119].

Data suggests short-term people flows between Africa and China are considerably larger than long-term flows. Short-term flows incorporate business travellers, tourists and students. All have been generally rising over time, and although trends and balances differ widely overall suggest cross-border movement of over 1 million people each year.

Business Travellers

Every year, over 200,000 Chinese workers travel to African countries to help deliver construction projects, and most return to China. The number of Chinese workers travelling to Africa annually peaked in 2015, with the most recent data for 2019 putting the figure at 182,745[120]. In 2019, the top five countries to host Chinese workers were Algeria, Angola, Nigeria, Zambia and Kenya, accounting for 52% of all Chinese contracted labour in Africa. These trends are strongly associated with declining project contracts. Analysis also suggests that African countries are increasingly requiring local use of labour rather than Chinese labour for projects, which may indicate continued reductions of such low- to mid-skilled workers in future.[121]

There is currently no official data on African businesspeople and government officials traveling to China for trade missions or short-term training courses. However, there are now specific trade expos targeted at African nations, and FOCAC agreements include some business travel-related targets – e.g. training 1,000 African elites and provide 50,000 research and training courses to Africans.[122]

Tourists

According to the WTO and various government websites, Africa hosted 585,211 Chinese tourists in 2018,[123] This accounts for only 1.4% of China's tourists worldwide[124].

However, the growth rate has been high - an average of more than 40% in recent years. African countries accounted for 30% of the top ten preferred destinations for Chinese outbound tourists[125]. In the first seven months of 2018, Chinese travel agency Trip.com reported a 70% increase in the purchase of Africa-related tourism products. Later in 2018, the Hurun Report's *The Chinese Luxury Traveller 2018*, showed that Africa was the destination with the biggest increase in interest from high-net-worth Chinese tourists, following an increase from 15% in 2017 to 29% in 2018.[126]

Overall, the African countries with the largest Chinese arrival numbers in 2018 were Egypt, Morocco[127], South Africa, Kenya and Mauritius.

118 https://core.ac.uk/download/pdf/229009061.pdf
119 https://www.fmprc.gov.cn/mfa_eng/ziliao_665539/3602_665543/3604_665547/t18035.shtml
120 http://www.sais-cari.org/data-chinese-workers-in-africa
121 https://developmentreimagined.com/wp-content/uploads/2020/10/fdi-localisation-1.pdf
122 http://www.focac.org/chn/zywx/zywj/t1592247.htm
123 Chinese tourists in Africa- https://data.iimedia.cn/page-category.jsp?nodeid=13124991
124 https://www.e-unwto.org/doi/suppl/10.5555/unwtotfb0156250119952019202009
125 https://www.sohu.com/a/251277872_280657
126 Hurun Report, 2018. *The Chinese Luxury Traveller*. 2018.
127 https://www.tourism-review.com/travel-tourism-magazine-chinese-tourists-discover-african-sights-in-greater-numbers-article2727

There is a general trend towards the relaxation of entry requirements for Chinese nationals across the continent. Chinese nationals can now arrive in 27 African countries without previously applying for a visa. Some countries, including Angola and South Africa — both of which have particularly significant Chinese migrant populations — have also made it easier for Chinese business travellers to obtain long-term multiple-entry visas.

In the opposite direction, Africans face significant challenges in travelling to China for tourism, however, as noted above, increasing numbers of government officials and other professionals are able to travel to China for short-term training or trade missions.

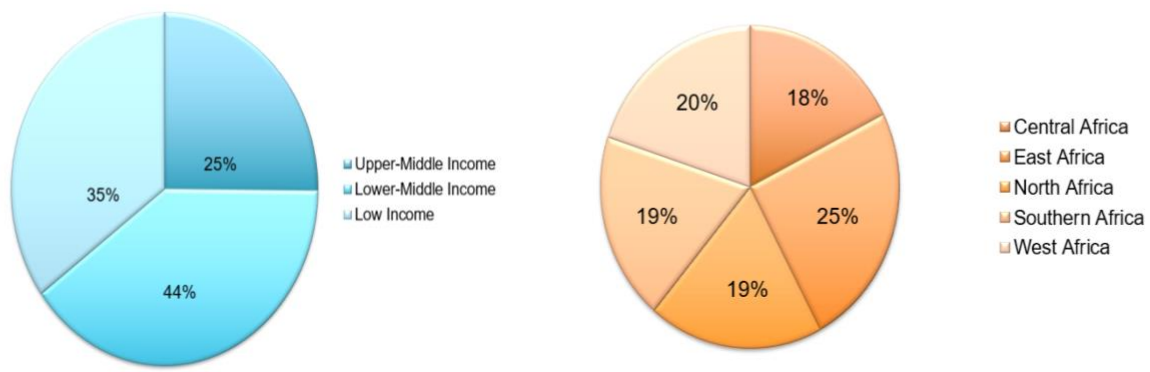
Students

While there are very few Chinese young people that travel to African countries for education, the number of African students in China has grown rapidly. Between 1976 to 2015, almost a quarter of a million African students had travelled to study in China[128]. Between 2011 to 2016, the number of African students studying in China increased at an average rate of 24%. In 2018, with over 80,000 African students, China became the second leading destination for Africans studying abroad after France.

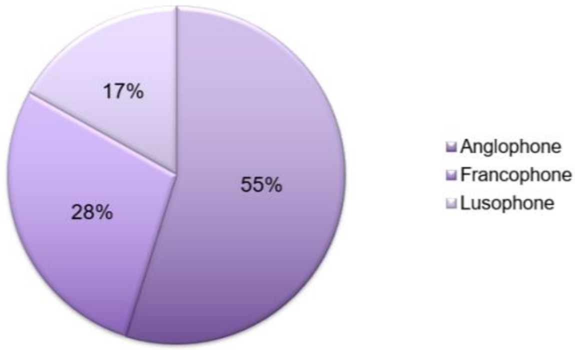
This overall trend is fairly consistent across most countries, as **Figure 23** illustrates using various metrics. In 2017, students from 25 African countries now choose China as their top destination for studies abroad, as opposed to any other country. That is up from 10 African countries in 2011 with only 5 countries[129] having decreased numbers over that period. In 2017 Ghanaians were the largest African student population studying in China, accounting for 9% of the total, having grown by 272% since 2011. Nigerians may soon become China's largest student population[130].

Part of this is underpinned by FOCAC commitments, including most recently in 2018 a commitment to provide 50,000 scholarships for Africans, but can also be explained by cheaper costs to study than elsewhere.[131] However, little is known or published about the courses Africans are choosing/funded to study, and there are some restrictions – e.g. medical degrees can be challenging.

Figure 21: Proportions of African students in China 2011-2017[132]



[128] https://chinapower.csis.org/china-international-students/
[129] Burkina Faso, Central African Republic, Eswatini, Mauritius and Seychelles
[130] https://developmentreimagined.com/2020/09/08/where-africans-study-abroad-post-covid19/
[131] http://www.focac.org/eng/zywx_1/zywj/t1594297.htm
[132] Source: http://en.moe.gov.cn



Long-term Migrants

Chinese people are increasingly travelling to African countries to live or work, and vice versa. Chinese people in Africa for example can be associated with Chinese foreign aid, for example, teachers in Confucius Institutes, those in Agricultural Demonstration Centers or medical teams[133]. Some estimates in 2014 noted around one million Chinese people in Africa[134], but this has not been verified since.

Estimates of Africans permanently living in China are also unclear. Some African nationals find work opportunities in China due to their qualifications, especially in companies "going out" or marketing to African destinations, as well as for teaching (although there are currently restrictions on many African nationals - as China's Ministry of Education does not recognise some nationals as "native speakers" of English/French, etc for teaching). In 2018, a change in immigration rules enabled all masters' students to be able to convert student visas to work permits if employed within six months of completing studies.[135]

Conclusion

The analysis in this chapter is important but suffers from two limitations.

First, it is lacking in context. For instance, it is often cited that China has "helped build over 10,000km of roads and 6,000km of railways" with financial flows explained above. But what does this really mean in comparison to Africa's current and planned road or rail networks?

Second, it does not have a counterfactual – including with respect to negative externalities, for example impacts of Chinese built infrastructure on the environment or impacts of trade on fisheries or wildlife.

The following Chapters aim to explore these issues.

[133] Sun, 2014. *Africa in China's Foreign Policy*, p. 28.
[134] https://qz.com/217597/how-a-million-chinese-migrants-are-building-a-new-empire-in-africa/
[135] https://thepienews.com/news/china-eases-post-study-work-foreign-graduates/

CHAPTER 3 - CHINA'S IMPACT ON FUTURE SUSTAINABLE DEVELOPMENT IN AFRICA

Chapter Three at a glance

- Previous China-Africa cooperation has supported the achievement of the aspirations in Agenda 2063 and has therefore had an impact on Africa's SDGs.
- China's contribution to the AU's six frameworks under Agenda 2063 has been significant but varies considerably and is mostly driven bilaterally. Only two of the frameworks were mentioned in the 2018 FOCAC.
- More work by African countries to link China's cooperation to the frameworks could help achieve scale, value-for-money, diversification, value-addition and green/clean goals:
    - On CAADP, China's contributions require scaling-up, stronger links to China's market access policies, and lessons learning from China's poverty reduction experience;
    - On PIDA, China's contributions can be better directed towards cross-border green infrastructure, and more African coordination for value for money will be helpful;
    - For the AMV, China's contributions require directing towards value addition, and again, coordination across priority African countries can help to achieve value for money as well as environmental (and social) safeguards;
    - For the STISA, China's contributions to digital infrastructure should again (like PIDA) be more cross-border focused, and contributions to specific, thematic science and tech modelled on the success of the AU CDC.
    - For BIAT, African countries need to assess options for free or preferential trade with China, and focus on expanding e-commerce and cross-border logistics efficiency.
    - On AIDA, China's contributions could be made more impactful by diversifying and increasing FDI, while seeking seek more Chinese alignment with African value addition and green/clean objectives..

As **Chapter 2** has set out, there is no doubt that China has contributed in many ways to Africa's sustainable development and poverty reduction goals. But is this sufficient?

Understanding Africa's sustainable development plans is crucial for developing a blueprint for the continent. With the tagline 'The Africa We Want', African countries through the African Union (AU) have set their aspirations for achieving growth and prosperity through the AU's flagship development project known as Agenda 2063[136] via a number of aspirations (**Box 6**) [137].

[136] https://au.int/en/agenda203/aspirations
[137] https://au.int/sites/default/files/pages/33794-file-au-ilo_5ypp_-english.pdf

BOX 6: Agenda 2063 Aspirations

Aspiration 1: African prosperity based on inclusive growth and Sustainable Development

Aspiration 2: An integrated continent, socio-politically united on the ideals of pan-Africanism and the African Renaissance.

Aspiration 3: Good governance, respect for human rights, justice, and the rule of law

Aspiration 4: Continental peace and security

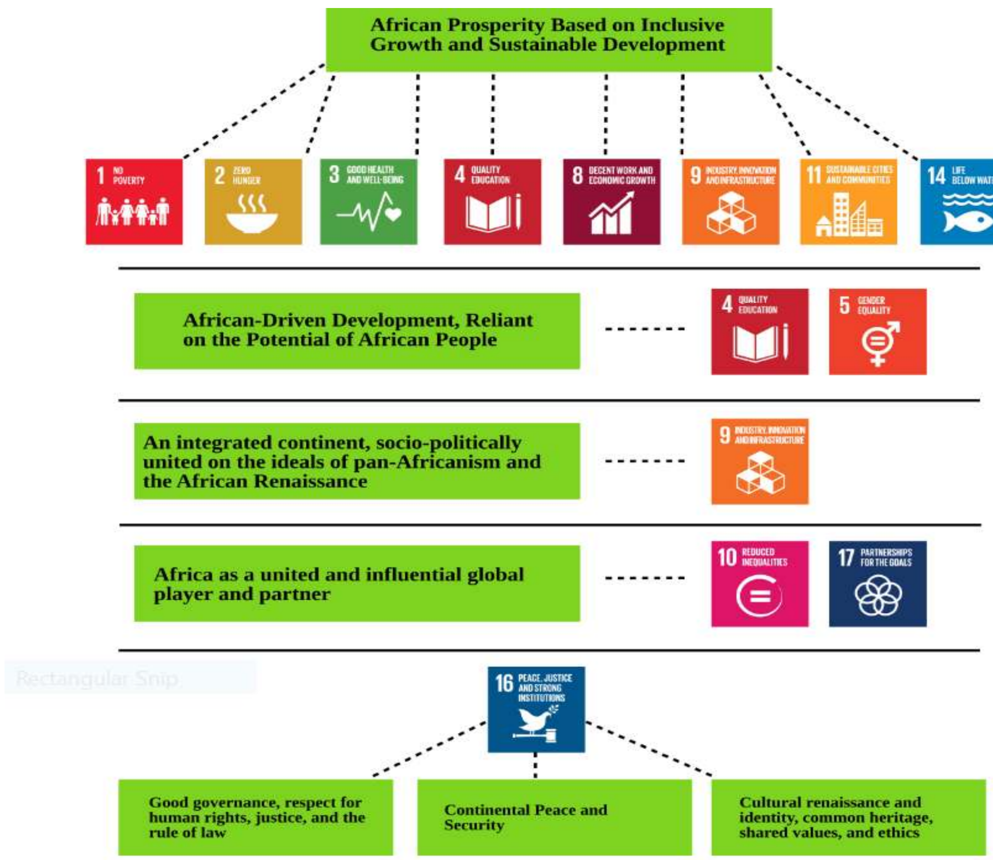
Aspiration 5: Cultural renaissance and identity, common heritage, shared values, and ethics

Aspiration 6: African-driven development, reliant on the potential of African people

Aspiration 7: Africa as a united and influential global player and partner

Each Agenda aspiration has a corresponding link to the SDGs, as shown in **Figure 24** below.

Figure 24: The Link between Agenda 2063 and SDGs[138]



[138] Source: Development Reimagined

Functionally, Agenda 2063 lays out key objectives to be completed in a First Ten-Year Implementation Plan (FTYIP), as a means of linking the agenda's goals to priority areas intended for implementation at national levels. The purpose is to ensure measurable outcomes for African people on a qualitative and qualitative level.

Within the Ten-Year Plan, six specific continental frameworks have been developed. These areas of economic activity are considered vital in enabling AU member states to attain the SDGs[139].

It is important to analyse to what degree existing activity between African countries and China – or, for that matter – all development partners – is impacting Agenda 2063 and the SDGs.

For instance, when it comes to roads, it is important to understand that 10,000km of Chinese-built roads in Africa is equivalent to just under a fifth (20%) of the length of the nine highways in the Trans-African Highway network, or just larger than the length of Liberia's entire road network. Similarly, 6,000km of Chinese-built rail is equivalent to just under 10% of Africa's current rail network, or just under a third of South Africa's entire rail network.

This context is important for Africans to be able to pull together a clear picture of what has taken place so far, and what might be necessary going forwards.

The AU's six Ten Year plan frameworks can be used to form the basis of such a benchmarking or assessment within an African context.

Benchmarking China's Contribution to the AU's Six Continental Frameworks

The tables below systematically seek to analyze to what degree Chinese stakeholders have, or have not, contributed to these six continental frameworks so far, how this has happened, and what more can be done – especially from the African side – to ensure Chinese stakeholders contribute even more.

In doing so, the tables also set out specifically what SDGs each framework is likely to impact on, with a view to being able to analyze gaps thereafter.

139 https://au.int/en/agenda2063/continental-frameworks

I. Comprehensive Africa Agricultural Development Program (CAADP)

1. Plan name, and from what date the plan has been in place and applies to.

CAADP was first declared in Maputo, Mozambique in **2003** at the AU Summit as an integral part of the New Partnership for African Development (NEPAD). Current version applies from 2015-2025.

2. What does the AU plan involve?

It involves eliminating hunger and reducing poverty by raising economic growth through agriculture-led development.

3. Are there any priority countries or sectors identified in this plan going forward?

CAADP's priority areas are:

a) Sustainable Land and Water Management

b) Market Access

c) Food Supply and Hunger

d) Agricultural Research

4. What SDGs does this AU plan contribute to?

The Plan contributes to the following 3 SDGs:

5. Does the plan have any quantified targets?

The Quantified Targets are:

- the allocation of at least **10%** of national budgets to agriculture and rural development by African governments and;
- achieving agricultural growth rates of at least **6%** per annum.

6. Was this plan mentioned in the FOCAC 2018 Declaration and/or Action Plan?

Yes

7.	**Have Chinese stakeholders made aid/loans/investments into this area in Africa before? If so, what have been the key components** • There are now 23 Chinese aided Agricultural Technology Demonstration Centers (ATDCs) in Africa covering rice, cassava, vegetables, paddy silkworm, seed breeding, aquaculture, corn and wheat as well as machinery and irrigation.[140] • There are other agriculture processing-related projects which Chinese State-Owned Enterprises (SOEs) are involved in, for example a processing center in Cape Verde, a corn flour production plant in Zambia, etc.[141] A notable project yet kick off due to procurement disputes is construction of a US$200 million dam in the rice growing agricultural belt in Kisumu.[142]	
8.	**How far have Chinese contributions to date helped achieve the AU plan?** While CAADP is part of FOCAC, the Chinese contribution is yet to be felt. This is largely because the investments do not have a regional or a continent perspective but instead focus on the individual countries and are also fairly small scale.	
9.	**Why/how have African countries worked with China to achieve this impact?** China is a natural partner for African countries in achieving CAADP's impact for two reasons. First, most of the projects require large technological and technical and policy expertise which may come more easily for China compared to other Africa's development partners, especially given China's experience with smallholder farming and rural poverty alleviation successes. Second, China offers new potential market access for African agricultural products.	
10.	**What more could African countries do to encourage China to help to meet this plan? Are there any proposed priorities/gaps?** • African countries need a common strategy such as selecting priority projects that have the most impact when undertaken through cooperation with China. • The AU, RECs and individual countries could seek to design and set up a program with China to explore policies implemented by China to understand successes and failures in key areas, such how to establish or revamp agricultural extension services, deal with fertilizer subsidies, etc. This would contribute better to the CAADP's ambition to raise agricultural growth rates.	

