



Overseas Development
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China in Africa: *The new role of BRICs in LICs*

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Outline

1. Increased interest in the activities of China in Africa.
2. Remarkable performance of emerging markets during the global financial crisis (e.g. India, China, Brazil):
 - Rich list (Forbes) topped by emerging markets;
 - E2D (emerging to developed) deals increasing (2009H2), D2E falling (KPMG); E2D/D2E is now a record 47%.
 - Chindia share of world GDP from 15% in 2007 to 21% in 2013 (IMF data). Brazil also doing well.
 - Many EMEs now have positive net foreign assets so initial depreciation was cushion against GFC shock (IMF).
3. How important are emerging markets for LICs, and how might they best help LIC growth?

Effects on LICs

1. Economic transmission mechanisms between emerging markets (EME) and LICs
 - Trade volumes and prices (imports, exports, competition);
 - Private Capital flows and Aid;
 - Remittances.

2. Development effects of EME positions in global fora (e.g. WTO, UNFCC, G20)
 - WTO / Doha trade round WTO (Anderson): 0.1% for SSA
 - DFQF: Bouet et al (2010)
 - Climate Change: (Cantore et al, 2009) UNFCC deal worth 6% of SSA GDP (crisis cost 7% of GDP over 2008-2010, ODI)
 - Core economic policies, e.g. 10% CHRX appreciation benefits SSA by 0.25% (Barrel and Te Velde, 2010)

Emerging market imports from LICs fell less over 2008-2009 compared to developed country imports from LICs

	2008 (\$000)	2009 (\$000)	Growth 2009/2008
Brazil	553,255	447,916	-19.0%
China	14,009,956	12,828,338	-8.4%
Korea Rep.	3,187,933	3,302,946	3.6%
Turkey	2,035,434	1,890,569	-7.1%
Total EME above	19,786,578	18,469,769	-6.7%
Australia	4,540,891	2,657,016	-41.5%
France	5,320,519	5,094,120	-4.3%
Japan	11,632,650	8,851,544	-23.9%
USA	27,128,014	23,689,774	-12.7%
Total developed above	48,622,074	40,292,454	-17.1%

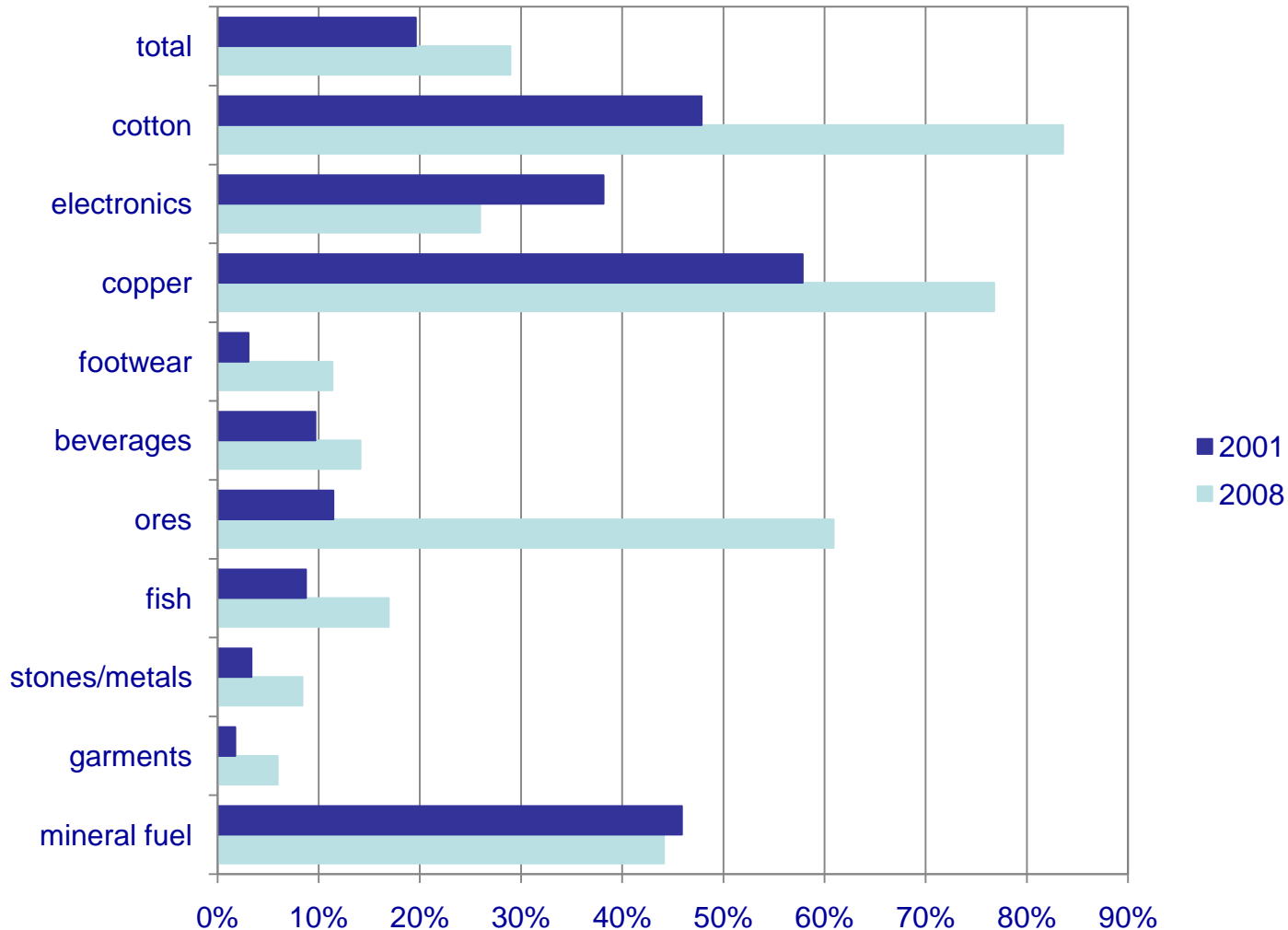
Source: Kennan (2010) based on ITC Trade Map data

