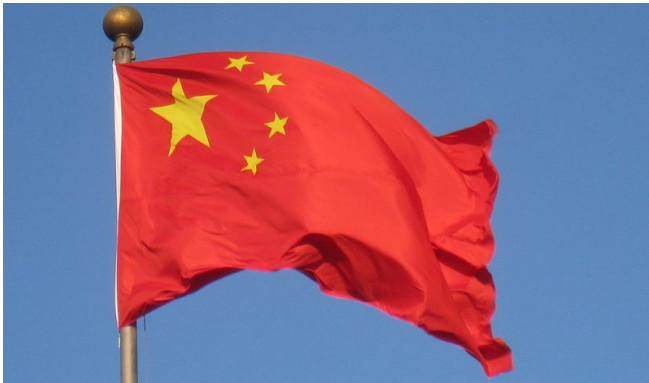


The Forum on China-Africa Cooperation (FOCAC)



The Forum on China-Africa Cooperation (FOCAC) is the framework for the partnership between China and Africa. FOCAC is characterized by its coverage of a broad range of sectors as well as the express pledge made by China on specific development projects and financial assistance at each forum. All African countries are involved in the forum, with the exception of the Kingdom of Eswatini which still holds diplomatic relations with Taiwan.

FOCAC was officially launched after a three-day China – Africa Summit that was held from October 10-12, 2000 in Beijing, China. Since then four meetings have been held (every three years): 15-16 December, 2003, Addis Ababa, Ethiopia; 3-5 November, 2006, Beijing, China; 8-9 November, 2009, Sharm el-Sheikh, Egypt and 19-20 July, 2012, Beijing, China. At inception, the Africa-China partnership began as a bilateral partnership framework between China and individual African member states with the AU being an observer. However, at the 2012 Summit, that the AU/AUC become a full member of the “Forum on China Africa Cooperation” or FOCAC. To date there have been 7 Summits held, with the most recent one having been held in 2018 in Beijing China.

The nine areas of cooperation under FOCAC include: 1) Development Cooperation; 2) Trade and Investment; 3) Peace and Security Cooperation; 4) Agricultural and Rural Development; 5) International Cooperation; 6) Public Health Services; 7) Education and Vocational Training; 8) Poverty Eradication; and 9) Sustainable Development.

With a GDP of US\$14.38 trillion and a population of over 1,4 billion people in 2019, China’s economy is the second largest in the world, after the United States. Having enjoyed nearly four decades of increased prosperity, China has also achieved unprecedented socio-economic transformation, become the world’s number one exporter of manufactured products and seen its economy grow from being the 10th largest in the world to the second largest in just 30 years.

Today, China is a world leader in gross value of industrial output; mining and ore processing, iron, steel, aluminum, and other metals, coal; machine building; armaments; textiles and apparel; petroleum; cement; chemicals; fertilizers; consumer products, including footwear, toys, and electronics; food processing; transportation equipment, including automobiles, rail cars and locomotives, ships, and aircraft; IT products and telecommunications equipment, commercial space launch vehicles, and satellites.

China considers oil procurement a matter of national security and uses state resources to satisfy the nation’s need for energy. The projected growth of motor vehicles in the country by 2030 will be 300 million, at which point China will need an oil supplier the size of Saudi Arabia to meet demand.

The energy demands in China rests on the country’s renewed focus on energy- intensive industry – particularly the manufacture of steel and related metal products. Industry in China consumes up to 70 percent of total energy consumption, followed by residential at 10 percent, transportation 7 percent and commercial at just 2 percent. But industrial production also generates some of the highest profit margins, outstripping the more labor



intensive but less energy intensive light industries sectors, such as textiles and electronic/computer machinery and production. This industrial focus has also fueled enormous urbanization movement in China accounting for 39% of the population and fueling a related infrastructure and construction related boom.

China has thus become the number one steel manufacturer and exporter in the world, accounting for 34.6% of the world’s share of production. Iron and steel alone account for 16 percent of China’s energy consumption, and total heavy industry accounts for 54 percent of total consumption.

The growth of the industrial base coupled with increasing individual household wealth, places a great demand on China for sourcing both raw resources and new export markets. China now imports 20 percent of the world’s fuel and mining products, is the world’s largest producer and consumer of coal, and the world’s largest importer of iron ore and coking coal. It has displaced the US as the world’s largest consumer of raw materials as a whole.