[140] These programmes are run in Benin Republic, Cameroon, Congo (Brazzaville), Ethiopia, Liberia, Madagascar, Mozambique, Rwanda, Sudan, South Africa, Tanzania, Togo, Uganda, Zambia, and Zimbabwe. See also Pietro Dionisio *China-Africa Agricultural Cooperation: for the Sake of Whom?* 2015 http://www.peah.it/2015/05/1263/
[141] http://epaper.chinadaily.com.cn/a/202101/11/WS5ffb7d83a31099a23435323b.html
[142] Business Daily *Kenya eyes Beijing to resolve Sh20bn dam row*. 2021 https://www.businessdailyafrica.com/bd/economy/kenya-eyes-beijing-resolve-sh20bn-dam-row-3411478

II. The Program for Infrastructure Development in Africa (PIDA)[143]

1. Plan name, and from what date the plan has been in place and applies to.

PIDA was launched in **2010** (applies to 2030) for the development of regional and continental infrastructure.

2. What does the AU plan involve?

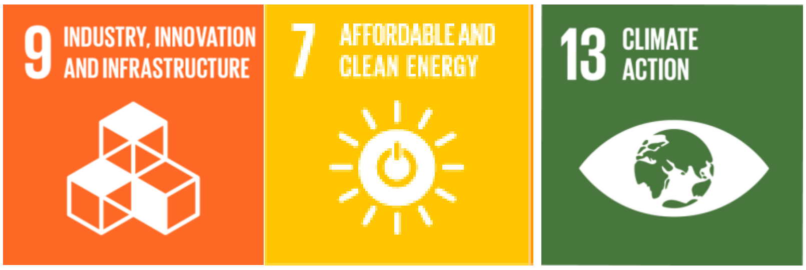
It involves promotion of socio-economic development and poverty reduction in Africa through improved access to integrated regional and continental infrastructure networks and services.

3. Are there any priority countries or sectors identified in this plan going forward?

- PIDA Priority Sectors are energy, transport, Information and Communication Technologies (ICT) as well as trans-boundary water resources.
- The expected outcomes of PIDA include reduced energy costs and increased access, reduced transport costs and a boost intra-African trade, water and food security, and increase global connectivity.

4. What SDGs does this AU plan contribute to?

The Plan contributes directly to the following 3 SDGs:



The Plan contributes indirectly to the following 4 SDGs:

[143] https://au.int/en/ie

5.	**Does the plan have any quantified targets?** • PIDA's long-term implementation through 2040 is currently estimated at more than US$360 billion. Furthermore, the overall capital cost of delivering the PIDA priority plan of action from 2012 through 2020 was expected to be nearly US$68 billion, or about $7.5 billion annually. • It currently has a total of 409 projects, of which 54 (13%) are in the energy sector, 114 (28%) in the ICT sector, 232 (57%) are transport projects, and 9 (2%) are water projects, all at different stages of development.[144] So far, 76 (19%) of the projects have been completed and are operational. Data is not available for 80 of the projects. A further 78 (19%) are being constructed at the moment.
6.	**Was this plan mentioned in the FOCAC 2018 Declaration and/or Action Plan?** No.
7.	**Have Chinese stakeholders made aid/loans/investments into this area in Africa before? If so, what have been the key components?** China is well known for agreeing to finance infrastructure projects in African countries and elsewhere. For example, research suggests that between 2010 and 2015, China financed US$13 billion in the African power sector accounting for at least 30% of new productive capacity[145]. Some of these projects are fossil-fuel based, some are renewable. There are also numerous examples of African transport (rail, roads and ports) projects built with loans from China, and varying amounts of Chinese workers/Chinese content. Digital and space infrastructure has also become a focus, as well as other smaller infrastructure projects built with Chinese loans or grants such as stadiums, hospitals, schools and museums.
8.	**How far have Chinese contributions to date helped achieve the AU plan?** Of PIDA projects completed so far (76) we estimate that only 9 (12%) have had involvement from Chinese stakeholders so far in three forms: • Chinese stakeholders have bid to build infrastructure projects under Engineering-Procurement and Construction (EPC) contracts. We estimate 4 of the 9 projects in this category. • China Exim Bank has provided finance for certain projects that are then built by China's selected companies. We estimate 4 of the 9 projects in this category. • Chinese stakeholders have built wholly or jointly operated infrastructure projects. 1 of the 9 projects is in this category – Kenya's Standard Gauge Railway (SGR) from Nairobi to Mombasa.

[144] See details of the projects at African Union, *PIDA Projects Dashboard 2021* https://www.au-pida.org/pida-projects/

[145] Luke Powanga and Irene Giner-Reichl *China's Contribution to the African Power Sector: Policy Implications for African Countries*. Journal of Energy 2019 https://www.hindawi.com/journals/jen/2019/7013594/

	The sectors of the projects vary – 3 are ICT (fiberoptic lines), 1 is energy (hydropower), 2 are for road building, 1 is rail and 2 are port-related (dredging and terminal upgrading).
9.	**Why/how have African countries worked with China to achieve this impact?** The process by which Chinese stakeholders are involved in PIDA is not particularly coordinated, it has been mostly driven bilaterally. For instance, while some PIDA fiberoptic cable installations have been carried out by Chinese stakeholders it has been by different companies, subject to different procurement processes in individual African countries, which also means terms of engagement on these projects differs widely (e.g. use of local content/labor, interest rates, environmental requirements, etc.). Issues such as the reported eventual lack of agreement from China Exim Bank to fully finance coordinated extensions of the Kenya SGR into Uganda and Rwanda exacerbate the challenge [146]. Furthermore, Chinese stakeholders have been involved in numerous other infrastructure projects outside of the PIDA plan, which implies that PIDA projects do not receive particular priority when it comes to Chinese support.
10.	**What more could African countries do to encourage China to help to meet this plan? Are there any proposed priorities/gaps?** • Stronger work by African governments to present joint cross-border project proposals to Chinese stakeholders, along with basic, region-wide terms of negotiations for Chinese concessional financing (e.g. via Exim Bank) for these projects including grace periods, interest rates, local content and labor conditions are crucial to ensure value for money and other SDG achievement as this infrastructure is built. • Stronger work to ensure renewable investment from China as part of construction projects and/or access to energy projects will contribute greatly to this plan.

[146] CGTN Africa "Uganda, Kenya continue talks about SGR extension" 2019 https://africa.cgtn.com/2019/01/09/uganda-kenya-continue-talks-about-sgr-extension/

III. The African Mining Vision (AMV) 2009-2050

1. Plan name, and from what date the plan has been in place and applies to.

The AMV was **c**reated by the African Union in **2009** (lasting up to 2050) to ensure that Africa utilizes its mineral resources strategically for broad-based, inclusive development. Its implementation lies with the African Minerals Development Center (AMDC) in Ethiopia.[147]

2. What does the AU plan involve?

- The Plan envisages an African mining sector that shifts away from the FDI-dependent and resource rent-centered strategy, including improved environmental management.
- Tailor-making and implementing reform programs at country level known as Country Mining Visions in accordance with national policies.

3. Are there any priority countries or sectors identified in this plan going forward?

- Priority areas are (a) Environmental sustainability in small-scale mining, (b) Development of local economic cycles, (c) Fair contract negotiations, and (d) Administrative and governance capacity building.
- Priority countries are**:** Ghana, Burkina Faso, Mali, and Ivory Coast.

4. What SDGs does this AU plan contribute to?

The Plan contributes directly to the following 3 SDGs:

The Plan contributes indirectly to the following 3 SDGs:

[147] African Union, AMV – Africa Mining Vision https://au.int/en/ti/amv/about

5.	**Does the plan have any quantified targets?** AMV aims at a transformative framework[148]. It is implemented through a three stage (short term up to 5 years; medium term 5-20 years; and long term between 20-50 years) plan for action carried out at national, sub-regional and continental levels and includes specific actions for each specified term.[149]	
6.	**Was this plan mentioned in the FOCAC 2018 Declaration and/or Action Plan?** No.	
7.	**Have Chinese stakeholders made aid/loans/investments into this area in Africa before? If so, what have been the key components?** • Between 2005-2017, Chinese firms supplied roughly US$58 billion to the mining and mineral extraction industries on the continent (which in turn represented a third of Chinese FDI in global mining operations between 2005-2007)[150]. • There are some projects outside of the AMV priority countries, for instance South Africa's Weziwe Platinum in 2018, provided with a US$650 million loan from the China Development Bank, focused on Bakubung Mine, which is projected to have an output of 350,000oz of 'platinum-group' metals by 2023. • Most recently, a deal was reportedly struck between Tsingshan Holding Group and the Zimbabwean Ministry of Mining in April 2019, worth US$2 billion with the chance of rising to US$10 billion with the inclusion of lithium mining[151].	
8.	**How far have Chinese contributions to date helped achieve the AU plan?** • Chinese stakeholders have been open to linking loans to natural resources from the extractive sector (RBLs) to meet African financing needs in priority AMV countries, e.g. Ghana's Bauxite for infrastructure deal signed with Sinohydro in 2018[152]. However, little is known or has been analyzed as to whether these contracts are "fair" or "value for money". • Some analysts argue that China is making AMV more difficult to achieve, due to controversies around Chinese firm's environmental impacts and impacts on small-scale mining, e.g. in Ghana and DRC[153].	

[148] Kojo Busia and Charles Akong. *The African mining vision: perspectives on mineral resource development in Africa.* Journal of Sustainable Development Law and Policy 2017 10.4314/jsdlp.v8i1.7

[149] African Union. *African Mining Vision.* 2009 https://au.int/sites/default/files/documents/30995-doc-africa_mining_vision_english_1.pdf p.31

[150] South African Institute of International Affairs. *Development strategies and Chinese investment in Africa's mining sector*. 2018 https://saiia.org.za/research/development-strategies-and-chinese-investment-in-africas-mining-sector/

[151] Indaba Mining. *Chinese Investment in African Mining: What You Need To Know.* 2019 https://miningindaba.com/Articles/chinese-investment-in-african-mining-what-you

[152] Jevans Nyabiage *Ghana's bauxite for infrastructure deal with China's Sinohydro faces environmental concerns*. 2021 https://www.scmp.com/news/china/diplomacy/article/3126260/ghanas-bauxite-infrastructure-deal-chinas-sinohydro-faces

[153] Eric Olander and Cobus van Staden. *China's Controversial Trade in Africa's Natural Resources*. 2015 https://www.chinafile.com/library/china-africa-project/chinas-controversial-trade-africas-natural-resources: Eric Olnder and Cobus van Staden *What should be on the China-Africa environmental agenda?* 2021 https://supchina.com/podcast/what-should-be-on-the-china-africa-environmental-agenda/

	• The Global Environmental Institute, a Chinese NGO, as early as 2013 published guidelines[154] for social and environmental responsibilities of Chinese investors, including mining.
9.	**Why/how have African countries worked with China to achieve this impact?** Individual African countries with mining sectors have worked to attract Chinese investment into the sector, but there has been little cross-country coordination on this or other aspects of the AMV and Chinese investments. For instance, a recent suggestion by DRC to ensure higher value for money from contracts has not been coordinated with other countries[155].
10.	**What more could African countries do to encourage China to help to meet this plan? Are there any proposed priorities/gaps?** • African governments should leverage the growing mining interest of this important trading partner to further the continent's strategic development objectives. In particular, a key objective should be to ensure more added value on the continent from Chinese investment in this sector, linking it to manufacturing and SEZs (see BIAT). • countries in the mineral "belt" countries e.g. DRC, Botswana Tanzania, and other AMV priority countries could coordinate and use the power of their mineral value for effective negotiations with China. • Africa and China must take the global energy transition into long-term planning. As the green transition progresses, competition over battery minerals will intensify and African countries can wield agency in this regard. • To address issues around small-scale mining the technical and scientific cooperation could be used to promote research and local processing of African minerals as well as improving the governance of the mining sector in line with the AMV, and STISA (see below).

[154] Global Environmental Institute *Environmental Protection Guidelines for Overseas Investment and Cooperation*. 2013 http://www.geichina.org/_upload/file/201303_MOPMOCguideline/Translation_of_the_Guideline.pdf
[155] South China Morning Post *China's cobalt mines in spotlight as DRC seeks to renegotiate deals*. 2021 https://www.scmp.com/news/china/diplomacy/article/3134430/chinas-cobalt-mines-spotlight-drc-seeks-renegotiate-deals

IV. Science Technology Innovation Strategy for Africa (STISA)

1. Plan name, and from what date the plan has been in place and applies to.

The Strategy was created in **2014** (lasting to 2024) to respond to the demand for science, technology and Innovation.[156]

2. What does the AU plan involve?

- Building and/or upgrading research infrastructures;
- Enhancing professional and technical competencies;
- Promoting entrepreneurship and innovation, and;
- Providing an enabling environment for STI development in the African continent.

3. Are there any priority countries or sectors identified in this plan going forward?

It has 6 Priority areas for the application of science, technology and innovation: (1) Eradication of Hunger and Achieving Food Security; (2) Prevention and Control of Diseases; (3) Communication (Physical and Intellectual Mobility); (4) Protection of our Space; (5) Living together in peace & harmony to build the society; and (6) Wealth Creation.

4. What SDGs does this AU plan contribute to?

The Plan contributes to the following 7 SDGs:

5. Does the plan have any quantified targets?

The plan is formulated through a 5-stage program across 10 years addressing the 6 priority areas mentioned above. The plan has an overall target of a 1% allocation of GDP to resource development from each member state.

[156] African Union "Science, Technology and Innovation Strategy for Africa 2024" 2014 https://au.int/sites/default/files/newsevents/workingdocuments/33178-wd-stisa-english_-_final.pdf

6.	**Have Chinese stakeholders made aid/loans/investments into this area in Africa before? If so, what have been the key components?** • Chinese companies are actively involved in designing and installing internet connectivity and digital infrastructure across Africa. For instance, Chinese tech firms collaborated with the Tunisian government on its "Digital Tunisia 2020" strategy. It is estimated that US$8.43 billion has been spent with or by Chinese stakeholders in five African countries for Digital Silk Road (DSR) projects [157]. Reportedly, Huawei has been contracted to install 70% of Africa's 4G network to date[158]. The recent launch of Huawei's 5G in South Africa and the test-run in Nigeria, Uganda, Kenya, and Gabon signal improved digital internet infrastructure in Africa. In 2019, Uganda procured approx. US$126 million worth of facial recognition camera from Huawei, while in 2018 Zimbabwe signed an agreement with China's Cloudwalk to a build mass facial recognition system (not yet implemented). • As part of DSR China is currently running 15,000 km PEACE (Pakistan East Africa Connecting Europe) submarine cable, connecting China to Eurasia and from Pakistan to Djibouti, Kenya and along the East African coast to South Africa. • In 2020, the Ethiopian government and China began talks to jointly build a continental satellite data receiver station in Ethiopia, building on Ethiopia's first remote sensing satellite launched into space in December 2019. • Chinese stakeholders are involved in/investing in smart city projects (also called Safe City) in Africa, deploying digital tools with advance surveillance capabilities. About 13 African countries are currently part of China's smart city initiative. For instance, Huawei in collaboration with the Moroccan government launched the Tangier Tech smart city, which is expected to host 200 Chinese companies. China is also building data centers in different parts of the continent. • China's Transsion mobile phones/smartphones are popular in African countries.
7.	**Was this plan mentioned in the FOCAC 2018 Declaration and/or Action Plan?** No.
8.	**How far have Chinese contributions to date helped achieve the AU plan?** • The main focus of Chinese contributions has been digital infrastructure, which contributes to STISA priority 3, and can form a bedrock for other types of research infrastructure. • Contributions to smart city projects and surveillance can also improve efficiency, security and community policing and promote green transport, although there are concerns about privacy and related human rights. • There has been an important direct contribution by China to STISA's priority 2 on health – China has supported (through aid) the development of the African CDC – which has provided essential coordination among health

[157] Sheridan Prasso "China's Digital Silk Road Is Looking More Like an Iron Curtain" 2019 https://www.bloomberg.com/news/features/2019-01-10/china-s-digital-silk-road-is-looking-more-like-an-iron-curtain

[158] Tom Bayes "African networks, smartphones - and surveillance" 2019 https://merics.org/en/analysis/african-networks-smartphones-and-surveillance

		stakeholders and is building health research integrity.[159] However there has been little measured impact of Chinese engagement on other STISA priority areas.
9.	**Why/how have African countries worked with China to achieve this impact?** The majority of actions in this area have been driven by African state actors, but non-state actors are also involved – for example partnerships in e-commerce logistics. The contribution of China to Africa CDC is also a notable example of African coordination in cooperating with Chinese stakeholders to date.	
10.	**What more could African countries do to encourage China to help to meet this plan? Are there any proposed priorities/gaps?** • Stronger work by African governments to present joint cross-border project digital infrastructure proposals to Chinese stakeholders (also linked to PIDA) and to ensure value for money Chinese loans and investments will be helpful going forwards. • African Central and trade banks as well as the AfDB should work with Chinese fintech companies to provide Africans with digital payment platforms that work seamlessly across the continent or at least sub-regions. • Coordinating on risks and challenges around privacy could be useful, especially ensuring African Intellectual Property regimes are protected further. • Encouraging Chinese stakeholders to direct aid towards other STISA priority areas (beyond priorities 2 and 3) will also be crucial. Africa CDC can be used as a precedent.	

[159] See: https://au.int/sites/default/files/newsevents/workingdocuments/37841-wd-stisa-2024_report_en.pdf p.45

V. Boosting Intra-African Trade (BIAT)[160]

1. Plan name, and from what date the plan has been in place and applies to.

BIAT was created in **2012** and aims at deepening integration in the African markets and increasing the volume of intra-Africa trade.

