

POLICY POINTS

Infrastructure development is an African priority. The US and China should do more to work together in developing roads, railroads, airports, and harbors across Africa.

Nigeria, South Africa, and Algeria are top destinations for US and Chinese activity. The US and China should continue to coordinate engagement that cuts across trade, FDI, and loan finance in these key countries.

Falling commodity prices are responsible for declining US and Chinese engagement in Africa. The US and China should diversify away from resource-rich sectors and focus on other growing African industries, such as manufacturing.

The United States and China in Africa: What does the data say?

Janet Eom, Jyhjong Hwang, Lucas Atkins, Yunnan Chen, and Siqi Zhou

WITH CHINESE ENGAGEMENT INCREASING IN AFRICA, observers have asked how US engagement is similar or different. How do oil exports influence Chinese and US trade relations with Africa? Why do Chinese and US firms favor investment in different African industries? What are the main sectors to which China and the United States provide loans in Africa? This policy brief analyzes CARI's data on Chinese and US trade, FDI, and loans to Africa over the past 15 years to answer such questions.

TRADE¹

Falling Oil Prices and Decreased Trade Value

China surpassed the United States as Africa's largest trading partner in 2009. However, China-Africa trade value has decreased in recent years. While exports from China to Africa remained stable between 2014 and 2015, exports from Africa to China dropped 42% due to the falling price of oil, China's number one African import (Fig. 1). The value of African petroleum exports to China decreased by 50% from US\$53.1 billion in 2014 to US\$27.5 billion in 2015; since quantity exported decreased by only 5%, this decrease is mostly due to falling prices, not fewer barrels exported.

The United States has also seen a rise in exports to Africa since 2002. But unlike China, export value dropped 28% from US\$35.6 billion in 2014 to US\$25.7 billion in 2015, the largest annual drop. In 2008, oil accounted for 85% of US imports from Africa, but

Figure 1: Chinese and US trade with Africa, 2002 - 2015

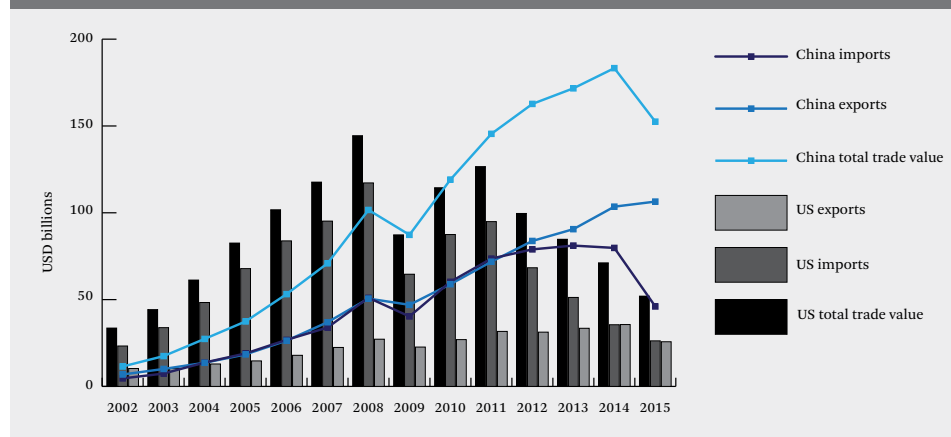
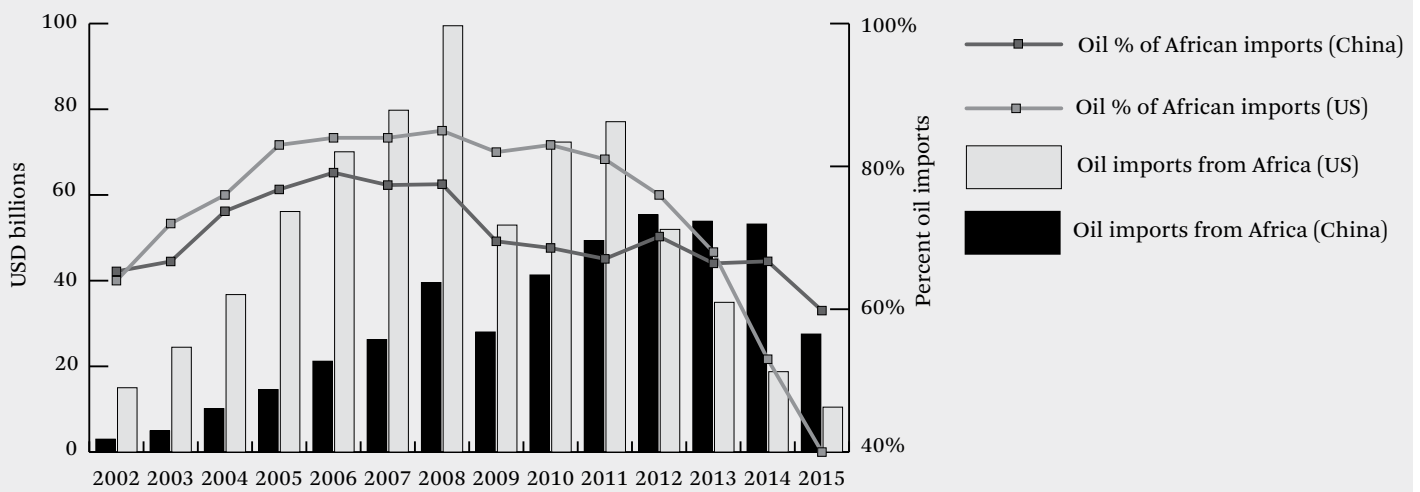


