China’s Investment in Africa: Status, Features and Challenges
China’s Direct Investment in Africa, 2003-2009
(millions of dollars)
China’s direct investment in Africa accounts for only a small part of China’s total overseas direct investment.
China’s direct investment in Africa accounts for only a small part of Africa’s total FDI.

- In the year of 2009, Africa’s total FDI stock was 517.4 billion USD, while China’s investment stock in Africa was 9.33 billion USD, which only accounted for 1.8%.
Some developed countries’ direct investments in Africa are much larger than China’s.

In the year of 2009:
China’s direct investment flow in Africa was 1.44 billion USD
USA’s direct investment flow in Africa was 5.73 billion USD
France’s direct investment flow in Africa was 5.03 billion Euro

By the year of 2009:
China’s direct investment stock in Africa was 9.33 billion USD
USA’s direct investment in Africa was 44.8 billion USD
France’s direct investment in Africa was 4.04 billion Euro
China’s Direct Investment in Africa by Country in 2009

- Nigeria, 21.10%
- Democratic Republic of the Congo, 16.90%
- Algeria, 11.10%
- Zambia, 9.30%
- Egypt, 6.60%
- Sudan, 4.60%
- South Africa, 3.50%
- Ethiopia, 3.10%
- Other region and countries, 23.80%
- Ethiopia, 3.10%
- South Africa, 3.50%
- Sudan, 4.60%
- Egypt, 6.60%
- Zambia, 9.30%
- Algeria, 11.10%
- The Democratic Republic of the Congo, 16.90%

Other region and countries, 23.80%
Sector Distribution of China’s Direct Investment in African (by the end of 2009)
China-Africa Cooperation in Resource Development

- Resource development is a significant part of China’s investment in Africa.
- Chinese enterprises adopt open, transparent and multiform ways of cooperation and are firmly against monopoly and exclusiveness. They jointly exploit and utilize resources with African countries and international enterprises.
- China-African oil cooperation provides needed materials to China; expands the financial sources for African development, raised the value of such resources, and facilitated local infrastructure construction and economic development.
China-Africa resource cooperation is still at the initial stage.

By the end of 2009

- America’s investment stock in mining in Africa has reached 25 billion USD;
- France’s investment stock in mining in Africa has reached 11.7 billion Euro;
- China’s investment stock in mining in Africa was about 2.9 billion USD.
China-Africa Development Fund

- A fund which aims to support Chinese companies to invest in Africa.
- By the end of 2009, CAD Fund has financed more than 30 projects in nearly 20 African countries. And Chinese companies has invested more than 3 billion USD with its help.
China-Africa Trade and Economic Cooperation Zones

- Chinese enterprises have established 7 Trade and Economic Cooperation Zones in African countries including Zambia, Mauritius, Nigeria, Egypt, Ethiopia and Algeria.
Special Loan for Small and Medium-Sized African Enterprises

- China promised to provide 1 billion USD Special Loan for African SMEs at the 4th Ministerial Conference of FOCAC.

- Till now, China Development Bank (CDB) and some African SMEs have reached preliminary agreements on 0.3 billion USD special loans.
China’s investment in Africa promotes the development of local economy and society.

By the end of 2009, Chinese companies have provided hundreds of thousands of employment opportunities for the local people, increased the host countries’ export revenues and improved the people’s living conditions.
Chinese companies’ investment is still at a relatively low level.

- Only a small proportion of investments are devoted to service sectors, such as finance and tourism.
- Investment in manufacturing sector mainly covers such low technology industries as retail trade and elementary processing sectors, and the investment scale is small.
- In China-Africa infrastructure cooperation, Chinese companies usually undertake the construction of engineering projects, while take little part in the subsequent management and operation after the projects are handed over to the host country.
Most Chinese companies are lack in international operation capability.

- Most Chinese companies investing in Africa are lacking in overseas operation experiences, and short of versatile staff proficient in both business management and foreign language.

- With the economic development in recent years, many African governments have issued a series of policies to attract foreign investment. And meanwhile, they attach more attention to such issues as environment protection and corporate social responsibility. Chinese enterprises need to acquire abundant human resources to understand and follow these policies.
Chinese companies are facing fierce international competition.

- Chinese companies are faced with the competition from those transnational corporations operating in Africa. And because of the difference of culture and values, some activities in Africa are criticized by some western media.

- Many Chinese private companies run small businesses in Africa. In these relatively low-level sectors, Chinese investors may compete with local firms, which may even lead to conflicts.

- Due to big differences in culture background and business patterns, many Chinese investors are confronted with such problems as labor dispute, etc.
Some Obstacles in African Countries

- Backward infrastructures
- Single economic structure
- Low production supporting capacity
- Unstable political situation and unfavorable security situation in some African countries
- Deficiency of local supporting funds due to economic constraint