LIC export structures (shares on 2008) (81% of exports)

Product group	Total	EME-G20
Mineral fuels, oils, distillation products, etc	20.1%	20.5%
Articles of apparel, accessories, knit or crochet	9.5%	1.8%
Articles of apparel, accessories, not knit or crochet	8.4%	2.5%
Pearls, precious stones, metals, coins, etc	4.0%	9.5%
Fish, crustaceans, molluscs, aquatic invertebrates nes	3.9%	2.8%
Ores, slag and ash	3.7%	8.0%
Coffee, tea, mate and spices	3.4%	1.7%
Footwear, gaiters and the like, parts thereof	3.4%	1.6%
Copper and articles thereof	3.2%	3.9%
Electrical, electronic equipment	2.9%	2.3%
Nuclear reactors, boilers, machinery, etc	2.3%	1.7%
Cotton	2.0%	3.9%
Cereals	2.0%	0.4%
Iron and steel	1.9%	2.8%
Furniture, lighting, signs, prefabricated buildings	1.8%	0.4%
Wood and articles of wood, wood charcoal	1.7%	3.4%
Edible fruit, nuts, peel of citrus fruit, melons	1.7%	3.9%
Rubber and articles thereof	1.6%	4.0%
Aluminium and articles thereof	1.5%	0.9%
Vehicles other than railway, tramway	1.4%	2.1%
Edible vegetables and certain roots and tubers	1.3%	3.1%

Kennan (2010) based on ITC Trade Map data → Fewer manufactures & more raw materials to EME-G20 rel. to All

Share of EME-G20 in total G20 imports from LICs is increasing (from 19% to 29%)



Source: Kennan (2010) based on ITC Trade Map data

LIC exports to EME-G20 and developed G20 (share of total exports, by country)