Figure 2: Chinese vs. US oil trade with Africa, 2002 - 2015



by 2015, oil was only 40% of imports (Fig. 2). Simultaneously, the United States started exporting more oil to Africa.

In 2015, the United States imported US\$2.9 billion of petroleum from Angola, only 1.4% of US oil imports from abroad. Meanwhile, China imported US\$16 billion of petroleum from Angola, or 8% of all Chinese oil imports, making it China's third largest oil trading partner. In 2009, Hillary Clinton visited

Angola and encouraged political reforms rather than criticize the government.² Some interpreted her remarks, which came after the United States imported a record US\$19.5 billion of Angolan oil, as facilitating US access to more oil. Starting in 2011, however, US oil imports from Angola, as from other suppliers, dropped consistently and dramatically. China's imports from Angola, in contrast, grew rapidly between 2002 and 2011 and were stable

Figure 3: Chinese and US FDI to Africa, 2001 - 2015

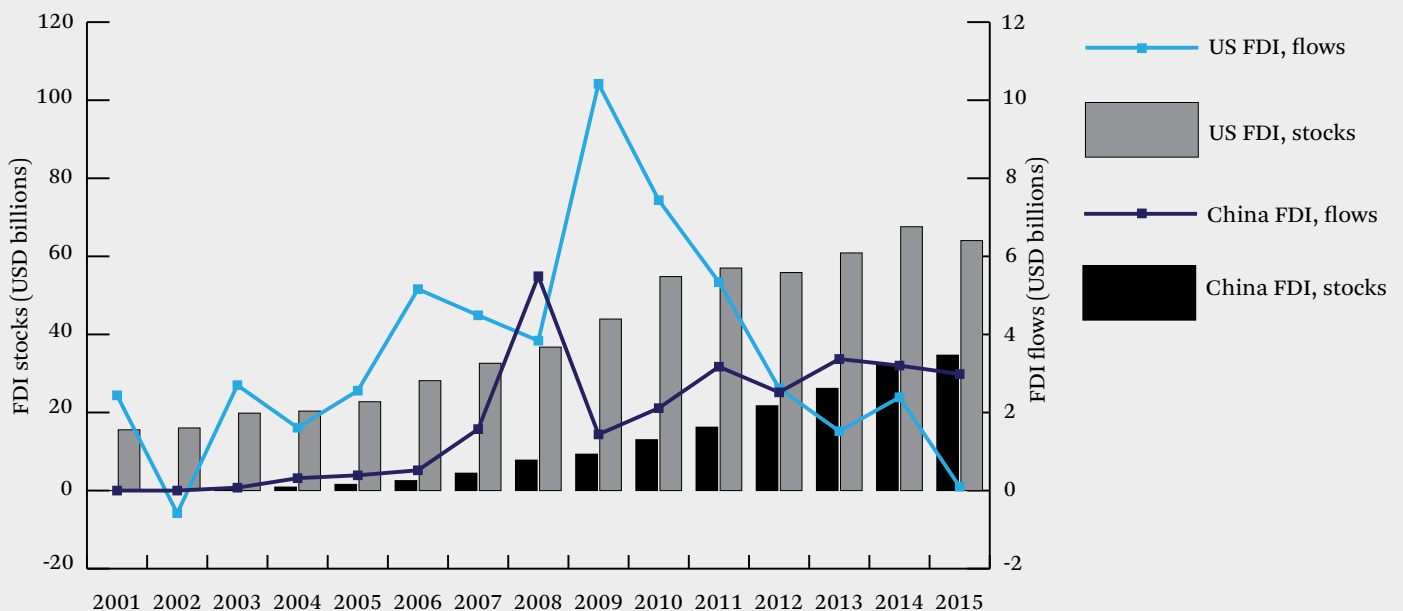
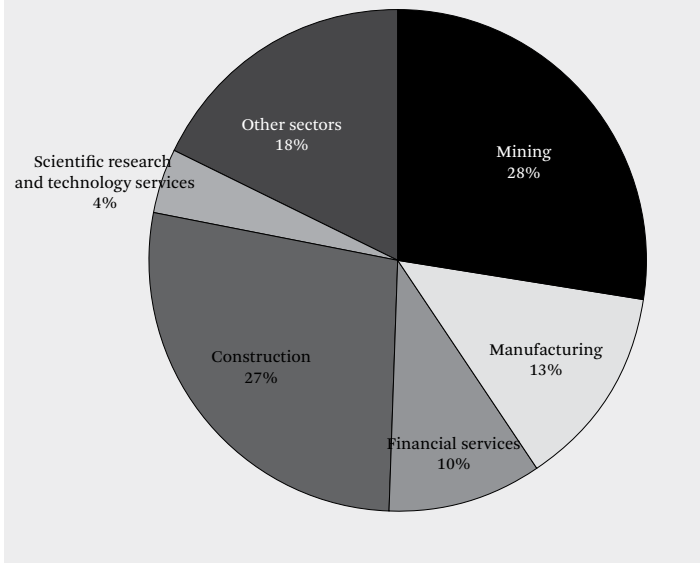


Figure 4: Chinese FDI stock to Africa, by sector, 2015

between 2011 and 2014, before dropping in 2015 from US\$31.1 billion to US\$16 billion.

Top Partners and Products

While China has continued to import mainly commodities, especially minerals, from Africa, the United States has started to import more manufactured goods, such as clothing, vehicles and machinery. Machinery was a top 10 import from Africa to the United States in 2015 (Appendix 1). Moreover, 84% of these machinery imports came from one country: South Africa. In 2015, the top African