According to the Chinese Ministry of Land and Natural Resources, by 2020 domestic crude oil production will only be able to meet 34–40 per cent of demand; while domestic iron production will be able to meet 29 per cent by 2020. It is estimated that by 2020 the shortage of coal will reach 700 million tons respectively. It is to the need to satisfy this demand that in large part has prompted China to expand its engagement with Africa.

Thus, increasingly, Chinese companies, backed by senior political leaders, government financing and foreign aid instruments, are willing to invest in Africa to: a) secure energy and natural resources, b) access new consumer markets for China’s products, and c) challenge Western hegemony in the international political and economic arena toward expanding China’s influence in global institutions such as the IMF and World Bank.

With foreign reserves that rose by USD 12.3 billion to USD 3.108 trillion in December 2019 – the largest in the world – China is also able to pursue projects with greater business risk and offer generous aid and loans to African countries, using the country’s wealth as a lever to win oil, gas and mineral (OGM) concessions/contracts, engineering, procurement and construction (EPC) and other contracts.

As a trade and investment partner, Africa offers China unique opportunities as: 1) a source of supply of oil, minerals and forestry products for China’s resource- hungry economy; 2) a market for China’s consumer and industrial products; 3) a client for EPC (engineering, procurement and construction) contract opportunities, as China can provide loan facilities to garner projects in the highly profitable and expanding African infrastructure market, and 4) high-return investment opportunities given: the relatively low asset values found in Africa, the less competitive financial markets, the financially distressed situation of many African countries, firms and investors, and the significant technical assistance demand that exists in many sectors that offer significant investment opportunity in Africa (OGM, industry, infrastructure, agribusiness, telecom, tourism etc.).

Significant Chinese investment in Africa over the past decade has occurred in the following sectors: roads and bridges, railways, housing, schools, hospitals, airport, telecommunication infrastructure, stadia, ministry buildings, conference buildings, power stations, dams, irrigation systems, water projects, oil pipelines, business parks, enterprises zones, factories, radio and television broadcasting stations, cinemas, and theatres.

Investment in mineral projects have been consummated in some 15 countries in the following sub-sectors: aluminum, chrome/ ferrochrome, coal, cobalt, copper, diamonds, iron ore, manganese, nickel, platinum, silver, tantalum, tungsten and zinc.

Today, China has become Africa's largest single country trading partner, and Africa is now China's major import source, second largest overseas construction project contract market, and fourth largest investment destination.

Under the FOCAC-Beijing Action Plan (2019 – 2021), eight new measures were presented to pursue:

1. Industrial Promotion Initiative
2. Infrastructure Connectivity Initiative
3. Trade Facilitation Initiative
4. Green Development Actions
5. Capacity Building Activities
6. Healthcare Initiative
7. People-to-People Exchange Initiative
8. Peace and Security Initiative

China Eximbank provides two preferential facilities, namely; The government concessional loan and preferential export buyers' credit. These two facilities are an arrangement made by the Chinese Government to support other developing countries with concessional funding. China Eximbank is the only bank designated by the Chinese Government to implement such facilities.. These loans are mainly used for funding infrastructure and social development, they are also meant to deepen development of small and medium-sized businesses in Africa, set up by China Development Bank, had promised to make loans totaling to US\$1.213 billion, and US\$2 billion had been collected for the second tranche of China-Africa Development Fund (CADF).

Furthermore, China has promised to contribute 615 million US dollars to the African Development Fund (ADF), the China Development Bank (CDB) had signed an Agreement on Development Financing Cooperation with the Development Bank of Southern Africa, and an agreement to loan 60 million Euros to the West African Development Bank for the development of small and medium-sized enterprises. By the end of 2012, China had signed bilateral investment treaties (BIT) with 32 African countries, and established joint economic commission mechanisms with 45 African countries.

The China-Africa Development Fund, established as one of the eight pledges China made at the FOCAC Beijing Summit, had by the end of 2012 agreed to invest US\$2.385 billion in 61 projects in 30 African countries, and had already invested US\$1.806 billion for 53 projects.

By January 2013, Chinese enterprises had completed construction contracts worth US\$40.83 billion in Africa, and Africa had become China's second largest overseas contract market for four successive years. Capital, equipment and technologies from China have effectively helped reduce construction costs for African countries and, as a result, their infrastructure situations have gradually improved.

Cumulative Chinese FDI to Africa amounted to US\$21 billion as of December 2012 (by official figures). Of this, manufacturing investment is at US\$3.43 billion and, according to the Standard Bank Group, China's investment into Africa is projected to reach US\$ 50 billion by 2015.

