

# China's engagement in resources sectors in Africa

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# 1. Emerging complementarities

- Africa:
  - 3rd largest oil reserves (9,5% of total), fastest growth rate in oil reserves (doubled over past two decades), 4th largest oil producer (12,5% of total),
  - Rich endowment of strategic base metals (gold, platinum, copper, iron-ore, manganese...), large untapped deposits
- China:
  - from self sufficient (1993) to 2nd largest oil consumer (2003) & 3rd largest oil importer (2004)
  - also became the world's top consumer of strategic base metals (aluminium, copper, iron ore, lead, manganese, tin, and zinc)



# China's resources drive fundamentals

- Increased external reliance = urge to secure steady supply of resources to sustain economic development = energy security at the core of China's foreign policy
- Strategy :
  - diversify import sources
  - Build up strategic reserves
  - secure long term supply contracts
  - acquire production assets and reserves overseas
- Aiming at:
  - minimizing supplying risks in the long run
  - have a greater say in future market developments

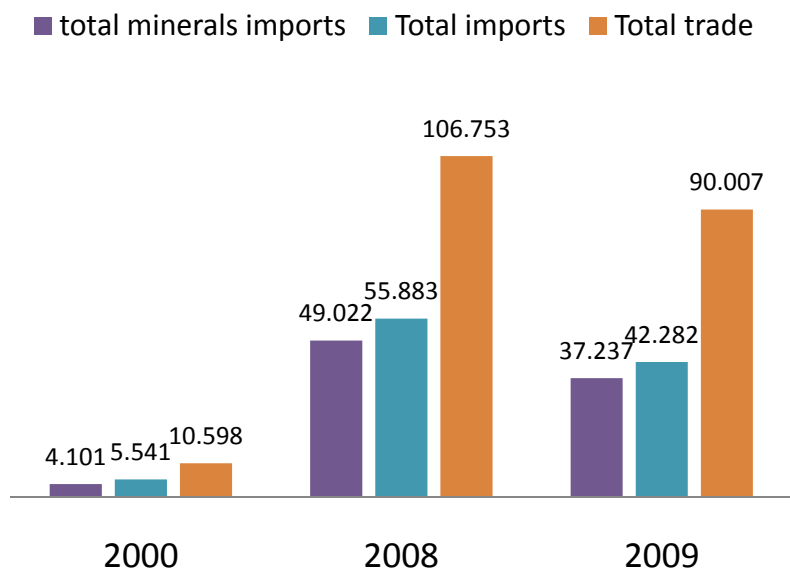
A)

## 2. Resources factor in China-Africa Trade

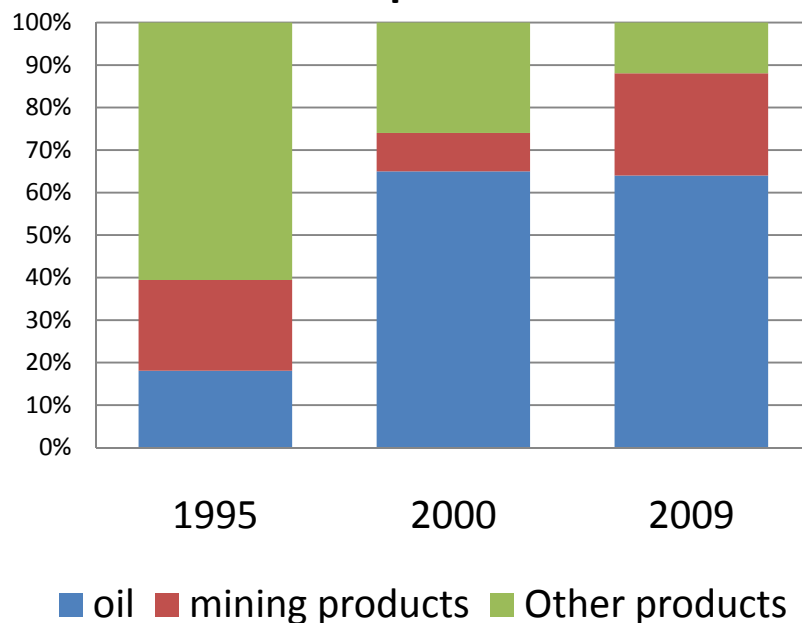
A) resources imports account for a considerable share of its trade with Africa

B) Growing concentration of China's imports in few commodities (2009: oil 64%, strategic metals 24%)