destination for Chinese and US exports, as well as the top African exporter to the United States, was South Africa. Meanwhile, sesame oil and seeds, primarily from Ethiopia, have been rising in export to China. Oilseeds were one of the only commodities whose export value increased (by 5%) between 2014 and 2015.

FDI³

Ebbs and Flows

The quality of data for both Chinese and US FDI remains poor. For Chinese FDI, the China Yearbook and Statistical Bulletin only provide data respectively for the years before and after 2007, with differing definitions of outward direct investment; therefore, reported numbers are likely underestimates. FDI statistics do not report Chinese flows in offshore financial centers, including the British Virgin Islands, Cayman Islands and Hong Kong, much of which goes on to third destinations. They also do not account for

acquisitions of African assets in another jurisdiction. Also, US FDI data is not available for several African countries, for which such information is listed as “confidential.” Therefore, Chinese and US FDI figures should be taken with a grain of salt.

Chinese FDI stocks rose US\$9 billion from US\$26 billion in 2013 to US\$35 billion in 2015. Meanwhile, Chinese FDI flows to Africa fell to US\$3 billion in 2015 from US\$3.4 billion in 2013, reflecting falling commodity prices and China’s economic slowdown. Chinese FDI in Africa peaked in 2008 at US\$5.5 billion (Fig. 3). However, much of this is due to the 20% purchase of South Africa Standard Bank shares that year, and is anomalous to the broader trend; it is the only year where Chinese FDI flows exceeded US flows.

