

KEYNOTE ADDRESS
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ON OCCASION OF THE LAUNCHING CEREMONY OF THE REPORT
ON THE
“CHINESE ENTERPRISES’ INVESTMENT IN AFRICA: MARKET
POWER AND ROLE OF THE PRIVATE SECTOR”

26 AUGUST, 2021

Distinguished guests, ladies and gentlemen,

It is a great pleasure to join you this afternoon.

Let me start by thanking the China-Africa Business Council (CABC) for the invitation to address the launch of its report on *“Chinese Enterprises’ Investment in Africa: Power of the Market and Role of the Private Sector”*.

I commend the CABC and the United Nations Industrial Development Organization (UNIDO) for organizing this Event which is timely and the content of utmost importance for Africa’s development aspirations.

From my preliminary reading of the publication, it reflects the important efforts of Chinese entrepreneurs and their expectations of investing in Africa, and lends credence to the South- South Cooperation.

The case studies in the Report share experiences on Chinese private sector investments in different countries and contexts, and provide insights that are therefore country-specific, and can contribute to developing a better understanding of China’s economic engagement in Africa.

I am therefore convinced that this Report which provides empirical evidence of Chinese enterprises’ significant contribution to driving industrialization, increasing employment, and improving people’s lives in Africa, will further

strengthen China-Africa partnership. This will in turn raise the public's awareness of China's development assistance to Africa.

If I may, Distinguished, ladies and gentlemen, I would like to share an excerpt: "Chinese investment in Africa covers a wide range of industries. According to statistics from MOFCOM, the main areas of investment include construction, mining (including oil & gas and minerals), manufacturing, finance, and leasing and business services. As of the end of 2019, the total direct investment of Chinese enterprises in these five industries amounted to USD 37.9 billion, accounting for 85.5% of China's direct investment in Africa in the year."

Furthermore, Chinese enterprises engagement in other sectors such as agriculture and agricultural products processing, medium and high-tech manufacturing (such as automobiles, medicine, and electronic products), energy and power, tourism and the digital economy have all together created opportunities for economic growth and transformation in Africa.

Distinguished ladies and gentlemen, the Report's endorsement of Africa's continental and regional integration efforts, with a call for China and Chinese enterprises to further support the ongoing processes to improve intra-African trade and promote the connectivity of the continent, is in the right direction.

Indeed, the African Continental Free Trade Agreement (AfCFTA) established in 2018 aims to address the key constraints to doing business in Africa, some of which have been highlighted in the Report, to boost intra-African trade and investment, grow local businesses, stimulate industrialization and create jobs for the continent's teeming, youthful population.

Distinguished ladies and gentlemen,

Permit me to refresh our minds on the huge promise that the AfCFTA holds for the African continent, its member states and its people. The promise of AfCFTA is great. The Agreement connects 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US\$3.4 trillion. When fully implemented, intra-African trade is expected to grow significantly, and Africa's total trade deficit is expected to be cut in half. In addition, the AfCFTA could generate combined consumer and business spending of \$6.7 trillion by 2030, according to the Mo Ibrahim Foundation.

Consolidating Africa into one trade area provides great opportunities for entrepreneurs, businesses and consumers across the continent, unlocking trade and manufacturing potential and further enhancing industrialization in Africa. The introduction of a continental simplified trade regime should provide businesses with greater protection, and support their participation in the new export opportunities created by the AfCFTA.

It is important to highlight, however, that far from being simply a free trade agreement, Africa's free trade agenda includes services, investment, competition policy, IPRs, trade facilitation and other trade-related measures that can address developmental and broader cross-border trade problems more effectively than one which focuses exclusively on trade in goods.

Additionally, the AfCFTA is not a stand-alone project; it is anchored and complementary to other AU initiatives for the continent's economic integration and development; including the Accelerated Industrial Development for Africa, the Single African Air Transport Market, Programme for Infrastructure Development in Africa, Comprehensive Africa Agriculture Development Programme, and the Protocol on the Free Movement of persons among others. The AfCFTA is being implemented along with these initiatives to address Africa's developmental challenges and realise better economic benefits for the continent.

The AfCFTA should therefore be viewed as an instrument for Africa's development and according to the World Bank, it could help lift up to 30 million Africans out of extreme poverty. This is highly desirable, especially in light of the reversal of progress in poverty reduction and the economic turmoil unleashed by the COVID-19 pandemic.

To take the bulk of its population out of poverty, Africa needs to industrialize to transform, add value and promote trade through greater integration into continental/global value chains and create jobs.

Africa's population is young and growing fast. The United Nations projections for the continent show that the population will almost double from 1.3 billion people at present to 2.5 billion in 2050. Focusing on the population of working age, from the current 663 million people aged between 15 and 64 there will be an expansion to 1.1 billion in 2035 and to 1.5 billion in 2050. In other words, in

the course of a little over three decades the population of working age in Africa is going to increase by some 900 million people. The flow of young people who year after year join the labour market is massive. At this rate of growth, Africa needs to create almost 12 million new jobs annually to prevent rising unemployment (AfDB, 2019).

