

CHINA AFRICA TWO-WAY TRADE – RECENT DEVELOPMENTS

1. No one who is paying any attention to the relationship between China and Africa doubts that China is now a major player in Africa. Trade is the largest dimension of the economic relationship. In 2008, China and Africa have surpassed the target of \$100 billion which they both set in 2006 when total trade was \$55 billion. This target has been reached two years earlier than either planned.

2. The rate of growth has been impressive. Two-way trade increased by 32% between 2006 and 2007. Using ten months of actual data for 2008, we estimate that it will increase by 50% between 2007 and 2008, reaching a figure of \$110 billion, with a small surplus in favour of Africa.

3. Of course the financial crisis is going to impact on trade flows, but China Africa trade looks pretty robust, not least because it tends to be concentrated in oil, mineral products, wood, cotton, iron and steel products, diamonds, ferro manganese, copper and tobacco. These commodities and products are in fairly inelastic demand in China.

4. On the other side, China's exports to Africa consist mostly of light industrial products, textile products, clothes, electronic products and consumer goods. Depending upon how the financial crisis plays out in Africa, it is probably reasonable to assume that there will be some slowing in the growth of exports from China to Africa. China's currency has followed the dollar as its value has increased, there might be some price disadvantages for Chinese exporters, but they have also gained from large falls in the price of their inputs. We estimate that aggregate two-way trade in 2009 is likely to increase again, but not at the rates witnessed between 2006 and 2008.

5. A closer look at the trade statistics reveals an interesting story behind the headline figures. Using data from China's Ministry of Commerce, it is evident that much of the growth in trade is heavily concentrated in a number of countries.

China Africa trade in more detail

6. In 2008, 25% of total two-way trade between China and Africa was with one country – Angola. Nothing has changed since 2006. Angola was China's largest trading partner in Africa accounting for 21% of trade in 2006 and number one again in 2007 accounting for 19% of trade. South Africa was the second largest trading partner between 2006 and 2008, accounting for 18% in 2006, 19% in 2007 and 16% in 2008. Rankings for the top ten trading partners are shown in the table below.

	2006	2007	2008
1	Angola	Angola	Angola
2	South Africa	South Africa	South Africa
3	Sudan	Sudan	Sudan
4	Egypt	Egypt	Nigeria
5	Nigeria	Nigeria	Egypt
6	Congo-Brazzaville	Algeria	Congo-Brazzaville
7	Equatorial Guinea	Congo-Brazzaville	Libya
8	Libya	Morocco	Algeria
9	Algeria	Libya	Morocco
10	Morocco	Benin	Equatorial Guinea
Top 5 as a % of overall	56%	58%	61%
Top 10 as a % of overall	78%	78%	79%

Source: China's Ministry of Commerce

7. Table 1 shows that, despite huge growth in the aggregate level of two-way trade, there has been considerable stability in the top ten trading partners since 2006. The top 5 countries accounted for 61% of total two-way trade in 2008, with the top 10 accounting for 79%. The data suggests that there has been a small increase in the concentration of trade amongst the top ten trading partners compared to 2006.

8. Table 2 shows trading partners ranked by the largest exporters to China between 2006 and 2008. This table shows that in 2008 79% of all exports from Africa came from just 5 countries. In the same year 93% of exports came from 10 countries. The ranking of exporters has been pretty stable between 2006 and 2008, with little movement within the top 10 and not much change in terms of positions.

	2006	2007	2008
1	Angola	Angola	Angola
2	South Africa	South Africa	South Africa
3	Congo-Brazzaville	Sudan	Sudan
4	Equatorial Guinea	Congo-Brazzaville	Congo-Brazzaville
5	Sudan	Equatorial Guinea	Libya
6	Libya	Libya	Equatorial Guinea
7	Gabon	Algeria	Gabon
8	Mauritania	Gabon	DRC
9	DRC	Mauritania	Mauritania
10	Morocco	Nigeria	Algeria
Top 5 as a % of overall	77%	78%	79%
Top 10 as a % of overall	90%	91%	93%

Source: China's Ministry of Commerce

9. Table 3 below shows trading partners ranked by their level of imports from China between 2006 and 2008. The table shows the continuing importance of South Africa, Egypt, Nigeria and Algeria as markets for China. It also shows the growing importance of Angola. The top five countries account

for around 55% and the top 10 countries for 75% of all exports from China to Africa.