China continues to import mainly commodities from Africa, while the US has started to import more manufactured goods.

Compared to the United States, China is a minor, albeit rising, player in Africa. In 2003, Chinese FDI stocks were only 2% of US FDI stocks; by 2015, Chinese FDI stocks were equivalent to 55% of US FDI stocks. Between 2009 and 2012, China’s direct investment in Africa grew at an annual rate of 20.5%, while levels of US FDI flows to Africa declined by US\$8 billion in the wake of the global financial crisis.⁴ Since 2012, US FDI flows in Africa experienced another boom and bust, in line with global commodity price trends. Chinese FDI growth in Africa, though lower in overall

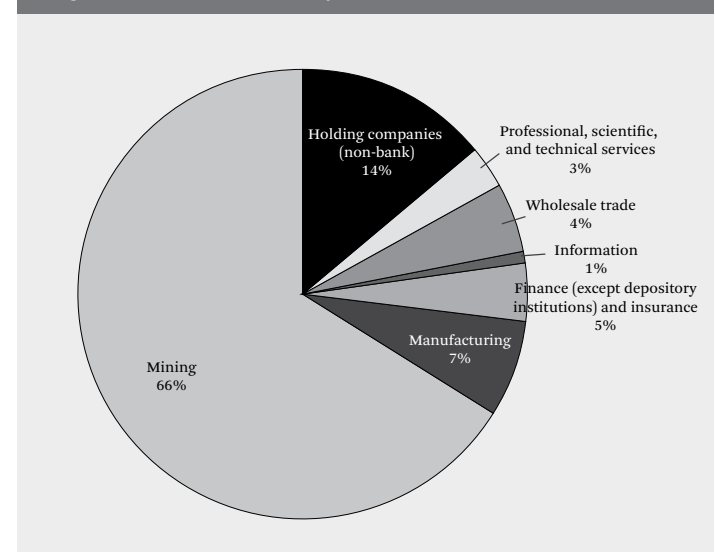
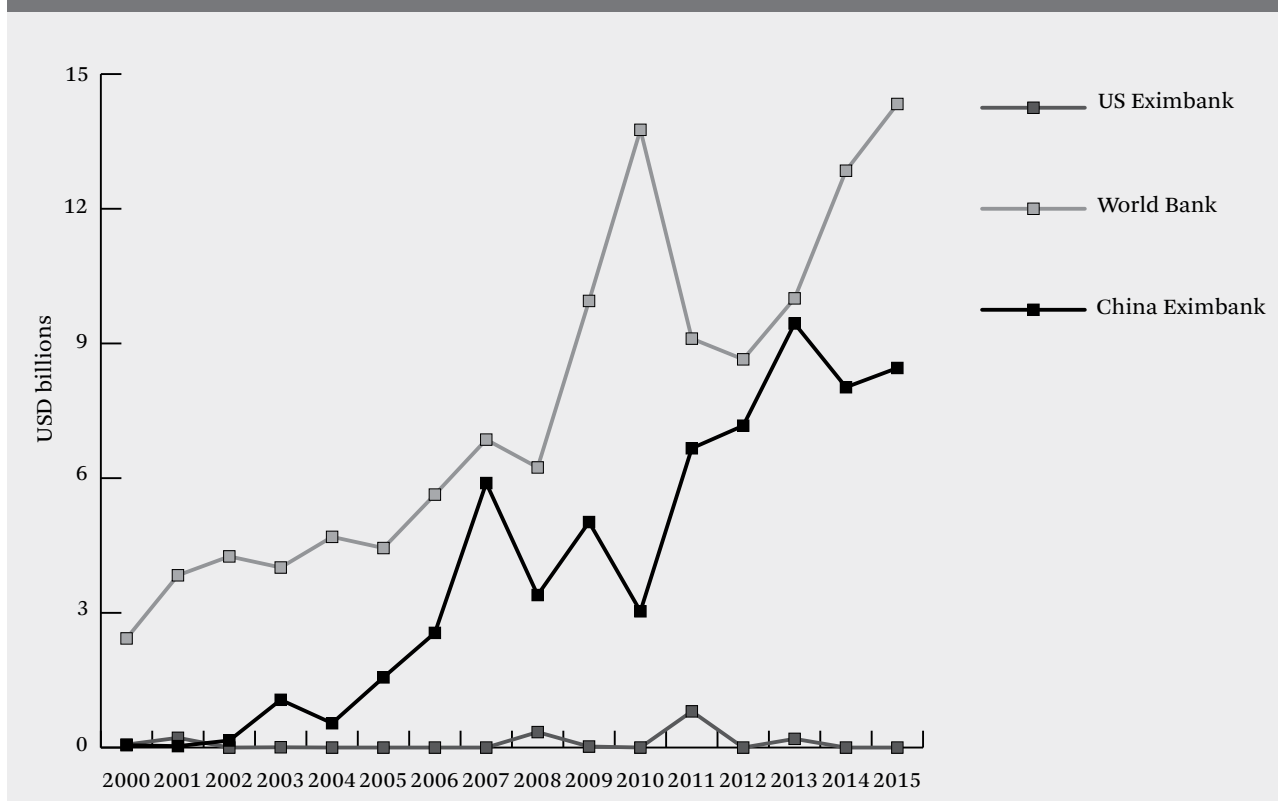
Figure 5: US FDI stock to Africa, by sector, 2015