2. What does the AU plan involve?

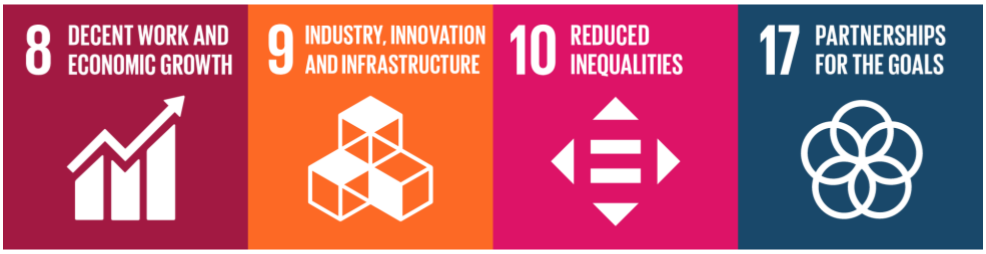
A key element of BIAT is the African Continental Free Trade Area (AfCFTA), which began operations in January 2020. It has 7 specific “clusters” of action: (1) Trade Facilitation; (2) Trade Policy (under which AfCFTA and other Regional trade arrangements fall); (3) Productive capacities; (4) Trade-related Infrastructure; (5) Trade Finance; (6) Trade Information, and (7) Factor Market integration (including the free flow of labor across the continent)[161].

3. Are there any priority countries or sectors identified in this plan going forward?

While BIAT has 7 clusters of action it does not have any specific sectoral priorities or country priorities.

4. What SDGs does this AU plan contribute to?

The Plan contributes to the following 4 SDGs:



5. Does the plan have any quantified targets?

BIAT aims at significantly increasing the volume of trade that African countries undertake among themselves from the current levels of 10-13% to 25% or more within the next decade.

6. Was this plan mentioned in the FOCAC 2018 Declaration and/or Action Plan?

Yes.

7. Have Chinese stakeholders made aid/loans/investments into this area in Africa before? If so, what have been the key components?

[160] African Union. *BIAT – Boosting Intra-African Trade.* https://au.int/en/ti/biat/about
[161] Ibid

	• Beyond financing transport infrastructure to reduce the costs of trade (i.e. cluster 4, which also falls under PIDA), Chinese investment into this area has been fairly limited. However, there are some examples of Chinese equipment being donated for customs and container inspection as "aid for trade" projects[162]. • Most trade policy interventions between China and African countries have been focused on market access to/from China – e.g. DFQF access for LDCs, SPS agreements, etc. The Mauritius-China FTA has fairly strict ROOs meaning cross-continental trade may not be incentivized[163]. • A fairly new means of engagement has been in e-commerce, linked to a number of BIAT clusters. For example, Rwanda and Ethiopia have expressed interest in Alibaba's electronic world trading platform (eWTP), which aims to integrate digital payment, e-trading, and digital entrepreneurship. Kilimall, Amanbo, and Chinabuy are also Chinese-owned ecommerce platforms operating in Africa. China's Alipay, Union Pay and WeChat pay are partnering with local banks such as Ecobank, Equity Bank, as well as M-Pesa in Kenya to ease online payments for African cross-border traders.
8.	**Why/how have African countries worked with China to achieve this impact?** The majority of engagement has been bilateral between governments so far, especially on trade infrastructure and e-commerce. Some engagement by African governments has also been with Chinese state-owned enterprises and private sector companies for example for Public Private Partnerships (e.g. to build roads with tolls).
9.	**What more could African countries do to encourage China to help to meet this plan? Any proposed priorities/gaps?** • A joint African proposal for how the BRI or FOCAC can link to and support the development and growth of the AfCFTA is crucial. Options to be considered (and discussed later in **Chapter Six**) include preferential arrangements with certain countries, regions or sectors on the continent, or a fully-fledged FTA. • African countries can encourage Chinese stakeholders to be more comprehensive in capacity building and equipment donations, using the precedent of Alibaba's medical equipment donations during COVID-19 provided to all African countries. • RECs could negotiate or support negotiations of joint e-commerce hubs and platforms as trade infrastructure financing arrangements.

[162] E.g. see references in the 2021 China White Paper: http://epaper.chinadaily.com.cn/a/202101/11/WS5ffb7d83a31099a23435323b.html
[163] Ibid

VI.	Accelerated Industrial Development for Africa (AIDA)
1.	**Plan name and from what date the plan has been in place and applies to** AIDA was created in **2008** (covering up to 2063) to mobilize financial and non-financial resources to enhance Africa's industrial performance**.**
2.	**What does the AU plan involve?** AIDA focuses on integrating industrialization in national development policies and poverty alleviation strategies, including industrial policy aimed at maximizing the use of local productive capacities and inputs, through value addition and local processing of natural resources of the country.
3.	**Are there any priority countries or sectors identified in this plan going forward?** The priority sectors are: Food processing; Textiles and garments; Leather and leather products Processing of mineral and metal products; Wood and wood products; Automobile equipment and assembly; Pharmaceuticals; and Building materials. Under some of these sectors, certain country or regional hubs are already identified.
4.	**What SDGs does this AU plan contribute to?** The Plan contributes to the following 4 SDGs: 
5.	**Does the plan have any quantified targets?** Yes. Under each program cluster, AIDA defines a series of specific actions to be met through 49 different projects. Each program cluster is responsible for defining quantifiable indicators and time-bound milestones.[164]
6.	**Was this plan mentioned in the FOCAC 2018 Declaration and/or Action Plan?** No.
7.	**Have Chinese stakeholders made aid/loans/investments into this area in Africa before? If so, what have been the key components?**

[164] African Union. *Strategy For The Implementation Of The Plan Of Action For The Accelerated Industrial Development Of Africa.* 2008 https://au.int/sites/default/files/documents/30983-doc-implementation_strategy_final_0.pdf

		• In 2006, China pledged "to establish three to five overseas economic and trade cooperation zones in Africa in the next three years.[165] Since then, each FOCAC action plan has somehow highlighted to continuously construct, expand, or upgrade trade and economic zones. The zones now are one of the key mechanisms used by China to increase investment in Africa. • The China-Africa Development Fund (CADFund) was also established in 2006 and has provided equity for some SEZs as well as specific factories. For example, Transsion (smartphone maker) initially benefitted from CADFund support, as did Humanwell, a pharmaceutical firm in Mali/ Ethiopia[166]. • China has become an important source of FDI in the manufacturing sector in Africa[167]. According to a report by McKinsey in 2017, Chinese-owned firms in the manufacturing sector provide 12% of Africa's industrial production, generating around US$60 billion in revenues per year, and employing hundreds of African people. Firms reported that, on average, their revenues grew by 8-9% annually from 2012 to 2015.[168]
8.	**How far have Chinese contributions to date helped achieve the AU plan?** Broadly, the SEZs that follow China's industrialization model and CADFund investments are good examples of China's important role in helping achieve AIDA, as they have directed FDI into key AIDA sectors, especially textiles and apparel. For instance, there are several examples of Chinese firms, such as Huajian, who have moved textile and apparel production to zones in Africa to take advantage of preferential trade agreements with US and European markets, while manufacturers are also producing or African markets. 95% of companies in Ethiopia's Eastern Industry Zone are manufacturers, with more than half of them generating industrial materials and auto parts. In Nigeria's Lekki Free Zone, around 46% of enterprises are manufacturing related.[169] However, Chinese FDI is still primarily focused on construction and mining, which does not contribute directly to AIDA.	
9.	**Why/how have African countries worked with China to achieve this impact?** • African governments have generally welcomed Chinese proposals for SEZ locations and the relocation of Chinese factories to their countries. Most provide tax and other incentives for FDI including from China. They also promote existing and new locations for SEZs to the Chinese central and local governments and private stakeholders. Almost all of this is on a bilateral basis, for example, there are no existing cross-borders SEZs in Africa. Where manufacturing is serving multiple African markets, this has been driven by Chinese profit-seeking, not coordinated by governments.	

[165] Forum on China-Africa Cooperation. *Beijing Action Plan of the FOCAC (2007-2009)*. November 5, 2006. https://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t280369.htm
[166] http://en.cadfund.com
[167] Signé, L. *The Potential of Manufacturing and Industrialization in Africa: Trends, Opportunities, and Strategies. Africa Growth Initiative*, Brookings 2018 http://www.iberglobal.com/files/2018-2/Manufacturing-and-Industrialization-in-Africa_brookings.pdf
[168] McKinsey & Company. *Dance of the lions and dragons*. 2017 https://www.mckinsey.com/~/media/mckinsey/featured insights/middle east and africa/the closest look yet at chinese economic engagement in africa/dance-of-the-lions-and-dragons.ashx
[169] DR's own calculation based on exploring companies in the SEZs.

10.	**What more could African countries do to encourage China to help to meet this plan? Are there any proposed priorities/gaps?**
	• While SEZs are good for overall industrialization and job creation, China's invested zones are currently dominated by Chinese and foreign companies. A McKinsey report revealed that only 44% of local managers at over 1,000 Chinese-owned companies surveyed were African.[170] More coordinated or best-practice SEZ policies across Africa to ensure local jobs (especially at senior level) and technology transfer (e.g. through joint venture requirements) would be useful. • African governments could encourage a restructuring of CADFund or the creation of a new China-backed trade finance bank or instrument within African banks (e.g. AfriExim) to enable African firms to benefit directly – especially African SMEs. • African governments could coordinate to ensure stronger incentives to for value-added and green, clean and eco-friendly manufacturing FDI (and SEZs) from China (and elsewhere). [171]

Analysing the Gaps

As the tables above suggest, while the Africa-China relationship to date has made considerable contributions to the six African continental frameworks as well as the SDGs, there is a great deal more possible. In particular, by aligning more closely to the six frameworks, there is a huge opportunity to contribute to SDG9 and SDG1, which are the most frequently mentioned SDGs in the tables above

There are also other potential gaps that could be filled – for instance other SDGs not directly linked to the AU's six frameworks, but could be important for African countries future, as illustrated in **Table 2** below.

While these gaps arise from the AU's own frameworks, it may nevertheless be useful for the African Union or others to develop some guidance or framework that support Chinese engagement on these issues, to avoid negative impacts on other areas of cooperation.

[170] McKinsey & Company. *Dance of the lions and dragons*. June 2017.
[171] Global Times. *Africa, China build future road maps for pandemic prevention, BRI.* July 23, 2020. https://www.globaltimes.cn/content/1195419.shtml

Table 2: Potential SDG challenges despite of or due to increased Africa-China cooperation

SDGs	Potential Challenges
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Most of China's imports from Africa and FDI involve raw materials, while exports involve manufactured goods, with no explicit focus on responsibility in environmental (incl. climate) or social terms. This could be improved.
14 LIFE BELOW WATER	Very little attention is focused on sustainable fisheries in Africa-China cooperation, and potential negative environmental impacts under the sea of e.g. overfishing, piracy, tourism, etc.
15 LIFE ON LAND	Although China has its own domestic wetland protection and logging regulations, very little attention is focused on sustainable environmental protection in Africa-China cooperation (e.g. FDI flows), and potential negative impacts on land of e.g. commercial logging, tourism, etc.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	While China does make contributions to peacekeepers in Africa, this reveals more of a focus on symptoms rather than root causes. For example, extractive industries are prone to corruption, due to the high revenues realized, while centralized political control can exacerbate inequalities (though not always).

This Chapter has highlighted China's contribution to the AU's continental development plans and, by extension, the SDGs in Africa. However, it has also highlighted significant room for progress in each of the frameworks, as well as some key gaps in the relationship. **Chapter 4** now turns to explore how China's cooperation with Africa compares to other major development partners and other key regions.

CHAPTER 4 - BENCHMARKING THE AFRICA CHINA RELATIONSHIP

Chapter Four at a glance

- In comparison to relationships with other development partners, Africa could do more to leverage more financial flows from China – across aid, loans and FDI.
- China is the continents' 5th largest investor, but *ceteris paribus* could be top investor by 2025. The proportion of Chinese FDI into manufacturing is a little behind that of the US and France. China is also close to being the largest destination for Africans to study, but not necessarily to work, while tourist flows are low.
- In addition, China has been Africa's largest bilateral trading partner for ten years. However, the EU has the leading position on imports of African products. Consumer goods tariffs on African products remain relatively high.
- There is only one area analyzed for which Africa does "better" than Asia in the relationship with China – aid. On all other metrics – trade, other financial flows and people to people flows - Asia has attracted more action so far than Africa.

China's growing cooperation across Africa has been highlighted throughout Chapters One to Three, however, is this relationship unique to China-Africa and where does Africa rank in Chinese cooperation with other countries?

To answer these questions, this Chapter first benchmarks Africa's relationship with its major development partners (China, the US, the UK, France and the EU) with regards to trade, capital and people flows. It then compares Chinese cooperation with Africa to Asia (China's closest regional partner) to benchmark the scale of Sino-African cooperation.

Infographics illustrating the analysis below is shown on **Pages 64-65.**

China as a Development Partner to Africa

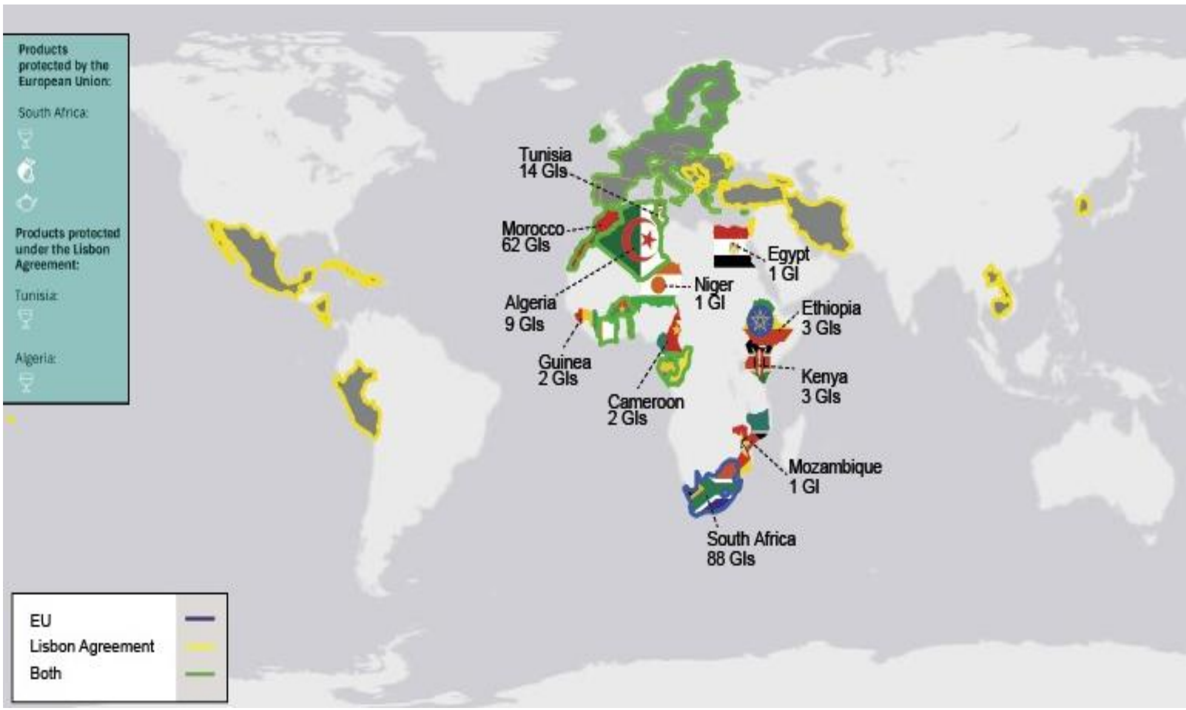
Trade Flows

On a country-by-country basis, China imports significantly more African products than other development partners analysed – but the EU region had the leading position on the imports of African products in 2019.

However, China lags behind others in the import of African non-agricultural or mining products at only 16% of all imports. Other partners achieve 40% or more. China also imposes the highest tariff rates on consumer goods than any other development partners.

Finally, geographical Indications (GIs) recognition across most development partners is low. However, a framework is currently under discussion between Africa's RECs and the EU toward mutual recognition which could increase trade values[172]. **Figure 25** summarises.

Figure 25: Where are African Geographical Indications Protected?



[172] Ibid.

Finance flows

Regarding "development cooperation" or foreign assistance as a mix of grants and loans, from 2013 to 2018, China's foreign assistance to Africa was US$3.0 billion, behind all other development partners except France (US$2.6 billion). The US had the largest amount (US$10.4 billion). However, the foreign assistance to Africa as a percentage of most development partner's GNI is extremely low. For example, China's foreign assistance to Africa accounted for only 0.01% of its GNI in 2018, while the UK it accounted for 0.13%, the US 0.05% and France 0.08%. However, except for China, ODA from development partners measured as a percentage of African GNI have declined over time[173].

China is the fifth largest investor in Africa. However, flows are projected to rise, and based on current trends China could be top investor by 2024[174]. In 2014, Chinese FDI flows to Africa were larger than those of the US for the first time, though still lagging behind UK and France. China could increase the proportion of manufacturing invested into (rather than the mining and extractive sector), as this is somewhat behind that of the US and France. However, UK FDI stocks into manufacturing are lowest at 1% (versus 43% in mining and extractives).

People flows

France is currently the top country for hosting students from Africa[175], with China ranked second. However, on a country-by-country basis China is the primary destination for 24 out of 55 African countries, with France next at 21 countries. Should previous growth rates of students recover to pre-COVID-19 levels, China could surpass France in absolute terms in a few years[176].

In contrast, given the population of China and number of travellers each year, China lags far behind on tourism. There is no African country for whom China is its top source of tourists – while this is the case for other development partners. Absolute numbers of Chinese tourists are at close to par with the numbers of British tourists entering Africa every year – even though fewer British people travel abroad - and there are at least three American and two French tourists for every Chinese tourist visiting Africa.

