

# Unpacking China and Africa's multibillion-dollar relationship

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6 Jul 2022

Trade between China and Africa is growing. The General Administration of Customs of China recently noted that bilateral trade between China and Africa amounted to \$254.3bn in 2021, an increase of 35.3% from 2020. In the first quarter of 2022, China's Customs Data confirmed that trade between the two regions increased by 23%, to \$64.8bn.



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Africa exported goods worth \$105.9bn to China, an increase of 43.7% from the previous year. China is increasingly importing agricultural products and manufacturing goods from Africa, in addition to its continued strong focus on oil, precious minerals and metals. Africa mainly imports manufactured goods such as electronics, clothing and appliances, and technology from China.

While Covid lockdown in the large port city of Shanghai and other large Chinese cities resulted in logistics bottlenecks, trade with Africa has not been severely impacted. China continued to import African agricultural goods and raw materials, with food security and materials needed for the energy transition being prioritised. However, China's capacity to export products to Africa was temporarily affected by its strict lockdowns.

Data from the Chinese Ministry further revealed that over the last 20 years, China's trade with Africa has risen 20-fold, showing that China is one of Africa's biggest bilateral trading partners. To balance the trade gap, China has also pledged to import \$300bn of African products by 2025. The country has also increased the amount of products that can be exported to China tariff-free.

A recent report by Economist Corporate Network, supported by Baker McKenzie and Silk Road Associates, [BRI Beyond 2020](#) (Economist report), showed how these strengthening trade links are, in part, a result of favourable financial incentives offered to African jurisdictions by China. According to the Economist report, 33 of the poorest jurisdictions in Africa export 97% of their exports to China with no tariffs and no customs duties. This report noted that bilateral trade was still heavily

centred on China's import of Africa's natural resources. However, in recent years China had increased its import of manufacturing products from more diversified economies such as South Africa.



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A Baker McKenzie report with Oxford Economics - *AfCFTA: A Three Trillion Dollar Opportunity* (AfCFTA report) - revealed that over three quarters of African exports to the rest of the world were still heavily focused on natural resources, but that on the import side, manufactured goods accounted for more than half the total volume of imports into African jurisdictions. Africa's most important suppliers of manufactured goods were listed as Europe (35%), China (16%), and the rest of Asia, including India (14%).

## Infrastructure

Africa's strong reliance on foreign jurisdictions for its manufactured goods shows that for intra-regional trade under the African Continental Free Trade Area (AfCFTA) to fully succeed, more jurisdictions in the region must develop their manufacturing bases and reduce their reliance on natural resources. As such, reliable transport infrastructure is vital for businesses in Africa to be able to scale up production for regional export. The continent also needs to redouble efforts to ensure that an adequate supply of water and electricity is available. Additional investments in utilities infrastructure will have the added benefit of incentivising foreign companies to set up production facilities on the continent.

To aid Africa with these massive infrastructure needs, China has provided significant capital for key infrastructure projects in Africa in the last few years. A further Baker McKenzie's report - [\*New Dynamics: Shifting Patterns in Africa's Infrastructure Funding\*](#) (infrastructure report) - showed that lending by Chinese banks into energy and infrastructure projects in Sub-Saharan Africa saw a small uplift in 2020, despite the pandemic, although deal values were well below their 2017 peak. In 2017, Chinese banks lent \$11bn to African infrastructure projects, which decreased to \$4.5bn in 2018, \$2.8bn in 2019 and \$3.3bn in 2020. Overall, the numbers show that there has been a slowdown in the number of infrastructure deals from China, although they are by far still the biggest investors in the region. In the short-term, the report notes that more targeted lending from China is expected.



## The AfCFTA can change the circumstances of millions of African SMEs

Amrote Abdella 18 May 2021



## Forum on China-Africa Trade Cooperation

The Economist report pointed out that political and policy commitments between China and Africa have strengthened and expanded in their scope in recent years. Since its launch in 2000, the Forum on China-Africa Trade Cooperation (FOCAC) has focused on forming closer relationships between China and Africa. At FOCAC's latest conference, held at the end of 2021, China announced that it would move away from state-backed projects in Africa, partly due to the impact of Covid-19. Instead, the focus would be on increasing reciprocal China-Africa trade, incentivising private firm investments from China into Africa and strengthening co-operation between the two regions.

At the 2021 FOCAC conference, President Xi pledged \$40bn to infrastructure projects in Africa as part of China's Belt and Road Initiative and the China-Africa Cooperation Vision 2035. Nine programs were identified as part of this initiative - medical and health; poverty reduction and agricultural development; trade promotion; investment promotion; digital innovation; green development; capacity building; cultural and people-to-people exchanges; and peace and security. Also discussed at the conference was China's intention to focus on bilateral cooperation with African countries with regard to aviation, finance, tourism, and the digital, marine and green economies.

As Africa reduces its over-dependence on natural resources and increases its manufacturing capacity, it must also ensure it develops other industries in a sustainable way. To this end, the Economist report outlined how China and Africa have agreed to work together on improving Africa's capacity for green, low-carbon and sustainable development and the trade in sustainable goods and services is also expected to reap benefits for the African continent in future years.

## ABOUT THE AUTHOR

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