Figure 6: China Eximbank, US Eximbank, and World Bank loans to Africa, 2000 - 2015

amount, has been more stable. As a proportion of global FDI stock, China's investment in Africa made up 3.7% in 2015, larger than that of the United States, where Africa constituted only 1.4%.

Winners and Losers

Commodity exporters Nigeria and Zambia have been top countries for Chinese FDI flows, while Algeria, South Africa, and the Democratic Republic of Congo have made frequent appearances (Appendix 2). In recent years, this pattern has shifted: many of these resource rich countries have slipped down the rankings, which reflects the broader effects of lower commodity values on investor confidence; meanwhile non-resource rich countries including Kenya and Tanzania, have risen in prominence.

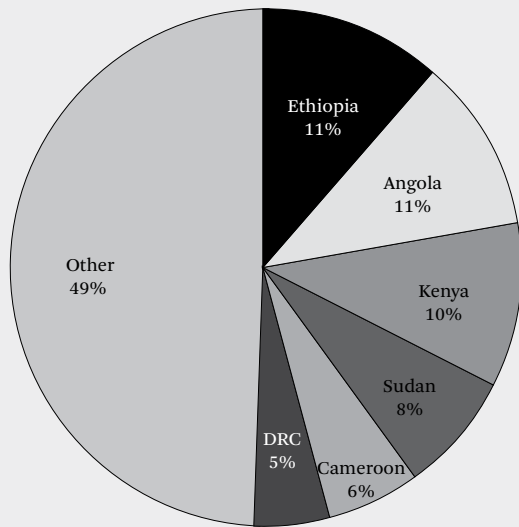
US data on FDI for approximately 10 countries, including Chad, the Democratic Republic of Congo and Zimbabwe, are not released. For available figures, the top recipients of US FDI flows show some divergence with top Chinese destinations. Egypt, Equatorial Guinea, and the offshore financial center of Mauritius are more prominent recipients of US FDI compared to China (Appendix 2). But there are overlaps: Nigeria, South Africa, and

Algeria have remained top destinations for both Chinese and US FDI.

In 2015, mining, construction and manufacturing were the three largest sectors for Chinese FDI to Africa at 28%, 27% and 13% respectively (Fig. 4). Chinese mining in Africa occupies a larger part of total FDI compared to China's global OFDI, where mining constitutes only 13%. In comparison, mining is a much larger proportion of US FDI stock in Africa, occupying 66% of total stock (figures for some sectors remain undisclosed and are not shown here) (Fig. 5). Manufacturing, meanwhile, occupies only 7% of total US FDI stock to Africa. That manufacturing is more prominent in Chinese rather than US FDI in Africa is not surprising; with wages rising in China, Chinese manufacturing firms are moving operations to Africa.