Currently, over 2,000 Chinese enterprises are investing and working in more than 50 African countries, and cooperation fields have expanded from agriculture, mining and building industry to intensive processing of resource products, industrial manufacturing, finance, commercial logistics and real

estate. Over the past ten years, China's major investments in Africa have included investments in: CNOOC (Nigeria), Sinopec (Angola), China Railways Construction (Nigeria), Sinomach (Gabon), CITIC and Chalco (Egypt), China Nonferrous (Zambia), Minsheng Bank (South Africa), Sino Steel (Zimbabwe), CNPC (Niger, Chad), or China Metallurgical and Sinohydro (Democratic Republic of Congo).

The Fifth Ministerial Conference of the Forum on Africa- China Cooperation (FOCAC) was held in Beijing in July 2012. Government officials from China, 50 African countries and the chairman of the African Union Commission were present and adopted the Beijing Declaration. During FOCAC V, the Chinese government pledged USD 20 billion in concessional loans to African countries over the next three years.

Five priority areas of China-Africa Cooperation by the Chinese Government at the Fifth FOCAC Ministerial Conference (2013-2015).

1. Investment and Financing: Expanding cooperation in investment and financing to support sustainable development in Africa. To meet this goal, China agreed to provide African countries with a US\$20 billion credit line to be spent on developing infrastructure, agriculture, manufacturing and small and medium-sized enterprises
2. Development Assistance: China agreed to scale up its development assistance in the following areas:
 - a) Agriculture: The Chinese government pledged to build more agricultural technology demonstration centers to help African countries increase their production capacities. The government also agreed to support the AgriTT initiative, which is a new initiative between the UK Department for International Development (DFID) and the Ministry of Agriculture, China, and the Forum on Agricultural Research in Africa (FARA) to promote transfer of agricultural technologies, knowledge and management innovations from China to low-income countries in Africa and Southeast Asia;
 - b) Sector-Specific Technical Skills and TVET institutions: China agreed to implement an "African Talents Program" to train 30,000 African personnel in various sectors, offer 18,000 government scholarships, and build cultural and vocational skills training facilities in African countries.
 - c) Health: China and Africa committed to deepen their cooperation in the health sector, to step up high level ex- changes in health-related fields, and to hold a China-Africa high-level health development workshop. China also committed to send 1,500 medical workers to Africa, while continuing to run the "Brightness Action" campaign in Africa to provide free treatment for cataract patients.
 - d) Environment: China further pledged to also help African countries to enhance their capacity to build meteorological infrastructure and to manage and protect their forest. China also agreed to continue to carry out well-drilling and water supply projects in Africa to provide safe drinking water for African people.
3. African Integration: Supporting the African regional integration process and helping Africa enhance its capacity for overall development was another pillar agreed to during FOCAC V. To support Africa in these areas, China agreed to forge a partnership with Africa that is focused on transnational and trans-regional infrastructure development, support of related project planning and feasibility studies and to encourage established Chinese companies and financial institutions to take part in transnational and trans-regional infrastructure project development and implementation in Africa. China also pledged to help African countries improve their customs and commodity inspection facilities to enhance intra-regional trade facilitation.
4. People-to-People and Cultural Exchange: Strengthening people-to-people friendships to lay a solid foundation of public support for enhancing China-Africa common development was another area of focus agreed to during FOCAC V. In this regard, China proposed to carry out a "China-Africa people-to-people friendship action" to support and

promote exchanges and cooperation between non- governmental organizations, women and youth from the two partners. Also, a China-Africa Press Exchange Center is to be set up in China. The two sides agree to promote exchanges and visits between Chinese and African journalists and press professionals and to support correspondent exchanges between their respective media organizations. China will also continue to implement the China- Africa Joint Research and Exchange Plan by sponsoring 100 programs for research, exchange and cooperation between academic institutions and scholars of the two sides.

5. Peace and Stability: Promoting African peace and stability and creating a secure environment for the development of African countries was the final area of collaboration discussed. To support security on the African continent, China agreed to fund the "Initiative on China-Africa Cooperative Partnership for Peace and Security," to deepen cooperation with the AU and African countries in areas related to peace and security in Africa, to provide financial support for AU peacekeeping missions in Africa and the development of an African Standby Force, and to train more AU peacekeepers and officials in peace and security affairs.

China also seeks to expand the China-Africa partnership to include the:

- Institutionalization of a "China-Africa Policy Planning and Implementation Framework";
- Institutionalization of a comprehensive "China-Africa Infrastructure Partnership"; and the
- Strengthening of coordination and the follow-up mechanisms related to the action plan and projects earmarked for implementation.