Finally, while migration systems in other development partners leave much to be desired, China ranks globally as one of the lowest immigration destinations in absolute terms as well as by population[177].

Summary

On most metrics – except for absolute levels of imports and students – it will take a few more years and concerted effort for China as a development partner to Africa to match and/or surpass others. That said, given the familiarity in terms of legal systems and other financial and trade ties – in particular between UK or France and African countries – this is impressive progress.

[173] https://www.africaunconstrained.com/options-for-reimagining-africas-debt-system/, see graph on page 17.
[174] https://mp.weixin.qq.com/s/eQGhXR5i6KmFuxXPMVej7g
[175] https://thepienews.com/news/africa-buoys-french-international-education-as-security-concerns-remain/
[176] https://developmentreimagined.com/2020/09/08/where-africans-study-abroad-post-covid19/
[177] https://qz.com/1163632/china-still-has-the-smallest-share-of-incoming-migrants-in-the-world/

Africa's versus Asia's relationship to China

Trade flows

Imports of products into China from the rest of Asia are significantly larger than those from Africa. Furthermore, 79% of imports from Asia were focused on sectors other than agricultural, oil and mining sectors, while only 15% of Africa goods are non-agricultural/extractive sectors.

Overall, average tariff rates imposed on goods imported from Africa are higher than those from Asia, despite China's duty-free quota free schemes for LDCs. However, tariff rates on consumer goods are significantly higher for Africa (17.39) than Asia (4.29), meaning China is much more likely to import value-added goods from Asia than Africa.

Capital flows

The most recent annual flow of concessional loans to Africa (US$1.47 billion) from China is larger than those to Asia (US$1.21 billion). The flow of grants to Africa was around 2.5 times that of to Asia. China's foreign assistance in 2018 accounted for 0.13% of the region's GNI, versus 0.01% for Asia.

In contrast, in 2019, Asia received around 81% of Chinese total FDI flows, while Africa received only 2%. Similarly, by the end of 2019, the Chinese FDI stocks to Asia accounted for 66% of all FDI from China, while only 2% was in Africa[178].

The main sectors of China's FDI in Asia and Africa are also very different. Chinese FDI to Africa in 2019, for instance was concentrated in construction (31%), mining (25%), and manufacturing (13%). However, for Asia, China's FDI stocks in 2019 were focused on leasing and business services (42%), with manufacturing and mining at 8% and 5% respectively[179].

People flows

China is Asia's largest destination for students[180], with 3.6 times the number of students from Asia going to China compared to from Africa. Similarly, more Chinese citizens are willing to travel to Asian countries than to African countries for tourism. In 2019, 50 million Chinese tourists visited Asia countries opposed to only 500,000 to Africa.

Summary

The analysis above suggest that Africa and the rest of Asia have significantly different relationships with China. Africa's relationship is focused more on assistance and "early stage" development even when it comes to trade and FDI than deep economic integration. Some of this can be put down to geographical proximity, but it also signifies the scale of the opportunity in the Africa-China relationship, if the right policies can be developed.

So how can this happen? Understanding the views of African diplomatic representatives in China is an important starting point.

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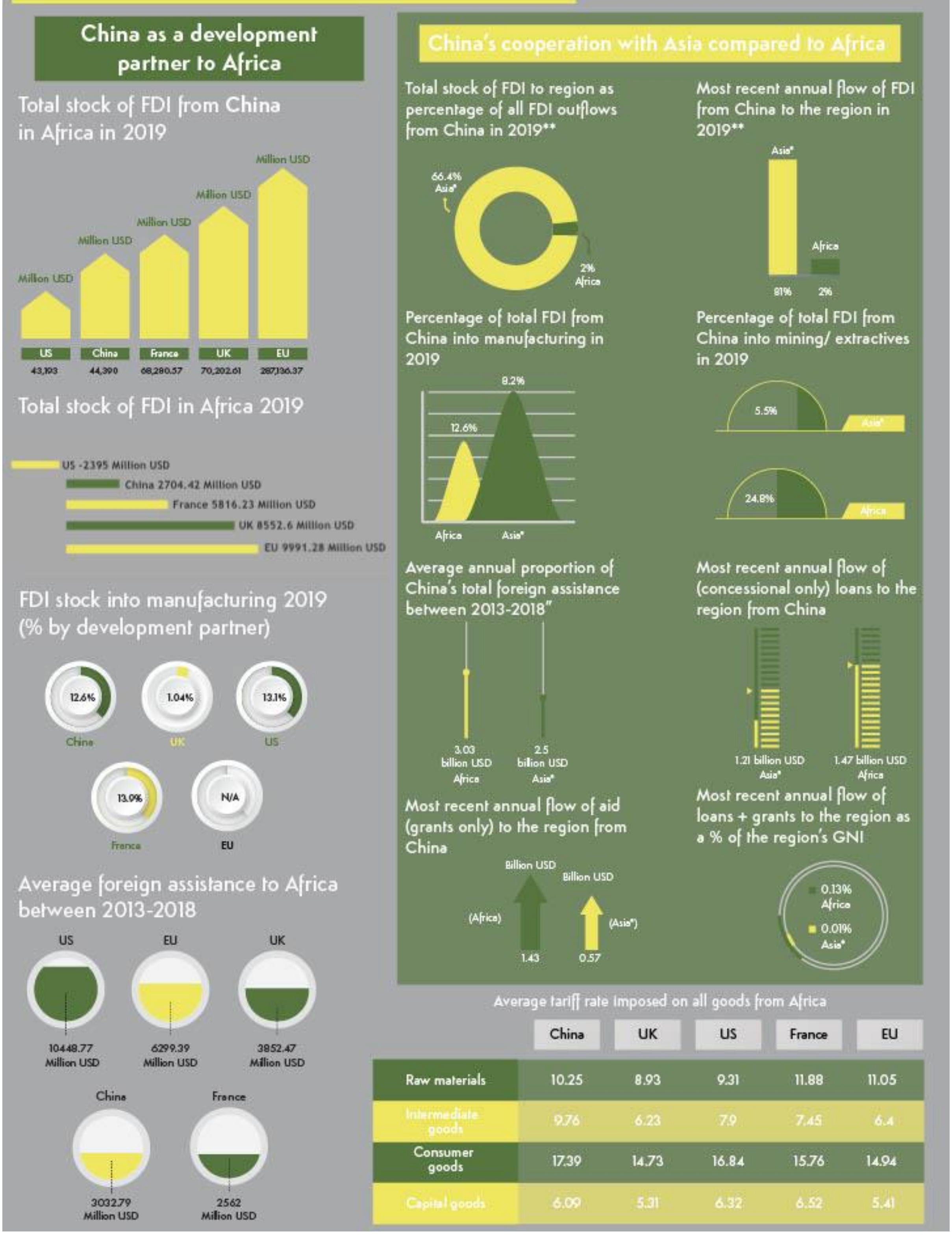
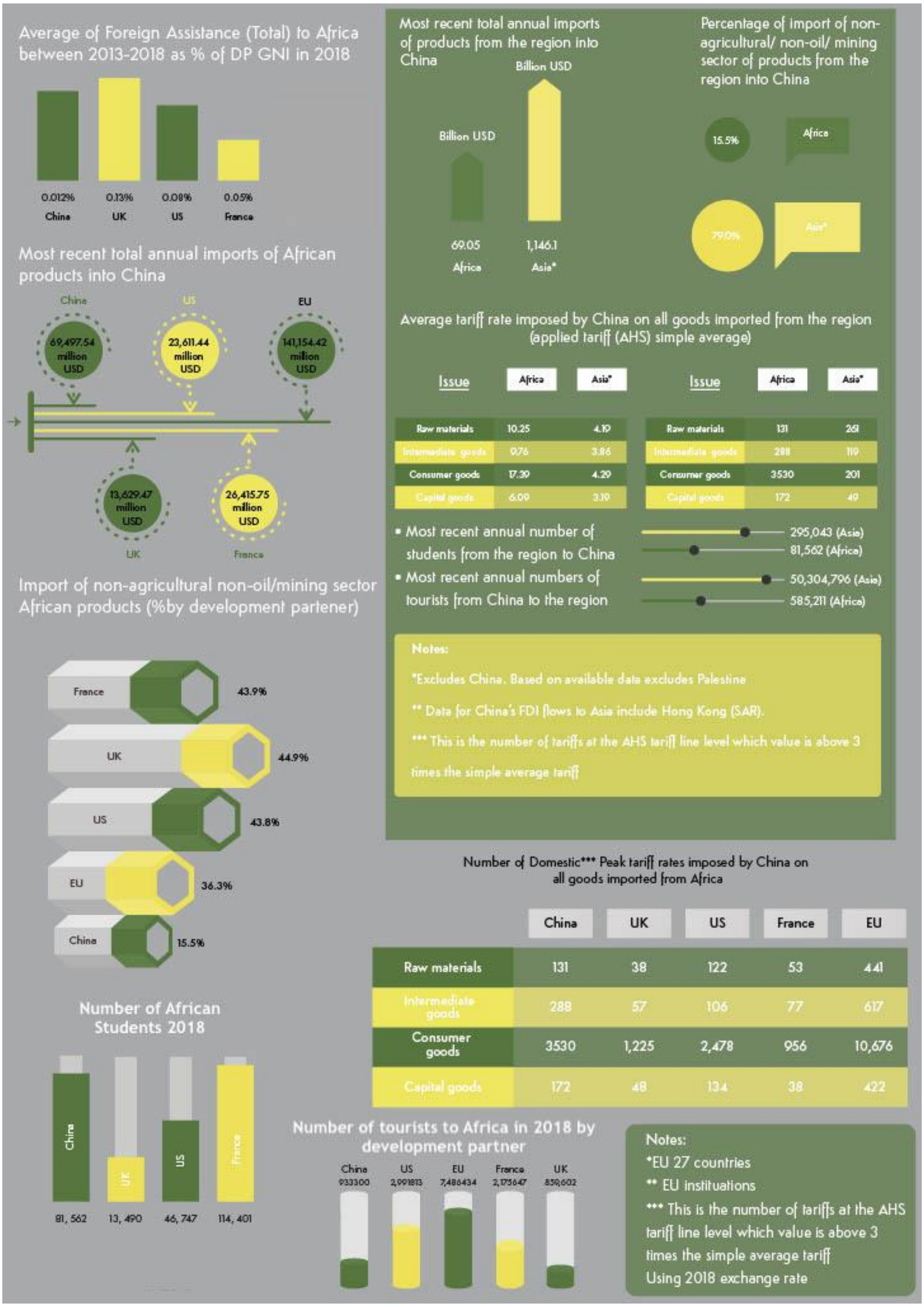
[178] FDI flows into Asia also include Hong Kong.
[179] Note that in 2019 Chinese FDI stocks in Hong Kong Special Administrative Region (SAR) accounted for 66% of Chinese total FDI outflows, which may skew the picture to some degree.
[180] http://www.gov.cn/xinwen/2019-06/04/content_5397210.htm

Benchmarking



Average tariff rate imposed on all goods from Africa

	China	UK	US	France	EU
Raw materials	10.25	8.93	9.31	11.88	11.05
Intermediate goods	9.76	6.23	7.9	7.45	6.4
Consumer goods	17.39	14.73	16.84	15.76	14.94
Capital goods	6.09	5.31	6.32	6.52	5.41



Issue	Africa	Asia*
Raw materials	10.25	4.19
Intermediate goods	0.76	3.86
Consumer goods	17.39	4.29
Capital goods	6.09	3.19

Issue	Africa	Asia*
Raw materials	131	261
Intermediate goods	288	119
Consumer goods	3530	201
Capital goods	172	49

Notes:

*Excludes China. Based on available data excludes Palestine

** Data for China's FDI flows to Asia include Hong Kong (SAR).

*** This is the number of tariffs at the AHS tariff line level which value is above 3 times the simple average tariff

Number of Domestic*** Peak tariff rates imposed by China on all goods imported from Africa

	China	UK	US	France	EU
Raw materials	131	38	122	53	441
Intermediate goods	288	57	106	77	617
Consumer goods	3530	1,225	2,478	956	10,676
Capital goods	172	48	134	38	422

Notes:
*EU 27 countries
** EU institutions
*** This is the number of tariffs at the AHS tariff line level which value is above 3 times the simple average tariff
Using 2018 exchange rate

CHAPTER 5 - INSIGHTS FROM AFRICAN GOVERNMENT REPRESENTATIVES IN CHINA

Chapter Five at a glance

- African Ambassadors and diplomats in China are uniquely placed to assess China-Africa engagement
- Respondents believe China has contributed and is essential to contribute in future to Africa's SDGs.
- Respondents confirm that there is an unbalanced trade relationship in terms of products and value addition between African countries and China, but suggest this will change, including through more manufacturing and e-commerce relationships (FDI)
- Respondents expect their countries to benefit from increased and better negotiated loans from China for regional projects and increased focus on the environment.
- Ambassadors pay much attention to people flows, but this has been a challenging area so far.
- Most respondents have a bilateral strategy towards China and have prepared some – mostly bilateral – proposals for FOCAC 2021, but little is public.
- Most believe strengthened continent-wide engagement with China is important and will not affect relationships with other development partners.

African Ambassadors and diplomats in China are uniquely placed to assess China-Africa engagement and more specifically, the challenges and opportunities linked to the relationship. As noted in the methodology, this section relies on feedback gathered through both a structured 60-question survey of African government representatives in China, as well as interviews and discussions with others covering the key aspects for study, including trade, finance and people flows. A total seven countries participated in the survey, but the results have been anonymised so as to respect diplomatic relationships.

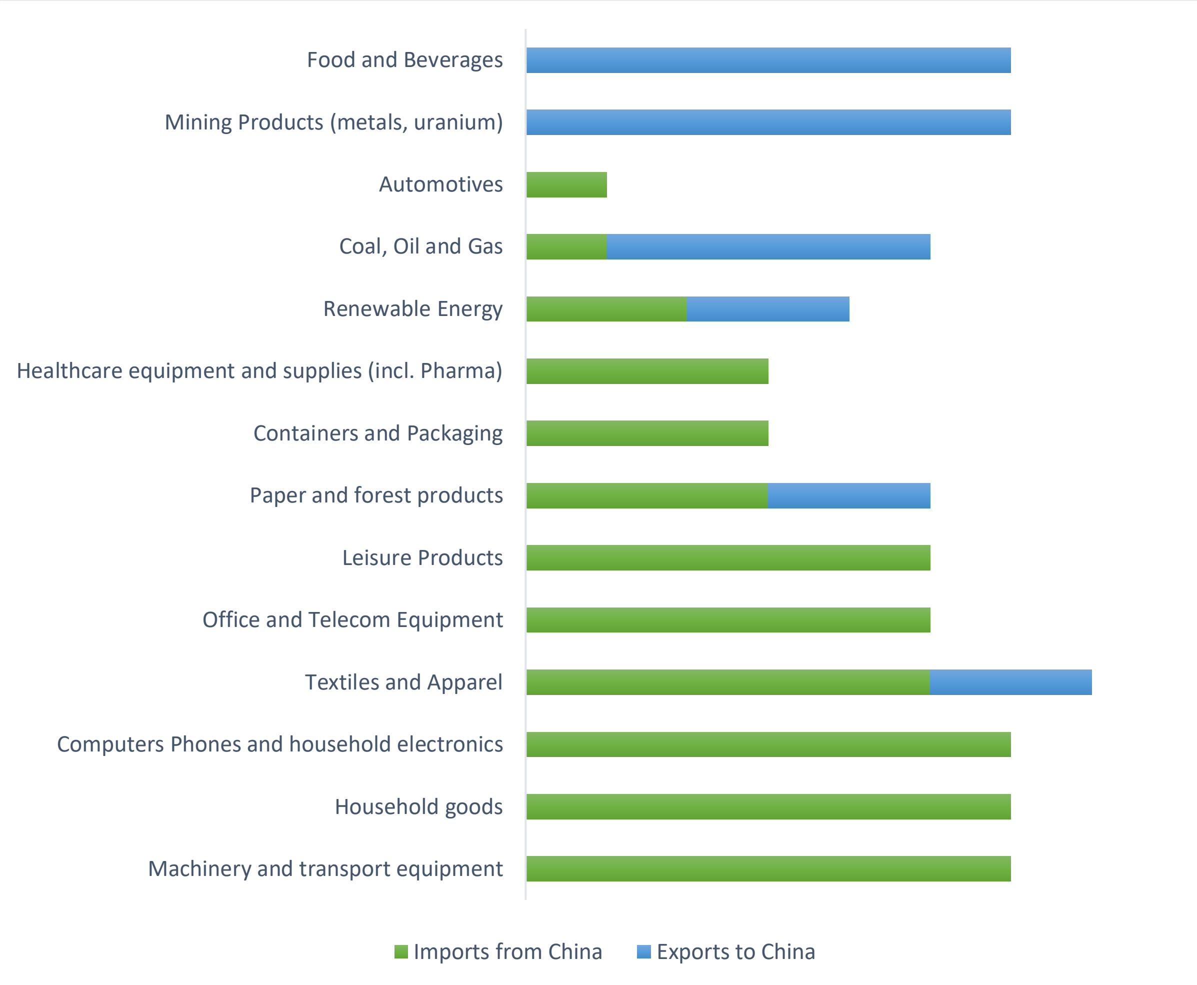
The caveat with this approach is potential selection bias, in the sense that some responses regarding a country's relationship with China may be positively correlated with the level of proactivity the country has in its engagement with China. Causation is also unknown. However, anonymising helps, and the survey design included a mix of questions enabling perceptions on a scale as well as absolute figures.

Ambassador's Insights on the current state of China-Africa cooperation

The first key result to note is that respondents to the survey confirmed data and analysis in **Chapter 2** of this report but provided unique additional insights. For instance, they confirmed the unbalanced trade relationships in terms of products and value addition between African countries and China as can be seen in **Figure 26**. No respondents noted any value-added goods coming into China from Africa.