LOANS⁵

The largest Chinese financier of African loans is the China Export-Import Bank (China Eximbank). From 2000 to 2015, China Eximbank contributed US\$63 billion to Africa while the US Eximbank contributed only US\$1.7 billion (Fig. 6). Although China Eximbank has at times been catching up to World Bank lending to Africa, the World Bank remains ahead for now: in 2015,

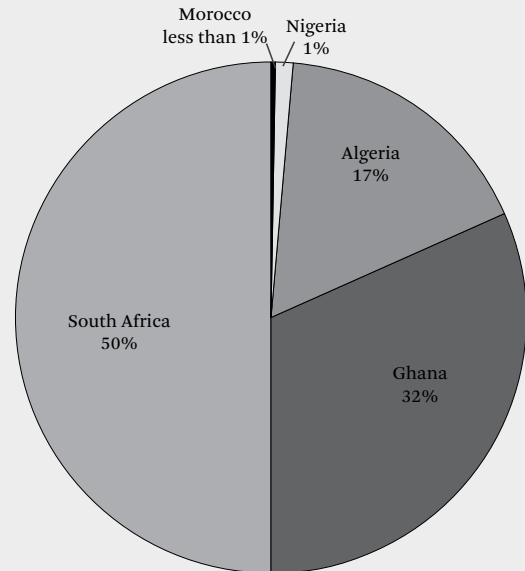
Figure 7: China Eximbank loans to Africa, by country, 2000 - 2015

China Eximbank provided US\$8.5 billion of loans to Africa while the World Bank provided US\$14.3 billion.

The top African country recipients of China Eximbank financing from 2000-2015 are Ethiopia at US\$7.2 billion, Angola at US\$6.9 billion, and Kenya at US\$6.3 billion (Fig. 7). Chinese loans are not necessarily meant to access natural resources: although Angola is a resource-rich country, Ethiopia is a resource-poor country. Moreover, there are few patterns of favored lending to client states: Sudan is a top country for Chinese loans, but Zimbabwe is not. The top African recipients of US Eximbank financing are South Africa at US\$828 million, Ghana at US\$528 million, and Algeria at US\$277 million (Fig. 8).

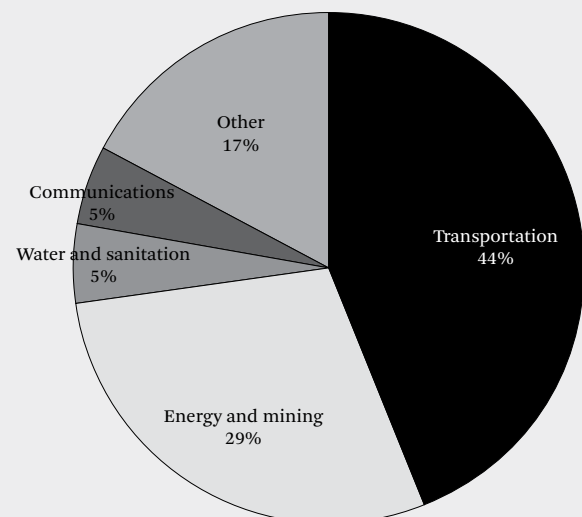
Nigeria, South Africa, and Algeria are top destinations for both Chinese and US foreign direct investment.

From 2000-2015, the top sectors financed by China Eximbank were transportation at US\$27.9 billion, energy and mining at US\$18 billion, water and sanitation at US\$3.4 billion, and communications at US\$3.3 billion (Fig 9). By contrast, the top sectors financed by US Eximbank were energy and mining at US\$1.2 billion, transportation at US\$283 million, health and

Figure 8: US Eximbank loans to Africa, by country, 2000-2015

other social services at US\$155 million, and water and sanitation at US\$23 million (Fig. 10).

The largest US Eximbank commitment was a US\$805.6 million loan in 2011 to South Africa's state-owned electric power utility, Eskom, Ltd. The second largest loan was a commitment of US\$344.2 million in 2008 for equipment for a rural electrification project in Ghana. The largest China Eximbank commitment was a US\$3.6 billion loan (in two tranches) in 2014 to build the

Figure 9: China Eximbank loans to Africa, by sector, 2000 - 2015

Standard Gauge Railway from Mombasa to Nairobi in Kenya. The second largest loan was a commitment of US\$3 billion (split between Ethiopia and Djibouti) in 2013 for the construction of the Addis Ababa-Djibouti Railway.

CONCLUSION

Chinese engagement emphasizes Africa's infrastructure needs.

