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A strategic alliance

Economic cooperation between China and Africa is gaining ground

Sherine Nasr

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When capital meets resources the outcome is always significant. China, the third biggest economy in the world, and Africa, home to the world's natural resources, made a strategic alliance of sorts this week in the Red Sea coastal city of Sharm El-Sheikh.

Seeking deeper economic ties and mutual prosperity, the third Conference of African and Chinese Entrepreneurs along with the fourth Ministerial Conference on Africa-China Cooperation brought together senior Egyptian, African and Chinese officials along with some 800 businessmen to negotiate cooperation prospects in these regions.

"Since its founding nine years ago, the Forum on China-Africa Cooperation [FOCAC] has played a major role in guiding and promoting the development of China-Africa relations," said Chinese Premier Wen Jiabao during his opening ceremony speech, "Building the New Type of China-Africa Strategic Partnership".

During the past decade, China has developed a great interest in cooperating with African countries. Focus on Africa is the natural outcome of China's need to open new markets for its products and services and to sustain a flow of natural resources as well as energy to fuel its economic and industrial growth for the next decades.

"Africa provides both," said Craig Bond, chief executive officer of Standard South Africa, the largest African bank group with over 1,000 branches in 18 African countries. The bank stands at the forefront of Chinese efforts to invest in overseas assets and win major infrastructure tenders.

Bond underlined that Africa needs China to build its infrastructure and promote investment.

"Western liquidity is returning, but largely to safe havens -- treasury bills, equities and property, but not yet into African projects and capital intensive resource projects," he said, underlining that only China has the skills and capital to refresh Africa's infrastructure, which will assist African growth, in turn creating future markets for Chinese goods and services.

This win-win situation is best manifested in growing trade and direct investment. According to Wen Jiabao, China-Africa trade exceeded \$100 billion in 2008 with a 33.5 per cent increase compared to previous years, while the number of African countries trading with China has grown to 53.

The volume of Chinese direct investment into the continent has exceeded \$7.8 billion, which stands for almost 10 per cent of total Chinese investment overseas. Despite the repercussions of the economic crisis, the first quarter of 2009 has seen a 77.5 per cent increase in Chinese investment in Africa. The number of Chinese companies operating in Africa has reached 1,600, conducting activities in various economic fields at a worth of \$17 billion.

In the meantime, China's assistance to Africa has produced concrete results. A plan to cancel debts owed by 33 African countries is near completion. Some \$10 billion of concessional loans will soon be delivered. The China-Africa Development Fund (CADF) is now operational and it plays a most significant role in consolidating economic cooperation between the two sides.

According to Hu Zhirong, vice-president of the CADF, the fund has helped the establishment of 20 projects with investment costs of \$500 million. "At present, 30 more projects are still negotiated, these are in the fields of agriculture, construction material, vehicle industry, mining, tourism in addition to industrial zone."

On the Egyptian front, Chinese direct investment has maintained robust growth. China is moving fast in Egypt and the latest statistics of the General Authority for Investment and Free Zones (GAFI) indicate there are at least 935 Chinese companies now operating in Egypt. The volume of Chinese investment in the country has exceeded \$291.7 billion in the field of industry, agriculture, telecommunications and services.

A good example of developing new strategic industrial zones by using Chinese expertise is represented in the development agreement between the General Authority for Economic Zone North West Gulf of Suez (SEZONE) and the Chinese/Egyptian TEDA company that has been delegated the responsibility of developing part of the land in this area with an aim to luring more investment, which is expected to reach \$1.5 billion while providing some 40,000 new job opportunities.

The same area is already host to a Chinese- Egyptian venture for assembling oil drilling rigs and another venture to produce disposable garments for hospitals and restaurants.

In an exclusive interview with *Al-Ahram Weekly*, Rachid Mohamed Rachid, Egyptian minister of trade and industry, underlined that Egypt is a strategic partner of China in the region. "Egypt's trade agreements with US, Europe and the Arab countries, in addition to its unique location at the crossroads of almost a billion customers, present China with the suitable gateway for its products and services," said Rachid.

As the third biggest economy, soon to become the second, Minister Rachid agrees that China's strong presence in Africa is a reality that Egypt needs to accept, engage with and benefit from. "China is present in almost every market now and we have to accept this as a fact," he said.

Rachid underlined that China's contribution to the economic welfare and development of the African countries will reflect positively on Egypt. "Egyptian businessmen will definitely benefit from China's developmental projects in Africa through building railways, ports and setting up communication services. If trade with China helps some African countries have more income, this may also help them open up more doors to Egyptian goods."

Greater attention has lately been given by Egypt to developing more secure private sector involvement in Africa. According to Rachid, 50 per cent of transportation cost of Egyptian exports to Africa is being subsidised. Grants and insurance are given to Egyptian companies exporting to Africa while more incentives are given to those who decide to invest in Africa. "The government is helping a lot in this respect."

Wen Jiabao expressed his country's resolve to engage in closer economic ties with Africa. "We should work hard to encourage more African exports into China, help more Chinese enterprises to invest in Africa, combine economic cooperation and trade with technology transfer and take active steps to train technical and managerial personnel for African countries," said the Chinese premier.

Further, a China-Africa partnership for addressing climate change has been proposed. To pursue that goal, China will enhance cooperation on satellite weather monitoring in some African countries, help them develop and utilise new energy sources and control desertification.

"We have decided to build 100 clean energy projects for Africa covering solar power, bio-gas and small hydro-power," China's premier concluded.