	2006	2007	2008
1	South Africa	South Africa	South Africa
2	Egypt	Egypt	Nigeria
3	Nigeria	Nigeria	Egypt
4	Algeria	Algeria	Algeria
5	Morocco	Morocco	Angola
6	Benin	Benin	Morocco
7	Sudan	Sudan	Benin
8	Angola	Togo	Sudan
9	Ghana	Angola	Ghana
10	Libya	Ghana	Libya
Top 5 as a % of overall	57%	55%	55%
Top 10 as a % of overall	76%	75%	75%

10. So what can we conclude from the above tables? The main points are that in spite of a doubling in trade between China and Africa:

- There has been no really dramatic change in the relative importance of different countries. South Africa along with Angola remain the pre-eminent trading partners. Sudan has become an important source of imports from Africa, Egypt remains an important export market.
- The big exporters from Africa in 2006 remain the big exporters in 2008. They accounted for 93% of all exports from Africa in 2008.

So what has happened to the other countries?

11. Countries like Malawi, Kenya and Tanzania are never likely to eclipse the big commodity exporters of Africa, but it will be important for countries like these to feel that they are benefiting from export opportunities to China. Annex 1 shows the growth rate in exports between 2006 and 2008 for the 53 countries in Africa that trade with China. This annex shows that:

- although total exports from Africa to China increased by 110% between 2006 and 2008, 16 countries have seen their exports decline, including countries such as Uganda, Tanzania and Ethiopia;
- five countries have seen no virtually growth in exports, including Sierra Leone;
- fifteen countries have seen their exports increase, but below the rate of growth for the continent as a whole, these include Kenya, Ghana, and Mozambique; and

- sixteen countries have seen their exports grow faster than the average for Africa as a whole, including DRC, Sudan, Malawi and Zambia. Many of these are commodity exporters but a small number are not.

Conclusion

12. In November this year, the 4th China Africa Summit in Egypt will bring China and the continent of Africa together again. There will be much to celebrate. Many of the commitments made in Beijing at the 3rd China Africa Summit will have been delivered, a number of them ahead of schedule, particularly those related to trade. Whilst the overall trade target of \$100 billion by 2010 will be given wide attention, it will be important for African and Chinese leaders to keep focused on those countries that have yet to really capitalise on export opportunities to China. Indeed there are a number of countries where exports have declined, despite increases in trade preferences from China.

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ANNEX 1

Annex 1: Growth of exports to China from:		2006	2008*
Country	Percentage increase	\$ million	\$ million
Botswana	2300%	8.0	192.0
Algeria	482%	143.0	832.8
Malawi	380%	1.0	4.8
Seychelles	380%	1.0	4.8
DRC	340%	368.0	1,618.8
Sudan	243%	1,943.0	6,658.8
Liberia	200%	2.0	6.0
Madagascar	190%	24.0	69.6
Mauritania	170%	402.0	1,087.2
Central Africa	153%	9.0	22.8
Cameroon	150%	200.0	499.2
Gabon	135%	817.0	1,916.4
South Africa	133%	4,088.0	9,512.4
Angola	126%	10,933.0	24,721.2
Zambia	122%	270.0	600.0
Egypt	118%	217.0	474.0
Simple Average	110%	28,800.0	60,590.0
Nigeria	106%	278.0	573.6
Guinea-Bissau	100%	0.6	1.2
Tunisia	100%	51.0	102.0
Guinea	90%	12.0	22.8
Libya	81%	1,694.0	3,058.8
Mozambique	79%	80.0	142.8
Namibia	76%	122.0	214.8
Kenya	55%	24.0	37.2
Togo	53%	22.0	33.6
Congo-Brazzaville	46%	2,791.0	4,078.8
Benin	46%	89.0	129.6
Morocco	38%	359.0	495.6
Ghana	38%	80.0	110.4
Rwanda	36%	22.0	30.0
Zimbabwe	24%	139.0	172.8
Lesotho	20%	1.0	1.2
Equatorial Guinea	4%	2,538.0	2,631.6
Cape Verde	0%	0	0
Comoros	0%	0	0
SaoTome and Principe	0%	0	0
Sierra Leone	0%	6.0	6.0
Uganda	-10%	20.0	18.0
Mauritius	-14%	7.0	6.0
Tanzania	-15%	153.0	130.8
Eritrea	-20%	3.0	2.4
Mali	-34%	114.0	75.6

Cote-d'Ivoire	-40%	125.0	74.4
Ethiopia	-44%	132.0	74.4
Senegal	-47%	9.0	4.8
Swaziland	-47%	25.0	13.2
Gambia	-60%	9.0	3.6
Djibouti	-60%	3.0	1.2
Burkina Faso	-61%	193.0	74.4
Chad	-82%	260.0	48.0
Burundi	-94%	2.0	0.1
Niger	-99%	10.0	0.1
Somalia	-99%	3.0	0.0

*Estimated on the basis of 10 months of actual data

Source: Trade data from China's Ministry of Commerce