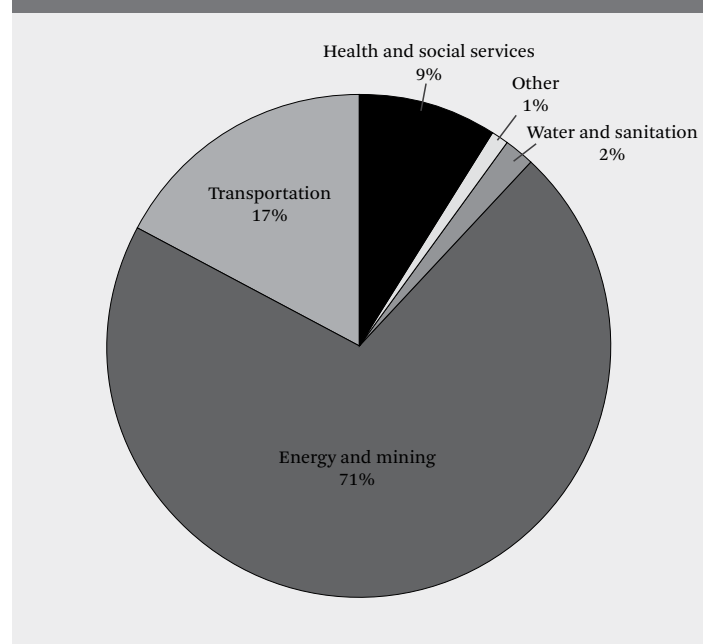
The construction sector is a top destination for Chinese FDI stock in Africa, while transportation (roads, railroads, airports, and harbors) is a top destination for China Eximbank loans. Machinery, often used in infrastructure construction, is a top export to Africa for both China and the United States.

Key countries are consistently top destinations for different economic activities.

Nigeria, South Africa, and Algeria have emerged as top destinations for both Chinese and US FDI flows. In terms of trade, these three countries are also in the top five export destinations for China and the United States. In terms of loans, South Africa and Algeria are top destinations for financing from the US Eximbank.

Fluctuating commodity prices are important to both the United States and China in Africa. Oil is the top African export to both the United States and China, but due to its falling price, the value of US and Chinese trade with Africa has declined in recent years. Fluctuating commodity price trends are also responsible for ups and downs in US and Chinese FDI flows to Africa, and non-resource rich countries have become favored destinations for Chinese FDI flows. ★

Figure 10: US Eximbank loans to Africa, by sector, 2000 - 2015



ENDNOTES

1. Sources: UNComtrade data from 1992-2015, <http://comtrade.un.org/data/>; CSY data from 1992-2014 from China Statistical Yearbook; 2015 data supplemented by China Customs, <http://www.stats.gov.cn/tjsj/ndsj/>, <http://www.customs.gov.cn/publish/portalo/tab49667/>.
2. Gettleman, J. (2009). "Clinton Praises Angola, but Urges More Reform". The New York Times: August 9, 2009. www.nytimes.com. Accessed April 10, 2017.
3. Chinese FDI sources: UNCTAD Bilateral FDI Statistics; China Statistical Yearbook; Statistical Bulletin of China's Outward Foreign Direct Investment. U.S. FDI source: Bureau of Economic Analysis, U.S. Department of Commerce.
4. China-Africa Economic and Trade Cooperation White Paper, 2013.
5. This brief compares China Eximbank commitment figures from CARI's Loan Database (<http://www.sais-cari.org/data-chinese-loans-and-aid-to-africa>) to US Eximbank authorization figures from the bank's annual reports on direct loan programs (<http://www.exim.gov/news/reports/annual-reports>). It is worth noting that US Eximbank loan disbursements to Africa totaled \$1.1 billion between 2000 and 2015, compared to their figure of US\$1.7 billion for authorizations.