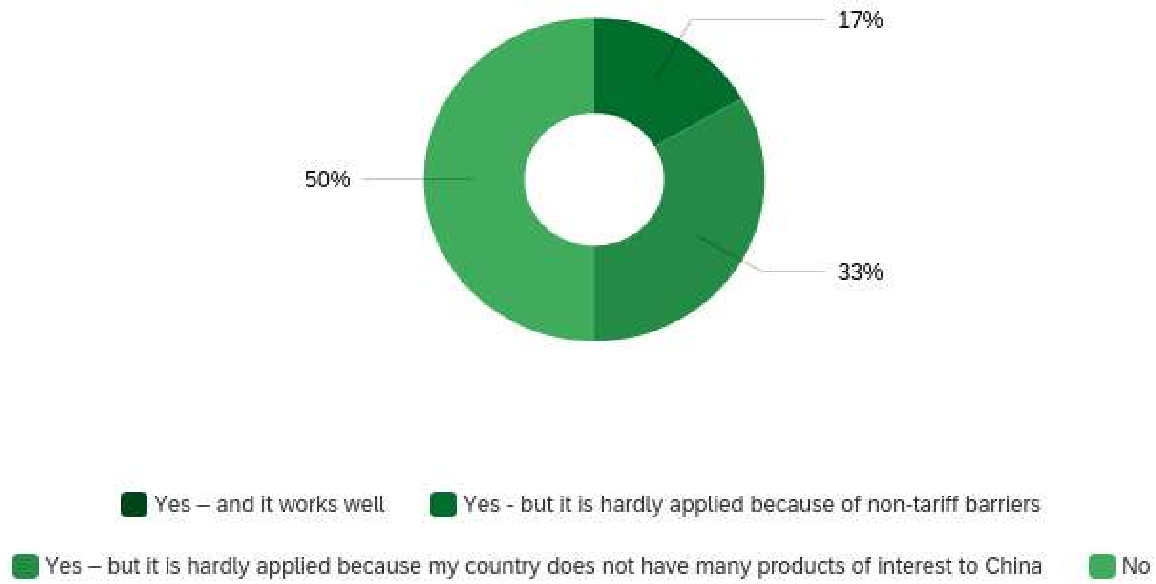
Importantly, the majority of the countries surveyed said they will make their China strategy information public.

Figure 26: African Ambassador's Survey Results: What are the main sectors of goods exported from China to your country and imported from your country to China?



The respondents also confirmed that whilst most of their countries are covered by China's Duty-Free Quota-Free Scheme (DFQF), it does not benefit them much at the moment – either due to NTBs or due to a lack of products that interest China (**Figure 27**). Hence, 75% of respondents want to or are in the process of negotiating SPS agreements to unlock agricultural trade with China.

Figure 27: African Ambassador's Survey Results: Is your country benefiting from China's Duty-Free Quota Free (DFQF)?

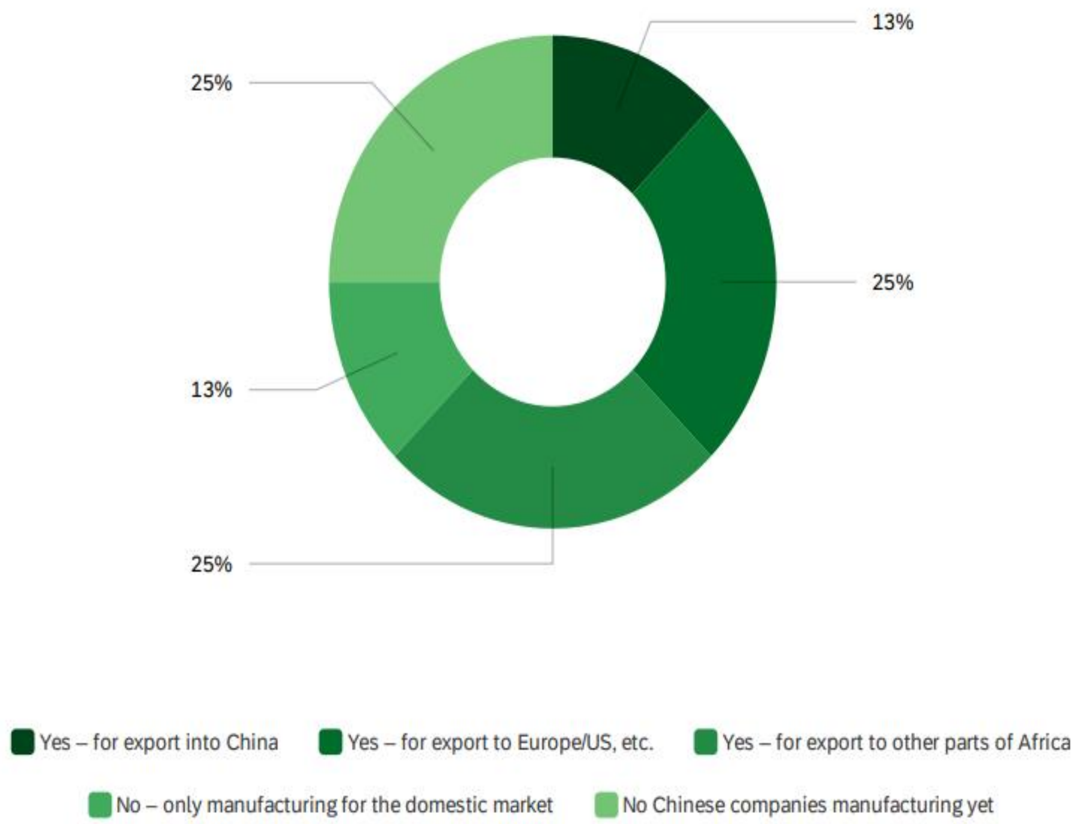


Linked to this, on market access, respondents felt that it is easier for Chinese products to enter the African countries surveyed than it is for products from the African countries surveyed to enter the Chinese market. They also confirmed that there are no GI products recognized in China for their countries. However, most countries responded that they had or are negotiating BITs with China, while fewer had DTAs in force or in process.

Respondents also suggested that while Chinese-operated Special Economic Zones (SEZs) appear to be working well in their countries (**Figure 28**), there are no Chinese firms in the African countries surveyed that are manufacturing products for export to China. So far, they are only manufacturing for domestic consumption in African markets or for export to US/Europe (**Figure 29**).

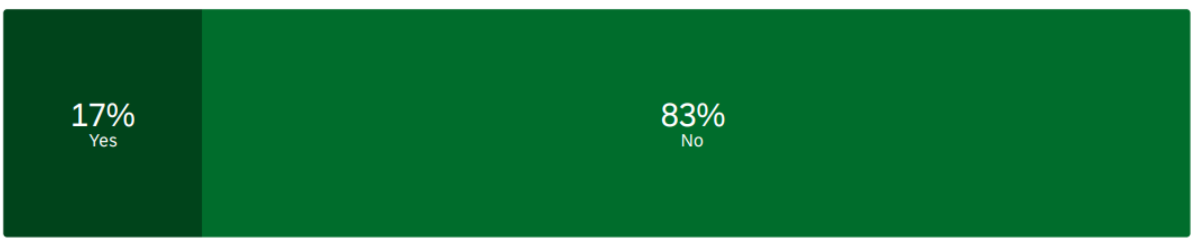
Figure 28: African Ambassador's Survey Results: Are Chinese-operated or funded special economic zones in your country working well?

Figure 29: African Ambassador's Survey Results: Are Chinese companies manufacturing in your country?



On the other hand, less than a fifth of the African countries surveyed currently host Chinese e-commerce platforms (**Figure 30**).

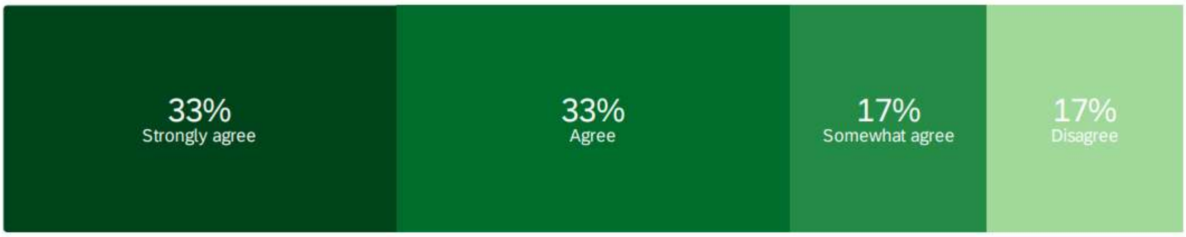
Figure 30: African Ambassador's Survey Results: Are Chinese e-commerce Platforms operating in your country?



As far as concerns finance, most indicated that grants from China had been helpful to varying degrees to their growth and development (**Figure 31**), though a third were somewhat ambivalent – this may also mean they have not received (many) grants. Most also indicated that loans had been helpful, although some disagreed (**Figure 32).**

Figure 31: African Ambassador's Survey Results: Has aid that your country has received from China over the last 5 years had a significant impact on poor people's lives in your country?

Figure 32: African Ambassador's Survey Results: Has aid that your country has received from China over the last 5 years had a significant impact on poor people's lives in your country?



All respondents also indicated that China had supported their country in one way or another during the COVID-19 pandemic, included through aid – such as donations of Personal Protective Equipment (PPE), medical teams' visits, vaccine donations, as well as debt suspension of unspecified debt amounts. Importantly, from the African side, 80% said that their country had supported China to deal with COVID-19, the vast majority with "diplomatic support" and one country also offering PPE donations.

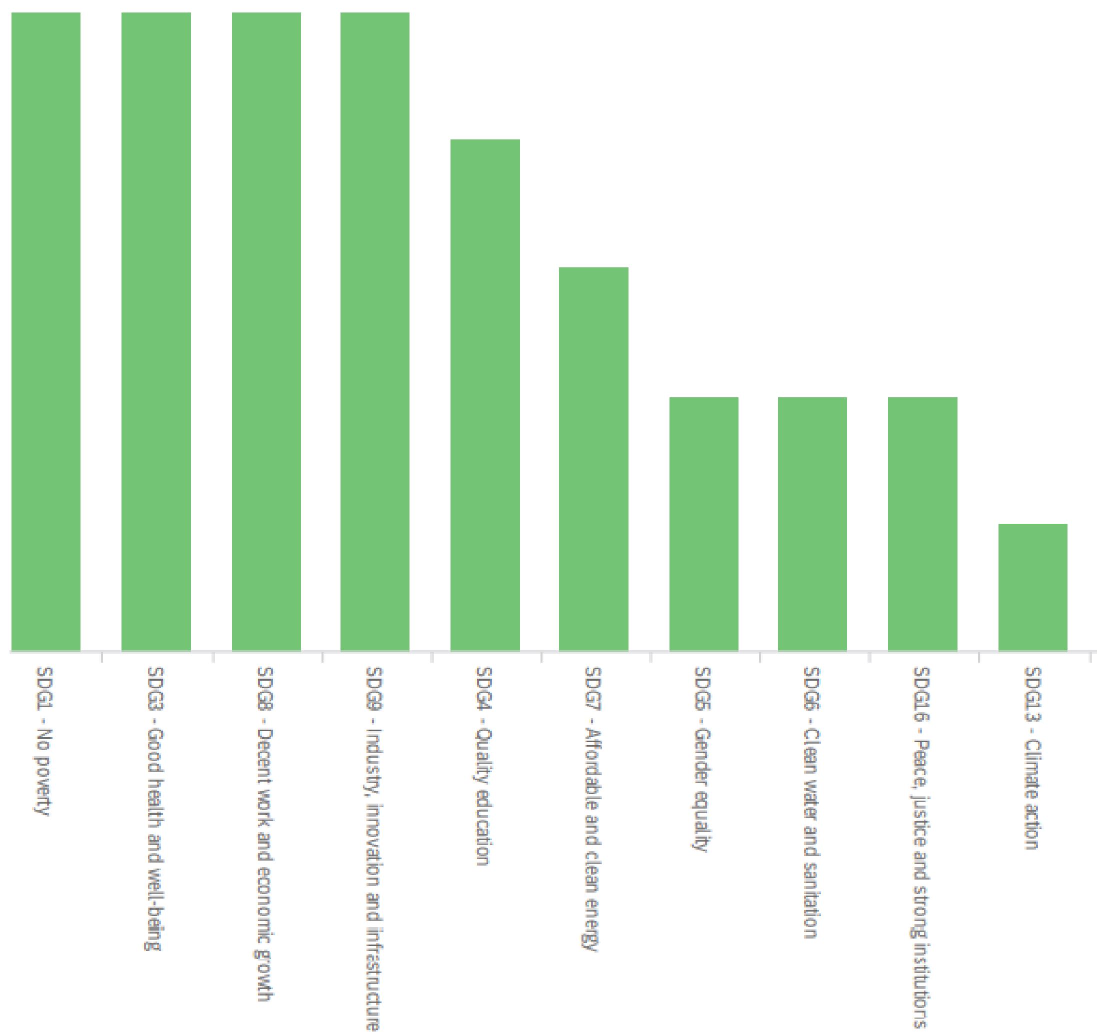
All noted they had some – albeit limited numbers (1-5) – of Chinese investors involved in PPPs domestically as well. However, only one country indicated it had 6-10 African-owned businesses operating in China. All others said they had none.

Looking at people flows, the survey confirmed the imbalance of more travellers from China to Africa versus the other way around. The majority of tourists from China to Africa, according to the survey, were individual travellers followed by business and luxury travellers.

However, while Ambassadors believe their citizens in China receive equal treatment to Chinese citizens in Africa, the survey also suggests that immigration rules in China have made it more difficult for businesspeople from African countries to work in China than for Chinese businesspeople to work in the African countries surveyed.

Overall, Ambassadors see the SDGs that China has contributed to so far in Africa somewhat differently to those assessed in **Chapter 3.** As can be seen in **Figure 33**, four SDGs (versus two in Chapter 3) feature prominently - poverty reduction (SDG1) good health and wellbeing (SDG3) decent work and economic growth (SDG8) and infrastructure and innovation (SDG9) [181]. Furthermore, six SDGs are not prioritised for Africa-China cooperation - Food security (SDG2), reducing inequality (SDG10) sustainable cities (SDG11), as well as SDGs 12, 14, and 15 which feature as potential challenges in **Chapter 3**.

Figure 33: African Ambassador's Survey Results: China's contributions to SDGs in Africa



[181] The United Nations Development Programme (UNDP) describes The Sustainable Development Goals (SDGs), which were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.(see https://www.africa.undp.org/content/rba/en/home/sustainable-development-goals.html)

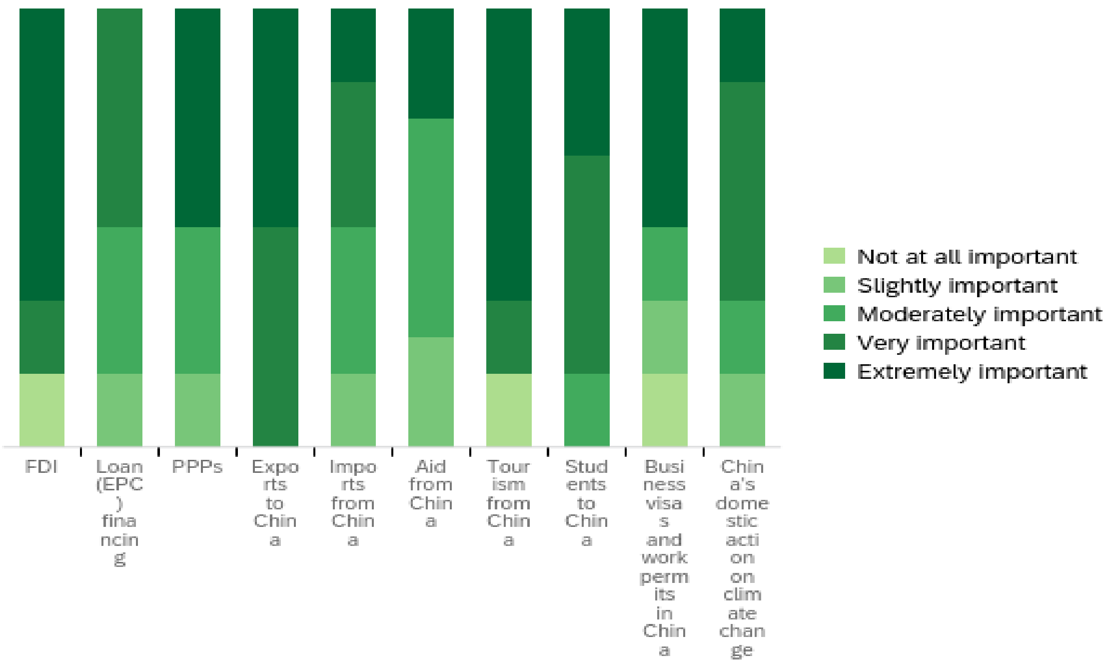
Expectations of Opportunities and Challenges of the relationship

As shown in **Figure 34**, all Ambassadors surveyed unequivocally believe future cooperation with China is crucial to meeting the SDGs in their countries.

Figure 34: African Ambassador's Survey Results: Is cooperation with China important to how your country meets the SDGs?