LIC	Emerging G20			Developed G20		
	2001	2007	2008	2001	2007	2008
Mali	32.5%	71.8%	75.6%	15.6%	6.3%	4.0%
Ghana		41.3%	53.2%		36.3%	30.0%
Zimbabwe	24.0%	41.4%	45.0%	59.5%	19.7%	24.1%
Malawi	12.5%	27.0%	22.5%	51.8%	43.9%	52.3%
Gambia, The	0.2%	2.9%	20.5%	88.1%	62.8%	46.5%
Zambia	25.5%	23.9%	19.8%	56.6%	6.9%	7.8%
Ethiopia	16.0%	16.9%	18.2%	43.7%	49.9%	47.0%
Vietnam	16.3%	15.6%	15.5%	52.6%	61.0%	57.9%
Mozambique	16.4%	21.2%	14.5%	14.8%	6.4%	63.9%
Guinea	8.0%	9.7%	12.7%	83.7%	81.5%	60.3%
Senegal	13.7%	7.5%	12.4%	42.7%	27.1%	18.0%
Rwanda	14.3%	3.1%	7.8%	16.9%	41.0%	24.8%
Madagascar	5.0%	4.5%	5.7%	79.4%	82.0%	84.2%
Kenya	3.4%	5.2%	5.6%	41.4%	34.7%	33.0%
Uganda	5.6%	2.9%	3.1%	34.1%	26.5%	28.3%
Niger	0.4%	4.2%	2.8%	59.3%	62.7%	66.8%

2007-2008: EME G20 won market share in 12/16 countries, DEV G20 in 7/16 countries

Capital inflows into LICs

- UNCTAD and ODI: FDI to fall by a third in SSA in 2009/2008
- But .. China FDI to Africa increased by 80% from 2009 to 2008 (although estimated share of FDI inflows rose only from 0.9% in 2008 to 2.1% in 2009)
- Other inflows to increase: Wen announced 10 billion of low interest loans over three years at China-Africa summit Nov 2009, while OECD Aid to Africa is faltering (OECD, 2010)
- Some other stats (Massa, 2010):
 - CNOOC in Uganda for \$US10.5 bn; oilfield in Angola for \$1.3bn
 - India in Sudan
 - Brazil invested \$10bn in Africa since 2003 (eg Mozambique)
 - And..

BRIC deals in LICs

2009	Liberia	China	Mining	\$2.6 billion	FDI
2009	Chad	India	Textile	\$25 million	line of credit
2009	S.Tome/Principe	India	Priority projects in agriculture, capacity building, infrastructure	\$5 million	line of credit
2009	S.Tome/Principe	India	Small and medium enterprises sector	\$1 million	grant
2009	Mozambique	India	rural electricity projects	\$30 million	line of credit
2009	Nigeria	Russia	gas	\$2.5 billion	investment
2009	Angola	Russia	Construction	\$500 million	investment
2009	Angola	Russia	Telecommunications	\$328 million	investment
2009	Angola	China	Oil	\$1.3 billion	acquisition
2009/13	Nigeria	Brazil	Oil	\$2 billion	FDI
2009/13	Angola	Brazil	Oil	\$800 million	FDI
2010	Zimbabwe	China	Development projects	\$2.9 million	grant
2010	Zambia	China	Development projects, Commerce, Trade and Industry	\$1 billion	concessional loan
2010	Zambia	China	Stadium in Ndola	\$10 million	grant
2010	Malawi	India	Development projects	\$50 million	line of credit
2010	Malawi	India	Earthquake relief and projects in the social sector	\$5 million	grants
2010	Zambia	India	Construction of the Itezhi-Tezhi Hydropower project	\$50 million	line of credit
2010	Zambia	India	Social sector	\$75 million	soft loan
2010	Zambia	India	health and education	\$5 million	grant
2010	Tanzania	China	infrastructure & ICT sector	\$180 million	concessionary loans
2010	Mozambique	Brazil	Mining	\$1.3 billion	investment

Source: Massa (2010)

Possible implications for LICs growth policies

1. Opportunities from a LIC perspective

- Links with EME as a cushion against effects of GFC (diversification in export destination)
- Enabling environment (diversification in development finance)

2. Economic risks

- Trade balance (but positive sum game) ; lack of value added in exports
- Debt overhang

3. Policies

- Build on good policies and institutions in LICs during GFC
- Needs expertise on managing capital inflows (e.g. debt management)
- Specific policies need more emphasis (migration, linkages, industrial policies & upgrading, etc)
- Globally – assessment, when should LICs follow China/India etc

Thank you
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