**Minerals imports in total China-Africa trade (US\$ millions)**



**Structure of China-Africa Imports**



Source: TRALAC, *China-Africa Data 2010*

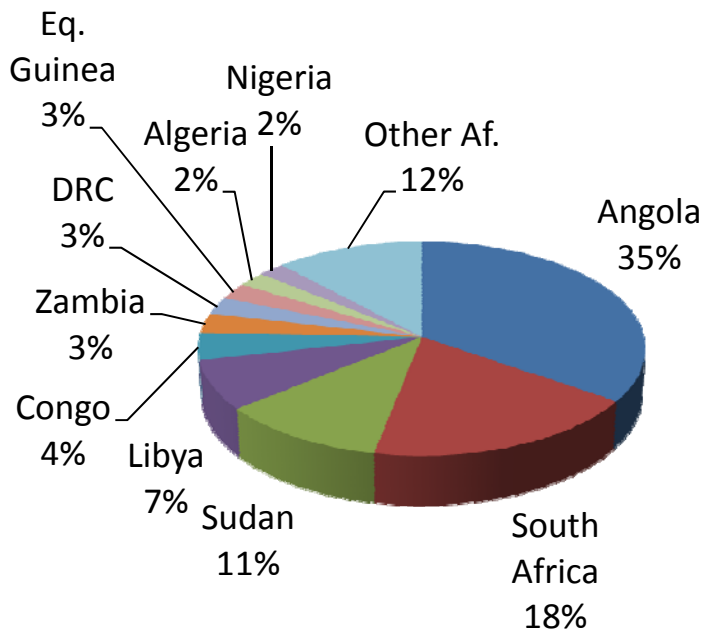


## 2. Resources factor in China-Africa Trade

C) Imports are highly concentrated in few countries (oil: West Africa; mining: Southern Africa).

D) Africa's stake in China's total oil (25%) and minerals (7.4%) imports have increased substantially

**China's top ten import markets in Africa in 2009**



e.g. Oil (Jan. to Oct. 2009):

- Angola: 15.5% (25.6 million tons)
- Sudan: 5.9% (9.8 million tons)
- Libya: 2.8% (4.6 million tons)

Combined = 24.2%



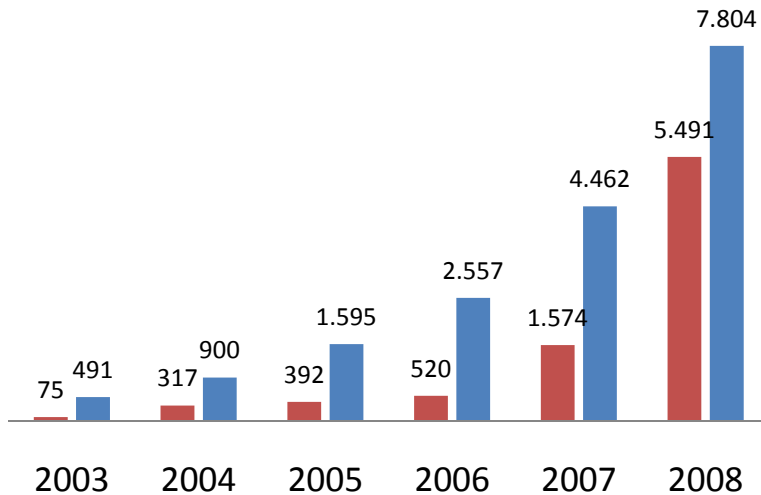
### 3. Resources factor in China-Africa OFDI

A) China's OFDI into Africa has expanded fast in recent years (3% in 2003 to 10% in 2008)

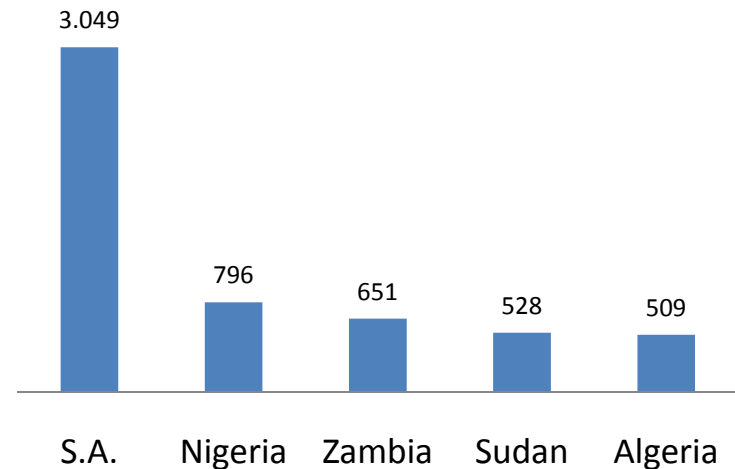
B) Geographical distribution of China's OFDI privileges resource-rich countries