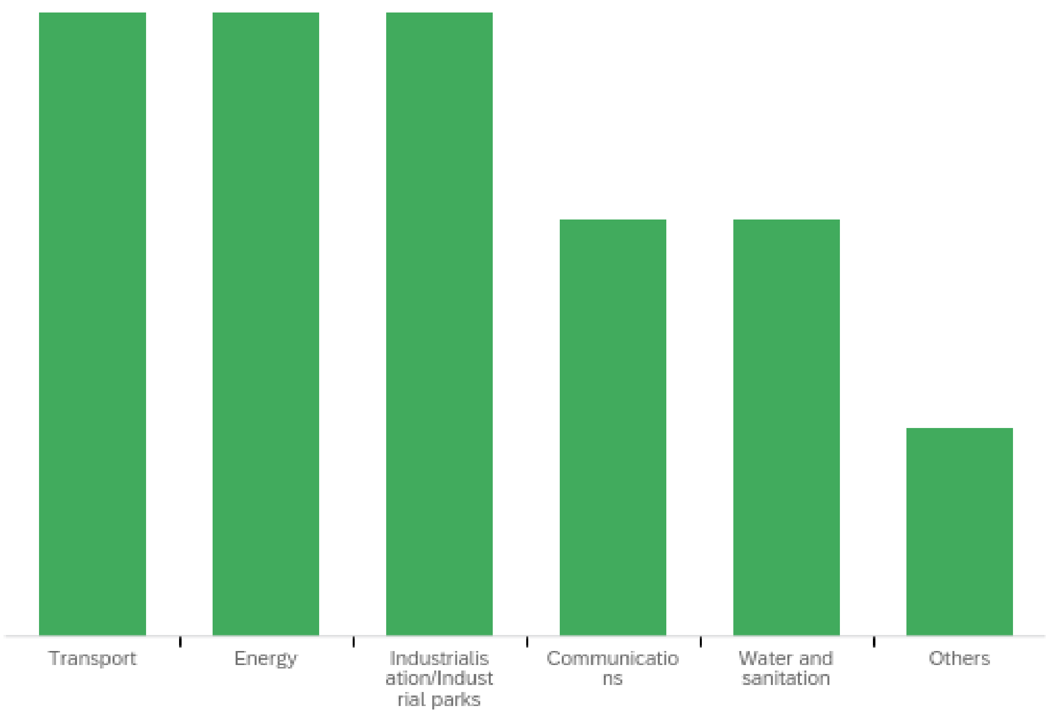
Furthermore, in terms of prioritising issues for future cooperation (**Figure 35**), those surveyed indicated that exports to China are key to focus on, followed by FDI attraction, managing African students in China and increasing tourism. Interestingly, negotiating future PPPs seems to be more important to Ambassadors than negotiating future loans (in the form of Engineering Procurement Construction contracts), and aid. Managing business and work permits in China and tracking China's domestic actions on climate change seem to be lower priorities, or areas in which their influence is limited.

Figure 35: African Ambassador's Survey Results: Cooperation areas that are important for Africa Countries sustainable development



The sectors in which African Ambassadors judge their countries need further financial support are shown in **Figure 36**. Most are infrastructure related. Over 80% of respondents were also clear that their country will benefit from increased loans from China for regional projects. Most countries also want to see more Chinese investors involved in PPPs**.**

Figure 36: African Ambassador's Survey Results: Sectors in which African Countries need finance from China



Ambassadors also have clear expectations for the future on certain issues, especially trade and FDI. Over 80% expect Chinese manufacturing to increase in their countries, and expect that within the next five years, Chinese firms will be making products in their countries for export to China. All expect investment by Chinese e-commerce companies in their countries to increase within the next three years.

However, as far as challenges are concerned, four areas stand out from the survey.

First, all Ambassadors believe there should be more focus on environmental issues when it comes to their engagement with China (**Figure 37**).

Figure 37: African Ambassador's Survey Results: Should there be more focus on environmental issues in your country's engagement with China?

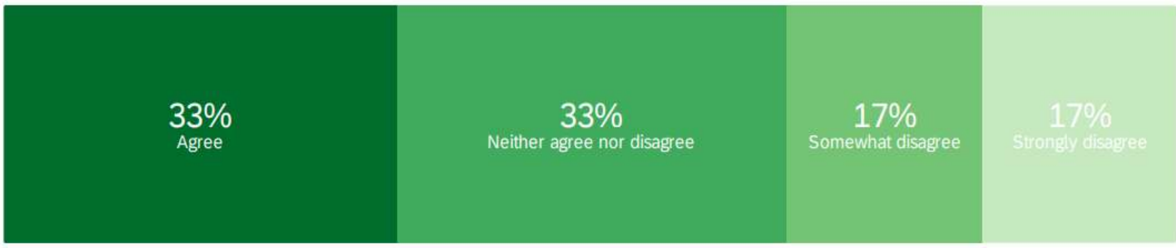
Second, over 80% of respondents felt that there is a need for the African countries to better negotiate the terms and conditions of the Chinese loans (**Figure 38**).

Figure 38: African Ambassador's Survey Results: Does your country need to better negotiate the terms and conditions of loans with China?

Third, the survey results also suggested the perception that there should be more students from the African countries surveyed pursuing studies in China and more Chinese tourists visiting the African countries, reflecting their priorities above.

Fourth, the one area in which Ambassadors are unsure about the future direction of the relationship is loans. An equal number of respondents expect loans to reduce as expect them to increase (**Figure 39**).

Figure 39: African Ambassador's Survey Results: Do you expect loans from China to reduce within the next three years?

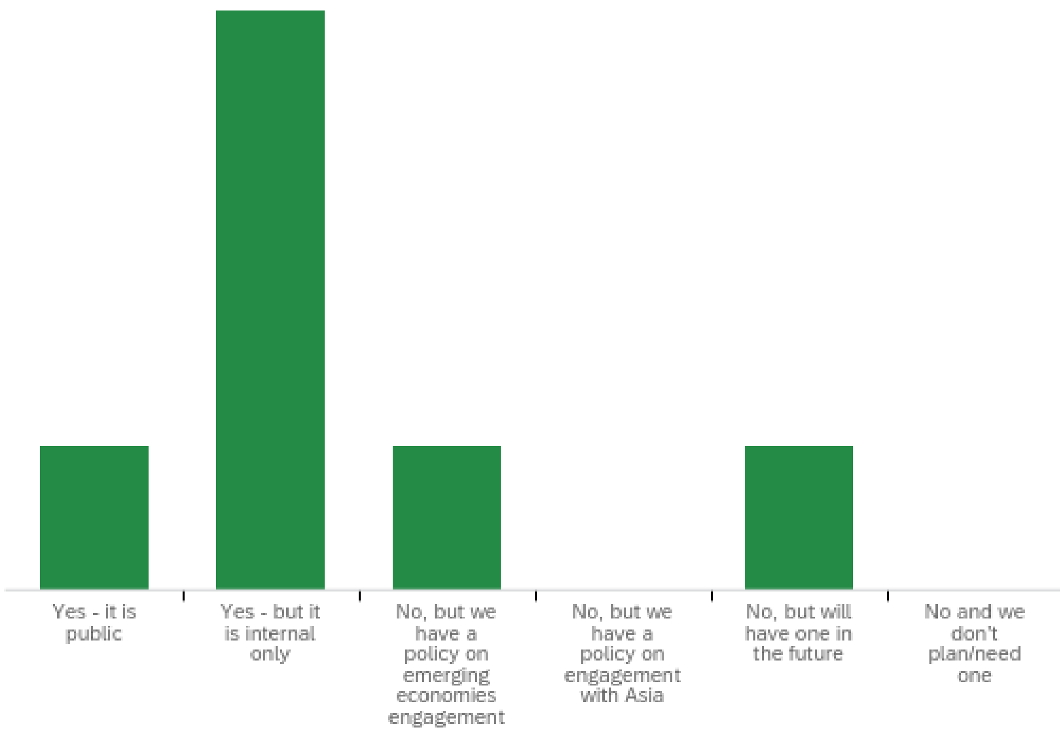


Insights into Processes for engaging with China

The third key result of the survey relates to the process of engaging with China, and the reality of achieving the opportunities and addressing challenges outlined above.

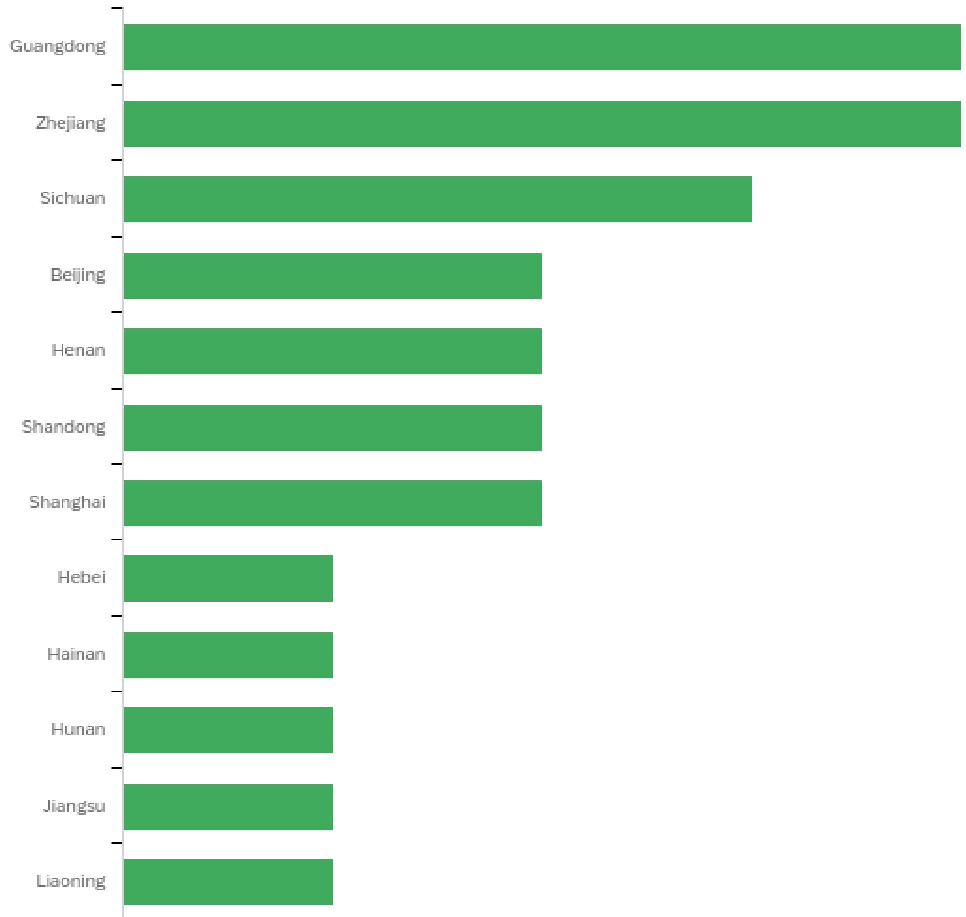
As noted in the introduction, almost all African countries with diplomatic relationships with China have an Ambassador in China. In addition, all responding countries said they have a specific China strategy – including having a dedicated team or desk in their capitals focusing on China or a broad strategy on emerging economies (**Figure 40**). Only 17% said they didn't have a strategy or desk. However, most said their China strategy is not public, although most also believe, for instance, that transparency of Chinese loans is important to citizens.

Figure 40: African Ambassador's Survey Results: African countries national strategy on China



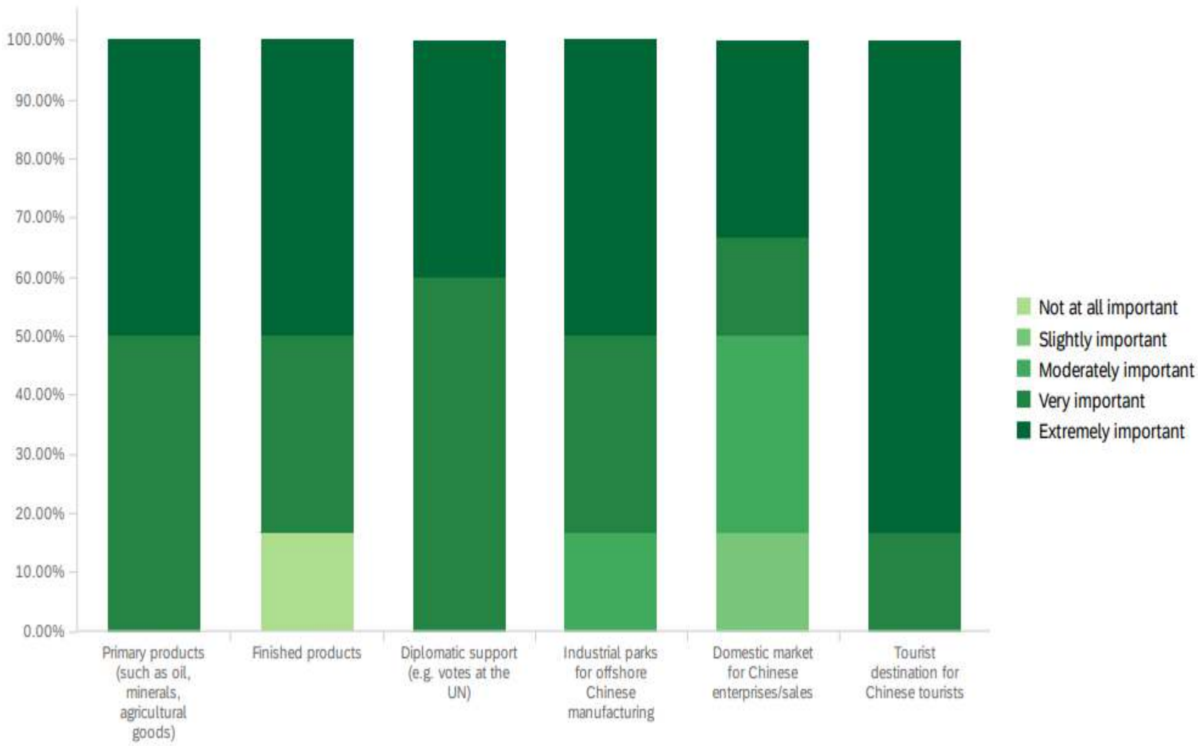
The majority of the countries surveyed (80%) also have provinces which they consider priority in their relations with China (**Figure 41**). Of mainland China's 31 provincial-level divisions, only 11 were identified by respondents as having engagements with African countries. Most prioritize Guangdong and Zhejiang - the most commerce-oriented provinces in China, and where anecdotal data suggests the largest African communities live.

Figure 41: African Ambassador's Survey Results: Priority Chinese Provinces for Cooperation



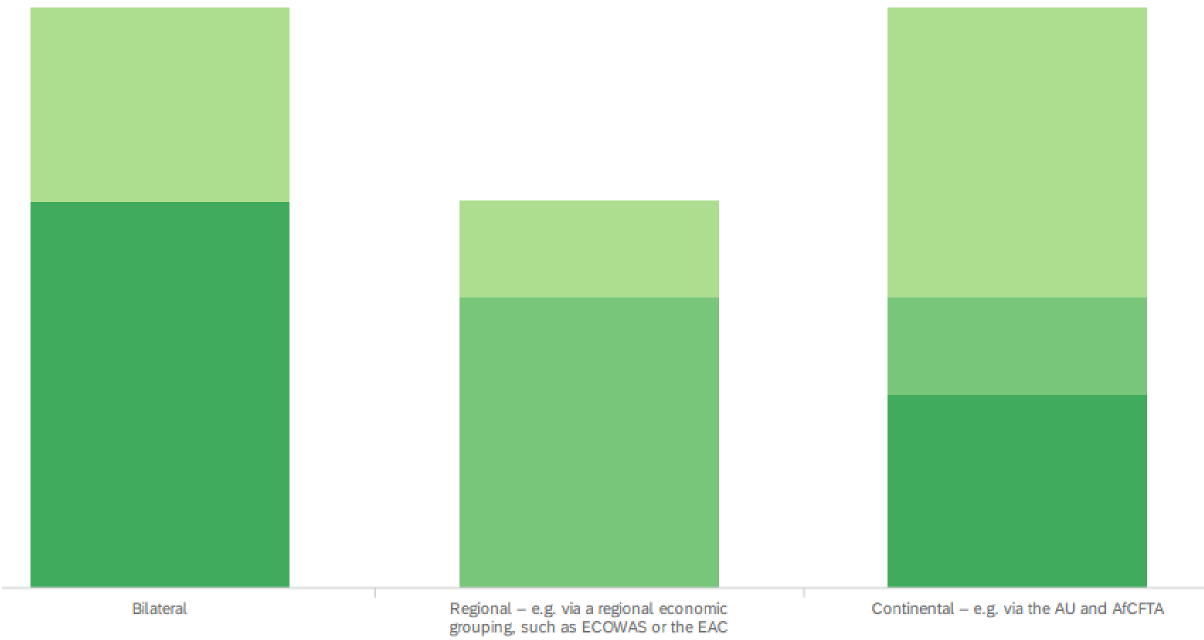
The survey also provided evidence that African Ambassadors are proactive in considering what their country offers China. Key areas are shown in **Figure 42**, include primary products, industrial parks for offshore Chinese manufacturing as well as their domestic markets for Chinese finished products. Finished (value-added) products from Africa to China are regarded as least important, indicating the state of play of trade relations.

Figure 42: African Ambassador's Survey Results: What African countries can offer China



However, there are differing views of the importance of continent-wide and regional engagement to African countries' successes in negotiating with China. At a broad level, respondents expressed a clear preference for bilateral cooperation, followed by continent-wide cooperation (**Figure 43**).

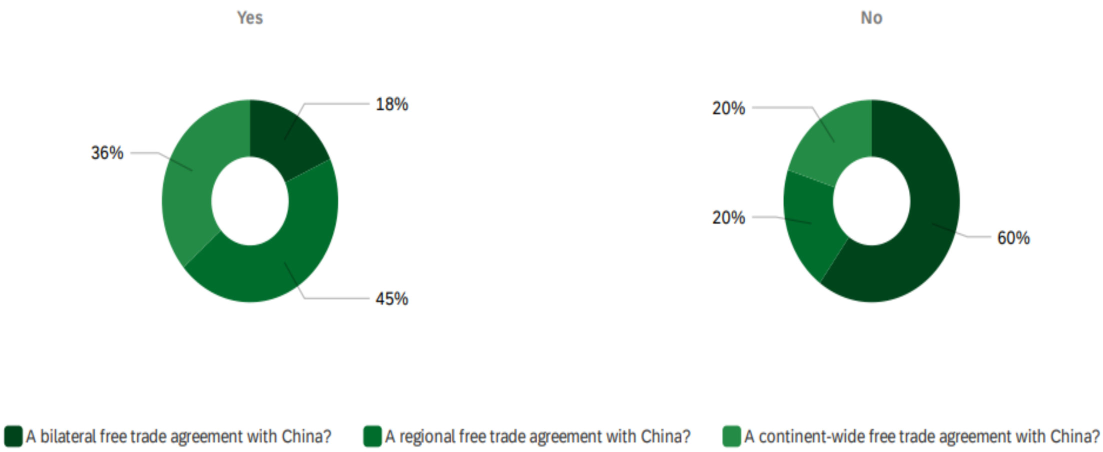
Figure 43: African Ambassador's Survey Results: Preferred cooperation with China (dark green = more highly preferred)



However, this may depend on the issue.