Creating decent jobs at the scale required is inconceivable without a structural transformation that enables an expansion of modern activities and the reallocation of labour from the traditional to the modern sector.

The AfCFTA represents a great opportunity to support economic transformation broadly and industrialisation in particular by promoting linkages across the continent, especially in trade in services, which in turn will boost the manufacturing sector.

With the AfCFTA, we want to tap into the vast number of manufacturing opportunities that exist including in agro-processing, automotive, pharmaceuticals, clothing and footwear among others, placing Africa on a path of long-term industrial development.

In this regard, we are collaborating with the captains of industry in Africa and potential investors to identify priority value chains on the basis of which we can develop an action plan for the implementation of AfCFTA regional value chains. Ultimately, we need to craft a continental industrialisation strategy, to be embraced by national authorities, to facilitate the attainment of the AfCFTA industrialisation and sustainability objectives.

The AfCFTA therefore provides a platform where businesses and investors can play an important role in the economic development of Africa. This, undoubtedly augurs well for Foreign Direct Investment (FDI) flows, including from China, to the continent.

For the AfCFTA to deliver new and concrete benefits of trade and economic integration, rules-based governance is critical. The AfCFTA Agreement establishes legal rights and obligations to which state parties must adhere. Effective implementation of these rights and obligations would provide

certainty and predictability, which should further encourage business activities on the continent.

To unlock the associated joint benefits of trade and investment growth, at the continental level, we are developing common rules on investment in the context of an AfCFTA Protocol on Investment. The AfCFTA investment rules will likely include substantive investment protections for investors and on the basis of the timetable set by the African Union for Phase II negotiations, we can hope to see a fully developed Investment Protocol by December 2021.

Disputes are, however, inevitable in any free trade area and when any such disputes arise under the AfCFTA, the resolution is to be in line with the Protocol on Rules and Procedures on the Settlement of Disputes. As you may well know, trading under the AfCFTA preferences started in January 2021 and to signal the readiness of the AfCFTA dispute settlement infrastructure to take up any disputes that may arise in the course of trading among the State Parties, AfCFTA's Dispute Settlement Board (DSB) was inaugurated in April 2021.

While the AfCFTA provides appropriate mandates and tools to reduce intra-African trade costs and deliver progress towards structural transformation, its success to facilitate Africa's structural transformation, depends on infrastructure interconnectivity.

While this is not a core mandate of the AfCFTA we have it on our radar as it impacts on trade in goods but also the delivery of services such as transport. In this regard, we are working with the relevant AU organs and development partners to establish priority infrastructure networks across the continent.

Development partners like China that have ample experience in infrastructure building are well placed to help build road, rail, port and air infrastructures for African countries. A strong Africa will be a strong ally and good partner for China.

Distinguished ladies and gentlemen,

With the impact of the Covid-19 crisis still unfolding, African countries will need all the economic growth, dynamism and resourcefulness that is possible in the years ahead. Clearly, the policies and actions being pursued today, in the

implementation of the AfCFTA, provide the key to a more prosperous future for Africa.

As a Chinese Proverb goes, *“If you want to know your past - look into your present conditions. If you want to know your future - look into your present actions.”*

It is therefore my fervent hope that Africa’s current push for continental integration and economic transformation, with the support of development partners such as China, will secure Africa’s prosperity for the years ahead.

Once again, I congratulate CABC and UNIDO for the launch of the Report, which helps us with insights on the past and future directions of China-Africa cooperation. This is of critical importance today as Africa rebuilds resiliently and heads into the new and better normal with hope and optimism.

China has achieved remarkable development progress in recent years, with an unprecedented reduction in poverty, a model worth emulating and I commend China for the commitment to sharing its successes through different initiatives under the Forum on China-Africa Cooperation (FOCAC) established in 2000. It is, therefore necessary for the AfCFTA and Chinese initiatives, such as the Belt and Road Initiative (BRI), to create synergy to promote industrialization and competitiveness in the continental and global markets.

Market opportunities abound for both African and Chinese investors under the AfCFTA. I call on China and Chinese private sector enterprises to check these out while continuing to nurture the existing business relations towards realizing prosperity for the mutual benefit of our peoples.

China-Africa cooperation should yield a ‘win-win’ outcome to spur sustainable and inclusive development in Africa, while at the same time contributing to China’s economic growth.

Finally, I would like to end with another Chinese proverb: *“honouring a promise carries the weight of gold.”* We are committed to fully implementing Africa’s new trade deal, the AfCFTA, to create an integrated, prosperous and peaceful Africa.

Thank you and have a good day!