Appendix 1: Top 10 partners and products, 2015

Rank	Importers from US		Exporters to US		Importers from China		Exporters to China	
Top 10 African trading partners, 2015 (US\$ billions)								
1	South Africa	5.5	South Africa	7.4	South Africa	15.9	Angola	16.0
2	Egypt	4.8	Algeria	3.5	Nigeria	13.7	South Africa	5.8
3	Nigeria	3.4	Angola	2.9	Egypt	12.0	Sudan	3.1
4	Algeria	1.9	Nigeria	2.0	Algeria	7.6	Dem. Rep. of the Congo	2.7
5	Morocco	1.6	Egypt	1.5	Kenya	5.9	Congo	2.6
6	Ethiopia	1.6	Chad	1.4	Ghana	5.3	Zambia	1.8
7	Angola	1.2	Morocco	1.1	United Rep. Tanzania	4.3	Ghana	1.3
8	Ghana	1.0	Côte d'Ivoire	1.1	Angola	3.7	Nigeria	1.2
9	Benin	0.6	Kenya	0.6	Ethiopia	3.5	Equatorial Guinea	1.2
10	Tunisia	0.6	Tunisia	0.6	Benin	3.0	Gabon	1.1
Rank	Imports from US		Exports to US		Imports from China		Exports to China	
Top 10 products traded with Africa, 2015 (US\$ billions)								
1	Machinery	5.0	Mineral fuels	10.5	Electrical machinery	16.8	Mineral fuels	27.5
2	Not-specified commodities	3.1	Pearls and gems	2.9	Machinery	11.4	Ores, slag and ash	6.4
3	Mineral fuels	2.7	Vehicles	1.5	Vehicles	5.9	Copper	3.4
4	Vehicles	2.6	Cocoa	1.2	Iron or steel articles	5.2	Wood	2.0
5	Electrical machinery	1.8	Not-knitted apparel	1.2	Not-knitted apparel	4.7	Oil seeds	1.1
6	Cereals	1.2	Knitted apparel	1.0	Furniture	4.6	Iron and steel	0.8
7	Plastics	1.0	Ores, slag and ash	0.7	Knitted apparel	4.4	Base metals and cement	0.8
8	Optical products	0.8	Iron and steel	0.7	Footwear	4.3	Tobacco	0.7
9	Iron or steel articles	0.6	Not-specified commodities	0.7	Plastics	4.1	Pearls and gems	0.4
10	Misc. chemicals	0.6	Machinery	0.6	Iron and steel	3.7	Pulp of wood	0.3

Appendix 2: Top destinations of Chinese and US FDI flows, 2003 - 2015

Rank	2003		2006		2009		2012		2015	
Top 5 destinations of Chinese FDI flows, US\$ millions										
1	Nigeria	24	Algeria	99	Algeria	229	Angola	392	Ghana	283
2	Mauritius	10	Zambia	87	Congo, Dem. Rep.	227	Congo, Dem. Rep.	344	Kenya	282
3	South Africa	9	Nigeria	68	Nigeria	172	Nigeria	333	South Africa	233
4	Zambia	6	Sudan	51	Egypt	134	Zambia	292	Tanzania	226
5	Mali	5	South Africa	41	Zambia	112	Zimbabwe	287	Congo, Dem. Rep.	214
Top 5 destinations of US FDI flows, US\$ millions										
1	Equatorial Guinea	1025	Algeria	1781	Nigeria	5170	Egypt	2250	Nigeria	1101
2	Algeria	636	Libya	1493	Egypt	1512	Equatorial Guinea	1118	Egypt	445
3	Egypt	470	Ghana	729	South Africa	1088	Ghana	448	Mauritius	283
4	South Africa	232	Equatorial Guinea	678	Mauritius	654	South Africa	332	Congo (Kinshasa)	213
5	Nigeria	173	Mauritius	323	Algeria	578	Morocco	86	Ghana	143

AUTHORS

JANET EOM is the Research Manager at the China-Africa Research Initiative (CARI). **JYHJONG HWANG** is the Senior Research Assistant at CARI. **LUCAS ATKINS, YUNNAN CHEN, AND SIQI ZHOU** are Research Assistants at CARI.

THE SAIS CHINA-AFRICA RESEARCH INITIATIVE at the Johns Hopkins University School of Advanced International Studies (SAIS) in Washington, D.C. was launched in 2014. Our mission is to promote research, conduct evidence-based analysis, foster collaboration, and train future leaders to better understand the economic and political dimensions of China-Africa relations and their implications for human security and global development.

SAIS China-Africa Research Initiative
1717 Massachusetts Ave NW, Suite 733
Washington, DC 20036
www.sais-cari.org
Email: sais-cari@jhu.edu

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