For example, for investment treaties, most countries would prefer a regional approach, whereas for double taxation agreements most would prefer a bilateral approach. For a free trade arrangement, most would avoid a continental approach (**Figure 44**). Chapter 6 elaborates on this specific question.

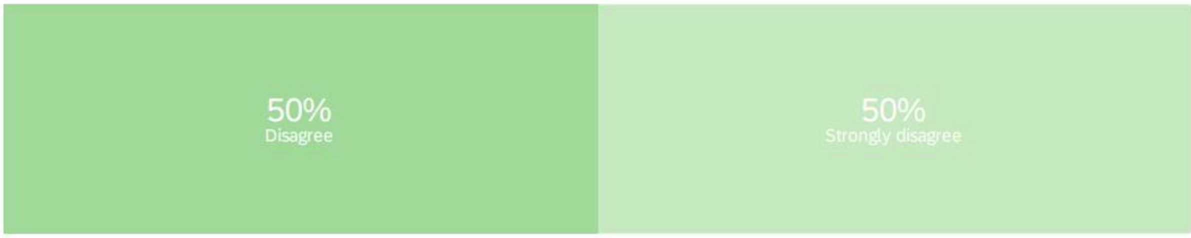
Figure 44: African Ambassador's Survey Results: What type of free trade agreement with China would your country prefer to negotiate?



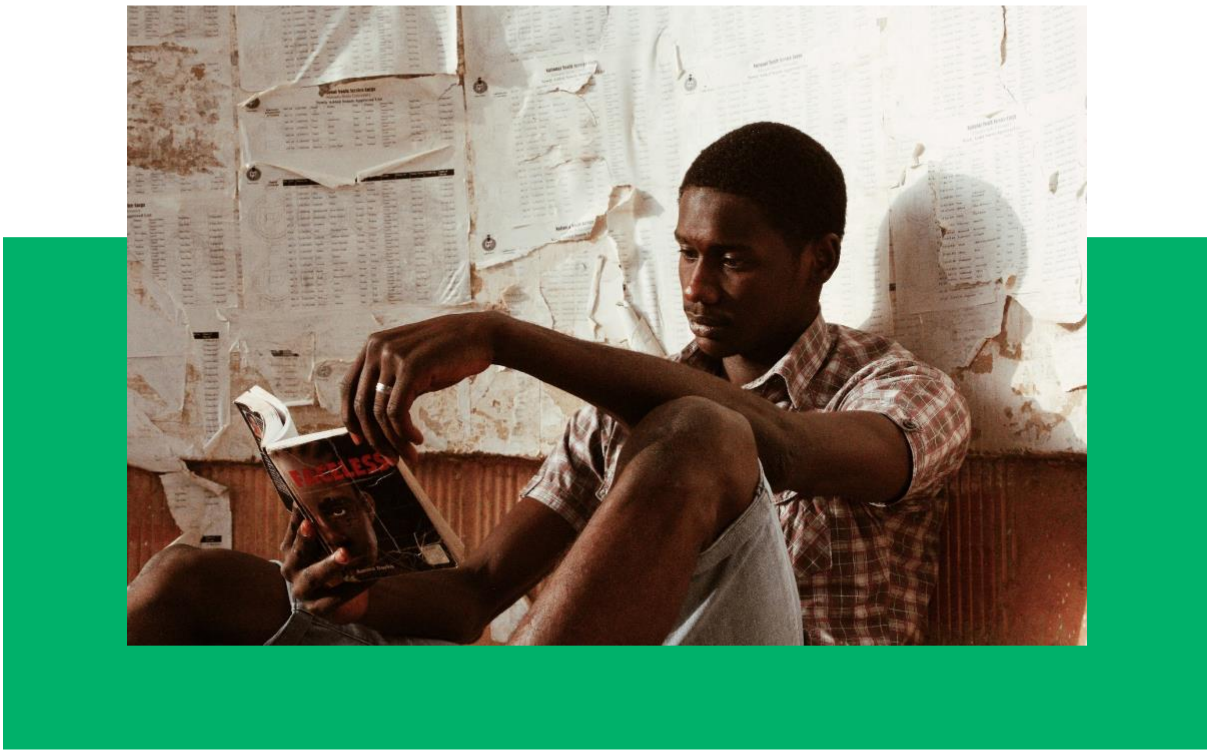
Furthermore, as regards FOCAC 2021, 57% of the countries surveyed had prepared proposals for cooperation with China. Of these, an equal number had bilateral and regional proposals, and only 14% had continent-wide proposals.

A final area of interest for the survey was whether Ambassadors see their country's relationship with China versus their relationship with other development partners. The response was very clear – all did not expect any competition (**Figure 45**).

Figure 45: African Ambassador's Survey Results: Within the next three years do you expect your country's relationship with other development partners relative to China to deteriorate?



Overall, the Ambassadors, in their unique position, along with the prior analysis provide a basis for strategic recommendations, which we now turn to in **Chapter 6.**



CHAPTER 6 - STRATEGIC RECOMMENDATIONS FOR CAPTURING THE CHINA OPPORTUNITY

Chapter Six at a glance
• Two sets of recommendations can be made in terms of an Africa-China strategy - substantive and process-based recommendations. • Substantively, an African strategy for engagement with China should include the following key aspects: • First, on trade, the focus for African economies should be to both expand and diversify exports to China, using e-commerce and including incentivizing and protecting brands and value-added products – including for minerals and agricultural products. Also, based on gravity modelling, a targeted continental-wide sector-based preferential agreement with China could be helpful. This could all contribute to BIAT, AMV, AIDA and CAADP. • Second, on financial flows, African countries should seek more concessional loans, including for green and resilient growth, and a stronger cross-border focus including digital infrastructure, to contribute to PIDA and AIDA, in particular. African countries should also seek more FDI from China, targeted towards manufacturing/value-addition to contribute to AIDA and AMV goals. • Third, people flows are central to economic relationships - not just cultural exchanges. African countries should more actively seek leisure and business tourists from China to diversify economic dependency, while replacing Chinese project workers with local jobs. Human capital investments from China should continue to increase, linked to STISA, and fully reciprocated/mutual open long-term immigration processes should be the end goal. • Process wise, African countries should institutionalize the process of Chinese engagement, through the AU in particular, including to streamline provincial engagements. • Increasing coordination of African engagement with China on specific areas – such as better coordination on loan terms and conditions including for RBLs, minerals development, market access strategies, FDI and tourism attraction plans is also necessary. • Finally, publishing and discussing China strategies such as this in public will be crucial to ensuring African citizens understand the reasons for engagement with China.

Based on the three types of analysis provided so far - desk research, benchmarking, and the survey - this Chapter now turns to summarize the future strategic opportunities offered by China to Africa and discusses the policy frameworks for harnessing these opportunities. It proposes how actors in Africa work to enable African countries to reap benefits from this relationship in a manner that accelerates progress towards Agenda 2063 and the achievement of the UN SDGs.

We take a two-pronged approach in our recommendations.

First, the recommendations address the substantive challenges regarding trade, finance and people flows to ensure the Africa-China relationship is achieving the highest impact in terms of poverty reduction and sustainable development over the coming years. These recommendations are focused on what can/should be negotiated with China for the short and medium-term.

Second, and on the basis of the specific interest expressed in **Chapter 5** for continent-wide cooperation with China, the recommendations address the process-related steps for African countries themselves to take within African institutions, including regarding FOCAC and AU processes.

Substantive Strategic Recommendations

1. TRADE

When it comes to trade, based on evidence gathered in this report, the following six key strategic recommendations stand out:

1.1. The focus on trade policy with China should be to both expand and diversify Africa's exports to China, with a focus on value-added products and brands.

Whether analysed at a bilateral, regional or continental level, African trade with China is high - but it is highly concentrated in primary products. The Chinese market has high potential to contribute to Africa's development as a source of demand for goods, but low value-addition by African countries could further deteriorate the trade balance. Moreover, most countries in Africa are looking to industrialise. While Ambassadors and other experts suggest it is not necessary to restrict the higher-value trade that comes from China, African governments should nevertheless encourage China to provide a trade policy environment that prioritises African value-added imports – including by immediately removing tariffs on consumer goods from all African countries. This common treatment will also be in line with the AfCFTA.

1.2. The focus of agricultural and food security policy with China should shift from being focused (only) on capacity building in Africa to (also) removing barriers to market entry for Africa's agricultural products into China. One means could be to extend existing and future SPS agreements for fresh agricultural products regionally (and eventually continentally).

Most African economies are agriculture-based, especially when it comes to employment. Creating new, reliable markets for agriculture products can be a key means to ensure food security in Africa and therefore contribute towards CAADP – generating income for farmers. While generally, certain non-tariff measures are necessary for protection of animal, plant and human life, however, experience so far suggests that SPS negotiations with China often take years which African economies cannot afford. These act as Non-Tariff Barriers and explain to some extent the low utilization of DFQF rates by Low Income Countries. Where agreements have already been made with one African country, and in order to enable and enhance regional trade and hubs under the AfCFTA, African economies could consider requesting China to enable that country to bring in fresh products from the REC it belongs to and then export to China, until the other countries have completed their own assessments. This is owing to the fact that the RECs in themselves already have standards such as regional SPS. This approach also guarantees stable supply chains, and encourages creation of regional value chains. Such market access could sit alongside interventions to build capacity of farmers/processors in Africa

1.3. Devise and negotiate with China continent-wide robust protection of Geographical Indications (GI) in order to add more value to African products in China.

Neither Egyptian cotton, nor South African wines or rooibos are recognized in China as special geographically distinct products. This is a missed opportunity to ensure value and intellectual property protection for African products entering China.[182] A comprehensive list of potential products for protection should be drawn up, and such an agreement could be facilitated by RECs, the AfCFTA Secretariat or relevant AU departments. Furthermore, the ongoing negotiations on the Intellectual Property (IP)Protocol should come up with a sui generis system of GI protection which is governed by both the WTO's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement, but also by the Bangui Agreement[183]. This is one of the surest ways of ensuring GI products from African countries are protected, and therefore valued in China.

1.4. Seek and channel support to utilize existing trade agreements such as DFQF

The majority of African countries have DFQF access to China for 97% of their products, since they are LDCs. However, rates are notoriously underutilized, not only because of SPS and other non-tariff barriers. As a tool for preferential market access, African countries should seek to utilise or design specific-China market entry related capacity building arrangements under the WTO's Special and Differential Treatment (SDT) mechanism, as well as seek support from other international organizations to invest in making their products more competitive in the Chinese market, including subsidizing logistics and e-commerce market entry if necessary. Chinese support for market awareness, marketing and branding in China could also be useful.

1.5. A continental-wide FTA with China could be a long-term goal, however a continent-wide preferential scheme for certain sectors could have a high positive impact on trade balances

Modelling (see **Box 7** below) suggests that the impact of China's trade in Africa varies by country, therefore a one-size-fit-all trade agreement could be difficult to negotiate and implement for African countries. Furthermore, trends in **Chapter 2** and survey insights in **Chapter 5** implies a full FTA with China risks enabling cheaper products to enter African

[182] https://developmentreimagined.com/2020/01/24/geographical-indications/
[183] https://www.afronomicslaw.org/journal-file/mapping-africas-complex-regimes-towards-african-centred-afcfta-intellectual-property

countries at a point at which the continent is trying to industrialize, and could also act as a disincentive for Chinese and other manufacturing FDI to enter Africa (see next Section). In this way it may not be in line with BIAT. However, in contrast, preferential trade agreements that are bilateral and/or only select a few African countries – such as AGOA – may not be in line with the aims and objectives of the AfCFTA which treats every African country equally.

As explained in Chapter 4, natural resources sectors for all African countries – whatever the level or category of income – already benefit from zero-rated tariffs when entering China. This concept could be used as precedent to extend the opening up of zero tariffs for particular priority sectors for export to China. This could include for instance light electronics, battery, vehicle and homeware manufacturing, non-sensitive agricultural products, cosmetics, textiles and apparel, and so forth. The RECs, AfCFTA secretariat or relevant AU departments could propose a list of such sectors for consideration by China. This would also signal to China's investors that China is serious about encouraging relocation of certain industries into Africa. The list could be revisited every 3 to 5 years.

BOX 7: Modelling the pros and cons of a China-Africa FTA

One of the popular trade relations frameworks that has currency is the creation of an FTA between Africa and China or any other trading partners. The pros and cons of an FTA between China and Africa can be ascertained using a gravity model, based on country-by-country trade data from the last 20 years. The modelling reveals the following:

- Africa's trade with China is affected positively by both African countries' GDP and China's GDP, however, these effects vary by country. For instance, a 1% increase in China's GDP leads average African exports to rise by 0.67%. However, for Egypt, when her GDP increases by 1%, her exports to China increase by 0.82%, for Ghana, exports will increase by 1.43% and Zambia for 1.59%.
- There is great market potential for Africa's exports to China, however, this potential is not translated to actual trade, when one compares the magnitudes of elasticities between 'actual trade due changes in income' versus 'population' (a proxy for market size). For instance, with a 1% increase in China's population growth, only a few countries experience export growth – Egypt, Ghana, Mauritania, Mozambique, Namibia, and Zambia. This may be due to market barriers for the other countries, especially for non-extractive sectors.
- FDI investment into Africa from China appears to have little to no impact in the development of export sector for products to China, low current percentages of FDI into manufacturing.
- Most African countries are likely to divert exports from China to domestic consumption when their populations (or market sizes) increase.

While modelling based on past data does not necessarily predict the future, what the modelling shows is that the impact of an FTA could vary significantly by country, and the dominance of the extractive sector (and China's own exports to Africa) could be exacerbated further. This points to the need to review other types of trade arrangement which enable more careful management and targeting.

1.6. Work with China to build an e-commerce infrastructure ecosystem for exports to China complemented by trade policy

The analysis in **Chapter 2** and survey results in **Chapter 5** confirm that the majority of African countries do not have any links to Chinese e-commerce platforms. However, in line with STISA and BIAT, digital trade should increase as governments invest in digital infrastructure, especially in the wake of COVID-19. China has some of the world's largest e-commerce businesses, like Alibaba or Tencent. For instance, in 2019 China's digital economy accounted for 36% of GDP, with a growth rate three times the traditional manufacturing economy. However, if not managed well, there is a risk that engagement with Chinese e-commerce firms will lead not to increased exports from Africa to China, but the other way around, worsening trade deficits. This risk is exacerbated by the fact that consumer goods from Africa currently attract higher tariffs than consumer goods from the rest of Asia (see **Chapter 4**). A means to avoid this could therefore be to explore arrangements whereby products that enter into China from Africa via Chinese e-commerce platforms receive preferential or zero tariffs.

Together, these six recommendations for Africa's strategy for trade with China would support:

- **The BIAT, STISA and CAADP frameworks of Agenda 2063**
- **SDG1 (no poverty), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure), SDG 10 (reduced inequalities, and SDG 17 (partnership).**

2. FINANCE

When it comes to finance, based on the evidence gathered in this report, the following eight key strategic recommendations stand out:

2.1. Encourage a focus by China on increasing concessional loans in the short-term, with a view to shift towards commercial and other forms such as PPPs in the medium term.

As explained in **Chapter 4**, the AU's Agenda 2063 places emphasis on infrastructure developments as one of the best ways to achieve Africa's growth potential, in particular through PIDA. Since infrastructure investments, especially cross-border, tend to fall in the category of public goods, it is unlikely that these can be profitable or generate economic returns within the economy quickly. Therefore, African countries will continue to require concessional loans, at least in the short-to medium term.

However, while African countries are facing pressure to avoid taking on new debt – including from China, these concerns are disputed on a historical basis, while calculations do not take into account assets that are created by the debt[184].

The key is not to avoid debt per se but to avoid high-interest debt, while ensuring quality, productive results. Thus, China's expertise and partnership so far in this area should continue and will contribute to PIDA. The fact that Ambassadors are uncertain whether Chinese loans will increase or decrease (**Chapter 5**) implies certainty of an increase is a necessary short-term focus, with a view to eventually shifting towards commercial loans and/or PPPs.

2.2. Encourage a stronger focus of Chinese concessional loans on cross-border infrastructure, in a broader range of sectors than to date, linked to PIDA and other AU Agenda 2063 priorities

Chapter 5 suggests that loans for infrastructure from China have been useful. Cross-border infrastructure projects are also a priority now due to AfCFTA. **Chapter 3** suggests, however, that to date, China's engagement on infrastructure has been more national than cross-border. In addition, the focus has been more on transport than energy, for instance. Moving forward, African countries can do more to coordinate regionally to propose projects, including utilizing the PIDA framework with China. Other key cross-border infrastructure projects to encourage China's stronger support for include the Integrated High-Speed Network, the implementation of the Grand Inga Dam, and the establishment of a Single African Air Transport Market[185]. Specific RECs also have priorities. SADC's Regional Infrastructure Development Plan (RIDP) includes the Energy Sector Plan (ESP)[186]; ECOWAS has the West Africa Rail Master Plan and Air Transport Action Plan[187] and EAC also has a Transport Systems plan.