**China OFDI into Africa  
(US\$ Millions)**

Flows Stock



**China-Africa OFDI top 5  
destinations by Stock (2008)  
US\$ million**



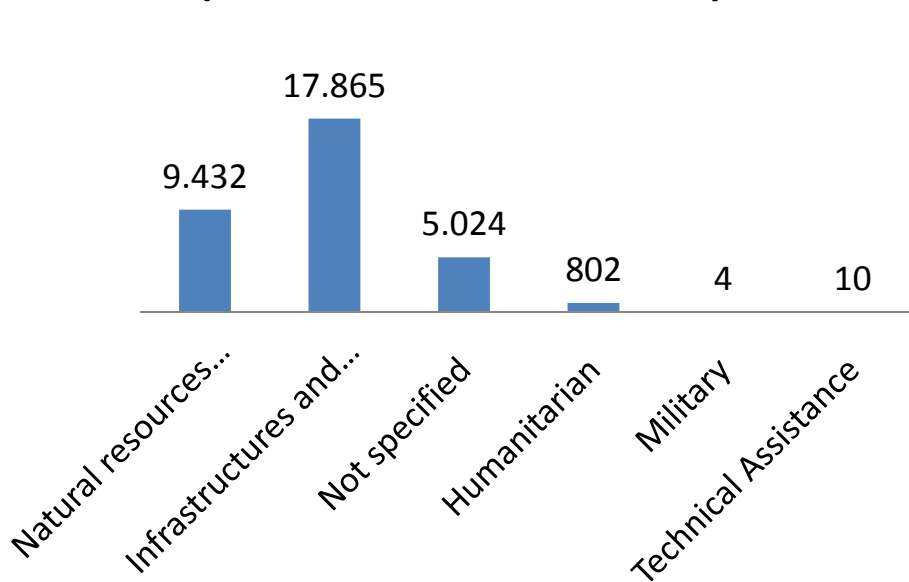
Source: NBS, *China Statistical Yearbook*, various years;  
MOFCOM, *2008 Statistical Bulletin of China's OFDI*

# 4. Resources factor in China-Africa Economic Cooperation

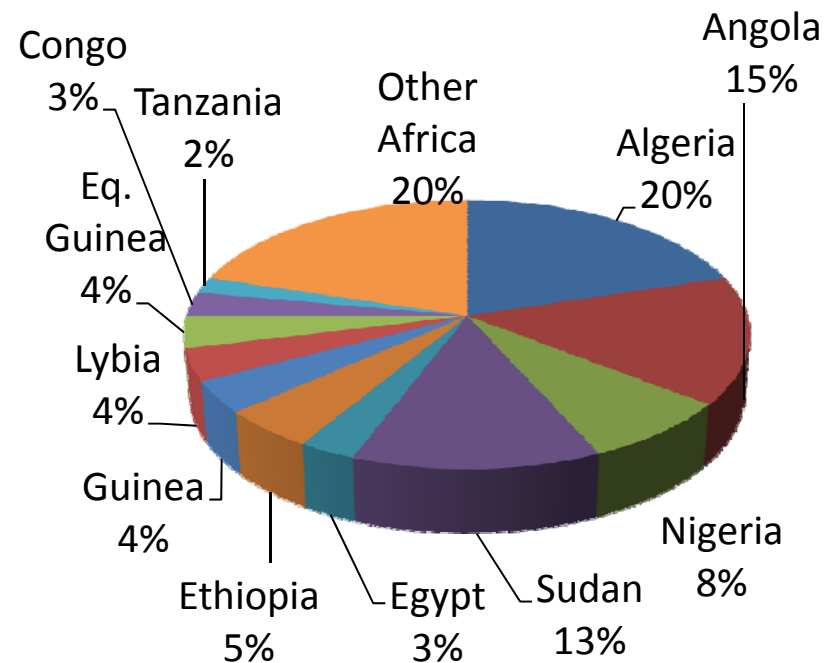
A) Bulk of China's reported economic assistance directed to infrastructures and natural resources development

B) Resources rich countries are major recipients of Ch. Econ. Coop. flows

**Reported econ. assistance (2002-2007 / US\$ millions)**



**China-Africa Turnover of Economic Cooperation (2008)**







## 5. Overview of China's position in resources sectors in Africa

- despite impressive trade, investment and cooperation stats, chinese companies position in Af. resources still lags far behind major MNC (except in Sudan and Zambia) – most equity is yet to start producing
- Ch. resources companies: clear move from greenfield investments to M&A, profiting from resources markets 'sale' context made remarkable inroads (acquired many assets, ie: Addax)
- However, their progression still remains largely reliant on Beijing's political backing (governmental platform: high level exchanges & extending concessional loans for infrastructure) = as means to offset technology hurdles and the fact that they are latecomers



# Impact in africa's development

- Positive outcomes:
  - China's commodities demand has brought unprecedented dynamism to Af. resources markets
  - exploration and development of marginal deposits
  - providing much needed infrastructure around the continent
  - creation of thousands of jobs (mining) and capacity building

# Impact in africa's development

- Challenges to address:
  - labour issues (harsh working conditions, low salaries and security standards – Zambia, DRC...)
  - Environmental concerns
  - Debt sustainability of some countries (DRC)
  - insufficient technology transfer provisions
  - low taxation level of contracts signed (important revenue source for African countries), etc...

All threat to undermine China's pledge to foster development in the continent



# Impact in africa's development

- The improvement of these issues, however, is not full responsibility of China: Lack or feeble local regulatory frameworks (Labour, environment, and investment) + passive stance of Af. Gov. when negotiating the deals with Beijing
- Way forward:
- Improvement depends on China as much as on Africa to ensure a truly win-win outcome and to make the most out the development opportunity China presently represents for Africa.