2.3. Encourage China to increase concessional loans to Africa for digital infrastructure

Investments in formidable digital infrastructure are not only needed to enhance trade under the AfCFTA (e.g. via e-commerce) but also as a means of creating employment, and increasing education and health. Currently, African countries spend about 1.1% of GDP on digital investment, while advanced economies spend an average of 3.2%. As explained in **Chapter 4**, China has engaged to some extent in STISA but this can be deepened by linking to PIDA and BIAT. For Africa such investments are a chance to benefit from technology transfer and to access China's market through- e commerce.

2.4. Encourage China to support multilateral mechanisms in Africa's interests

African countries need Global Public Investment[188] for global public goods – beyond what China can directly provide. Encouraging China, including at the UN, IMF and World Bank, where China's voice is significant, to support African countries in obtaining sufficient finance for global public investment, for instance via Special Drawing Rights (SDR) reallocation, or reforms to financial architecture to avoid conditionality and adjust debt sustainability analysis, and more.

[184] See Africa Unconstrained webinar no. 3: Is there ever room for good debt? Debt distress analysis in the era of SDGs: https://www.youtube.com/watch?v=VGZsO4aieKw
[185] https://au.int/en/agenda2063/flagship-projects
[186] https://www.sadc.int/documents-publications/show/Regional_Infrastructure_Development_Master_Plan_Energy_Sector_Plan.pdf
[187] https://www.ecowas.int/ecowas-sectors/infrastructure/
[188] See: https://globalpublicinvestment.org

2.5. Encourage China to streamline and target aid to key public goods areas – such as health, environment and human capital investment

Analysis in **Chapter 4** demonstrates that China's grant aid is lower than other development partners, so to have greatest impact it must be highly targeted. Analysis in **Chapter 3** suggests that many aid mechanisms China has put in place for Africa are difficult to track, do not necessarily target key African challenges, and may not be the right instruments for doing so. Therefore, proposing a narrowing of Chinese aid to specific public good-related areas, such as health, environmental goals (especially adaptation and small-scale mining/fisheries impacts) and human capital investment (education – as per STISA), can complement other actions, including for the COVID-19 response could help streamline and ensure stronger results from this support.

2.6. Encourage China to create or extend the flexibility of instruments to mitigate private sector risks and enable more FDI to Africa

Investment from China into African markets can stimulate and revitalize the continent's economy, and evidence in **Chapter 2** suggests Chinese FDI does provide significant jobs. This will also help African countries mitigate and challenge other external risks such as being downgraded by credit rating agencies and the so-called "Africa Risk Premium" [189]. However, if Africa is to become a manufacturing hub as envisioned under AIDA, the scale of China's FDI to Africa needs to increase rapidly, beyond a few selected economies. Having had little experience in African markets, the Chinese government should be encouraged to provide more incentives to potential Chinese investors to invest, relocate and engage in joint ventures.

2.7. Direct Chinese FDI into Special Economic Zones for exports to China and encourage local participation

China has already supported its investors to develop SEZs in Africa, especially through the CADFund. While these have created jobs, they remain dominated by Chinese companies with limited technology transfer. Furthermore, as noted in Chapter 4, Chinese investment in Africa lags behind that in Asia and Chapter 5 confirms that Chinese companies are not yet manufacturing in Africa for export into China. There is therefore a need to work together in supporting, filling and expanding SEZs in line with the local advantage industry and expectations of China's own market growth, and away from extractive industries. This will contribute to AIDA and BIAT.

2.8. Support RMB use in African countries to enable FDI and e-commerce while building African monetary independence

An emerging issue for African countries and China as they interact more will be currency exchange, which affects trade potential as well as debt accumulation. While taking actions to smooth currency exchange it will be important for China and African countries to bear in mind and prioritise African goals for monetary independence (e.g. an African Monetary Fund[190]) and eventual monetary union.

[189] See Africa Unconstrained webinar no. 2: A level playing field? Regulating the ratings agencies: https://www.youtube.com/watch?v=18zJSfOkp80&t=1s
[190] See Africa Unconstrained webinar no. 1: An African Monetary Fund – a pipe dream or a necessity?: https://www.youtube.com/watch?v=Q7-JtLnE61I&t=1409s

Together, these eight recommendations for Africa's strategy for finance with China would increase China's contributions to:

- **The PIDA, AIDA, BIAT and STISA frameworks of Agenda 2063**
- **SDG 1 (no poverty), SDG 9 (industry, innovation and infrastructure), SDG 8 (decent work and economic growth), SDG 5 (gender equality)**

The eight recommendations (especially those focused on aid) would also provide potential for China to contribute to the four identified SDG gaps (12, 14, 15 and 16 - see Chapter 4).

3. PEOPLE FLOWS

When it comes to people flows, based on the evidence gathered in this report, the following six key strategic recommendations stand out:

3.1. Encourage Chinese organizations to focus on Africa as a tourism destination

As mentioned in Chapters 2 and 4, there is not one African country for which China is their largest source of tourists, and Africa lags far behind Asia on this. Africa's tourist-dependent economies need to make Chinese tourists a priority in government-to-government negotiations, seeking reciprocal treatment as well. This will contribute to BIAT.

3.2. Seek Chinese support for marketing and infrastructure to attract Chinese luxury travellers

Tourist-dependent countries need to engage in strategic marketing, focusing on the unique experiences that tourists will get by visiting these destinations in comparison to what they can get from e.g. Asia or Chinese domestic tourist sites. They also need to engage in tourism research to ensure that tourism needs are tailored to Chinese needs. In terms of infrastructure, African countries also need to invest in communications infrastructure and other support systems such as multilingual customer and tour guide support systems to cate for Chinese tourists. Chinese support and partnerships in these areas will be very important going forwards.

3.3. Encourage China to create incentives for Chinese investment into Africa's tourism sector

The increasing number of tourists from China to Africa is chance to revamp the tourism sector and contribute to BIAT. African economies have a wealth of natural beauty, including hot springs and types of tourist attractions found interesting particularly by Chinese tourists. Encouraging Chinese investment in the hotel industry, tailoring experiences for Chinese tourists, improving the transport network around tourist destinations, and improving security in tourist sites is crucial, and will contribute to BIAT.

3.4. Diversify studies in China and make it easier for students to work and gain experience in China

African demographic trends and the analysis in **Chapter 2** suggests that demand from African students to study in China will continue to rise. However, there are gaps in study topics, and challenges remain for qualified students to continue to work in China, where they could send remittances from and demonstrate their value – including to Chinese citizens. Encouraging China to expand the types of subjects that Africans can study and work in, will contribute to African human development and therefore STISA.

3.5. Seek more data on and open immigration policies for African businesses and entrepreneurs in China

Data on this issue is scarce, but analysis in both **Chapters 2** and **5** suggest that African businesspeople face more difficulties to work in China than Chinese businesspeople face to work in African countries. This can result in discrimination and racism against Africans, as was experienced in early 2020 during the COVID-19 pandemic in Guangzhou. Encouraging China to share data on, remove barriers and even provide preferential immigration policies for African businesspeople and entrepreneurs in China, will not only be a sign of good faith and trust, but also contribute to AfCFTA and BIAT.

3.6. Encourage China to focus aid on investing more in Africa's human capital on the continent

This recommendation echoes that of 2.5 and will ensure a stronger contribution from China to STISA.

Together, these six recommendations for Africa's strategy for people flows with China would increase China's contributions to:

- **The BIAT and STISA frameworks of Agenda 2063**
- **SDG 1 (no poverty), SDG 9 (industry, innovation and infrastructure), SDG 4 (quality education), SDG 8 (decent work and economic growth), SDG10 (reduce inequalities), SDG 5 (gender equality), and SDG 3 (health and wellbeing)**

The six recommendations would also provide potential for China to contribute to some identiied SDG gaps (14 and 15 in particular - see Chapter 4).

Recommendations on Processes

In 2018, the 7th FOCAC outcomes were designed around "8 Major initiatives". However, arguably they could have been organized around Agenda 2063's six continental frameworks in the First Ten-Year Implementation Plan. Indeed, as observed in **Chapter 4**, only two of those frameworks – CAADP and BIAT – were explicitly mentioned in the 2018 action plan. The Ambassadors survey in **Chapter 5** also suggests some negotiating challenges. So how can, process-wise, Africans ensure African priorities are reflected more strongly in the partnership with China?

Our final set of eight recommendations (4-11) relate to such processes.

4. Institutionalization of Africa-China relations

Given the degree of Chinese institutional management of FOCAC, options for various degrees of instutionalization on the African side should be assessed as soon as possible. For instance, establishment of an anchor African legal framework [191] containing rules of engagement, implementation procedures could be considered. Strengthening the African Union office in China, with the group of African Ambassadors in China (including those that contributed to **Chapter 5**), to take more charge of proactive African monitoring of data on and outcomes of programs initiated through FOCAC in particular is also crucial. The AU Partnerships Management and Coordination Unit could also manage the China-Africa partnership strategy more actively in the short-term.

5. Streamline and deepen provincial partnership engagements

The survey revealed that only a third of China's provincial-level administrative divisions are prioritized by the African countries concerned, with significant overlaps as provinces engage bilaterally. This has the potential to fragment relations. There is also a need for African countries to focus on untapped provinces through targeted research. We therefore recommend institutional mechanisms to streamline provincial engagement – these will change over time as AU priorities change. This could be managed through the institutional framework(s) suggested in 4.1.

6. Coordinate within Africa on Chinese contract terms for local benefits and green outcomes

Given the number of loans, project finance agreements as well as bilateral investment agreements that countries in African are currently involved in with China, the view of Ambassadors that terms can be better negotiated is important (**Chapter 5**). In the medium-term China (and other development partners) should untie aid and loans and enable African local contractors to deliver programs and projects to local priorities. However, as a short-term measure, approaches can be employed to enhance benefits. For instance, African governments can negotiate for collective minimum standards for use of local labour and content in the contracts, and the strongest environmental conditions[192]. The AU could coordinate such standards under PIDA, alternatively African Ambassadors could coordinate on this, or African Finance Ministers meet to discuss and exchange experience of negotiating lending instruments**.**

7. Coordinate within Africa on mineral sector engagement with China

The energy and transport transition suggests that battery and other minerals will become key for leveraging Africa's growth potential. As **Chapter 2** shows, significant Chinese FDI is entering this

[191] See Africa Unconstrained webinar no. 6: Can Africa Manage China? https://www.youtube.com/watch?v=AO0KZYI7zfs
[192] https://thediplomat.com/2021/05/a-new-database-reveals-chinas-secret-loans-think-again/

sector, but as **Chapter 3** explains, a key action should be to negotiate with Chinese stakeholders to ensure more added value on the continent from Chinese (and other) investment in this sector, to deliver on AIDA as well as AMV objectives. This process should be led in particular by mineral "belt" countries.

8. Formulate deliberate and coordinated market entry strategies for key African products' entry to China

The Chinese market is rapidly evolving but is not well understood by African businesses. It is also costly and challenging for businesses on their own to explore the market, or even single countries to do so. Yet, many African countries want to sell the same products to China. Given Africa's small footprint so far (**Chapter 2** and **4**), the market is big enough to absorb all. Thus, a key role for African trade promotion entities is therefore, alongside the RECs, AfCFTA Secretariat, and relevant AU departments, to bridge this gap in understanding, with a focus on value-addition, by working together on market entry strategies for key African products' entry to China.

9. Formulate deliberate and coordinated FDI attraction strategies for key SEZs and regional manufacturing hubs

The African manufacturing and business landscape is rapidly evolving but not well understood by Chinese businesses. It is also costly and challenging for Chinese businesses on their own to explore the market, or even single provinces to do so. Furthermore, the information Chinese companies need to make investment decisions goes beyond traditional incentives like tax breaks for investors and goes beyond translating such information into Chinese. Investors need to understand specific costs of operation for specific activities and compare them to Chinese operational costs.

Again, given fairly low Chinese FDI levels in Africa versus Asia (**Chapter 4**), competition across Africa is hardly relevant. African investment promotion entities as well as RECs, the AfCFTA Secretariat, and relevant AU departments, should bridge this with more tailored FDI attraction strategies. These can also be done by sector. For instance, aligned with the Africa CDC strategy and AIDA, expected/planned hubs for medicine and medical equipment manufacturing can be pitched directly to Chinese pharmaceutical companies.

10. Work together on means to make it easier for Chinese tourists to travel around the continent

Chapter 2 indicated a huge increase in Chinese tourists in some African countries like Morocco, but this is limited to a few key countries. Yet, most African countries are looking for similar categories of tourists, as suggested by Ambassadors in **Chapter 5**. The AU and RECs could encourage and help coordinate routes for packaged multi-entry, multi-year visas, chartered flights, linked to the Single Air Transport Market, contributing to BIAT.

11. Strengthen communications with African citizens about the China relationship

There is need for a specific communication strategy aimed at ensuring African citizens understand the extent, scope, opportunities and challenges of the China-Africa relationship in terms of trade, finance and people flows. This communication should be facilitated under the AU, coordinated with African Ministries of Information.

CHAPTER 7 - CONCLUSIONS AND NEXT STEPS

This report, intended primarily for African leaders and policymakers within the African Union, in capitals and in Beijing, as well as African stakeholders including the private sector and civil society, has set out to provide an initial comprehensive "blueprint" for a continent-wide strategy for Africa.

This has been a challenging and ambitious project. But it is necessary for three reasons.

First, too often, as our introduction sets out, analysis of the Africa-China relationship suffers from being perceived in black and white terms, as well as being seen through the prism of competition – from non-African and non-Chinese perspectives. This report, building on calls from African academics in particular,[193] as well as African leaders, represents the first comprehensive attempt at dislodging these narratives, seeing and assessing the Africa-China relationship anchored from a purely African, demands-based perspective.

Second, and as a result of binary and competition-related narratives, there is a risk that opportunities for deeper engagement with China are missed by African leaders and citizens. The fact that China is the world's current manufacturing hub and the world's second largest economy (the largest by some measurements), while Africa's Agenda 2063 envisions the continent being the third-largest economy globally and taking over from China to be the world's future manufacturing hub – albeit with a greener,

[193] https://www.palgrave.com/gp/book/9783030530389

more environmentally-friendly hue – means Africa's engagement with China is absolutely crucial, potentially more so than any of Africa's other development partners.

Third, there is no time to waste with regards to this or any other development relationship. The pace needed to meet SDG1 for the African continent by 2030 requires close to 400 million people to lift themselves out of poverty over a period of just over 10 years. This is twice as fast as Chinese people have achieved over the past 40 years[194].

However, every African country is different, and thus the primary assessment is against African Union goals, negotiated and set collectively by Member States.

In providing this first "blueprint", the report therefore, rather than using simple narratives or counter-narratives around "progress" or "failure", devises and utilizes an impartial, data-driven and holistic framework for exploring the progress to date in the Africa-China relationship using three key elements – trade, finance and people flows.

Under all three areas, the report identifies and summarizes progress. Undoubtedly, trade flows, financial flows and people flows in aggregate between African countries and China have all increased rapidly over the past twenty years in particular, although to different extents. The report finds that people flows in particular remain behind flows of trade and finance.

To augment this, and with a view to identify gaps and opportunities in the relationship that could be filled, we benchmark the Africa-China relationship in three different ways, each providing special, unique insights.

1. We benchmark the Africa-China relationship against the African Union's six continental frameworks – which cover everything from infrastructure to agriculture to mining and technology and innovation. Our key finding from this analysis is that while China has made significant contributions, more can be done to link China's activities to the AU goals and enhance its results, especially cross-border development.

2. We benchmark the Africa-China relationship against Africa's relationship with other development partners such as the US, UK and France. We find very mixed results, meaning Africa could do more to leverage the relationship.

3. We benchmark the Africa-China relationship against China's relationship with the rest of Asia. We find that Africa is only "better" than Asia in the relationship with China – aid. On all other metrics Asia has attracted more engagement so far with China.

The report also uses the results of a detailed, 60-question survey of select African ambassadors to China. The survey reiterates the above analysis and reveals a number of insights – particularly views on how China can best contribute to SDG achievement, their current key focus areas (especially trade), the ease of negotiating with Chinese counterparts on African priorities, and challenges regarding people flows in particular.

Finally, we conduct modelling to better understand the prospects for an FTA with China, revealing that a more gradual and targeted process may be more in line with African development goals.

[194] https://news.cgtn.com/news/2019-10-17/China-s-poverty-reduction-was-fast-Can-Africa-s-be-faster--KRbfGQUne0/index.html

Through this analysis, we derive the “blueprint”, the “strategy” – recommendations directed at African governments for prioritising together what to do next with regard to China. These recommendations are set out in two parts: the substantive – using the three-part framework of trade (6 recommendations), finance (8 recommendations) and people flows (6 recommendations); and the process – how these – or other – strategic priorities can be put into action, including through FOCAC (8 recommendations).

The 28 recommendations in this report are initial recommendations. They require considerably more discussion and analysis and will evolve over time. However, they provide a useful starting point.

The analysis, too, has limitations and can be augmented in future reports or by other actors. For instance, there are several other development partners against which China could be benchmarked – from Japan to the UAE. Similarly, the African region can be benchmarked against other regions besides Asia. However, we lacked the time to add in these further dimensions. Moreover, we only reached out to a select number of African ambassadors in China who we knew would trust us to share their views most candidly. In future we would ideally like to capture the views of a majority or more of African ambassadors in China. The modelling completed also represents a first step. General or partial equilibrium models could analyze dynamic effects of different trade relationships between Africa and China.

These caveats and limitations notwithstanding, our hope is that this first Africa-China strategy will provide the basis for African leaders to express more agency vis-à-vis China. The blueprint can also be used as a basis to develop the AU position and that of specific African countries at the forthcoming eighth edition of FOCAC, expected to be held in Dakar, Senegal in late 2021. The approach and analysis can also be applied to partnerships with Africa’s other development partners. In all of this, the key goal should be to meet Africa’s Agenda 2063 and the UN SDGs – the ultimate test.

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