

China - Sub-Saharan Africa Trade Relations: Still Unbalanced

Risky Trade Dependence for Sectors and Countries that Export Commodities

Brussels, November 14, 2017 -- Almost twenty years after the launch of the first Forum on China-Africa Cooperation, China-Africa relations remain unbalanced, according to Ruben Nizard, Coface economist and author of the study, [China-Africa: Will the Marriage of Convenience Last?](#) Bilateral trade, which totalled \$123 billion in 2016, has leaped over the past ten years driven by Sub-Saharan African exports until 2014. The region now has a trade deficit with China. While 90% of exports to China are concentrated on natural resources, imports are more diversified and include manufactured goods, transport equipment, and machinery.

The slowdown in the Chinese economy and its reorientation towards private consumption are reflected in a weakening of demand for commodities from Africa. This will have inevitable consequences for exporters. According to Coface calculations, sub-Saharan Africa had a significantly higher export dependency ratio, on a 0-to-1 scale, than other emerging countries in 2016, at 0.24 compared to 0.16 for Southeast Asia and 0.19 for Russia, Brazil, and India. The differential is even greater with the European Union (0.07) and the United States (0.12).

Unsurprisingly, the countries that have benefited the most from China's expansion and those with a less diversified economy are likely to feel the effects of lower demand more acutely. The strongest trade dependency is concentrated around crude oil exports and, according to the index established by Coface, South Sudan has been at the top of the ranking since its independence was declared in 2011, followed by Angola and Congo. Gambia, which produces wood, is not far behind. Eritrea, Guinea, and Mauritania are also among the most dependent countries because of their exports of metal ores including iron, copper, and aluminium.

Diversification, the Watchword for a Sustainable Win-Win Relationship

Despite this strong dependence on exports to China, the China-Africa relationship could turn into a win-win cooperation. Africa's export basket is gradually diversifying, incorporating higher value-added processed raw materials, raw wood, and, to a lesser extent, agricultural products such as tobacco, citrus, seeds, and oleaginous fruit. This could increase local incomes and foster employment and technology transfers even if it makes commodity-rich countries vulnerable to international price fluctuations.

Diversification also includes FDI flows and loans from China. Chinese investments in Africa are no longer extractive in nature and now extend to services, processing industries, transportation, and utilities. Existing initiatives such as the *One Belt, One Road* should ultimately boost regional connectivity and reduce export costs.

Since FDI and financing levels are much lower than those of trade, African countries that are heavily dependent on China remain highly vulnerable to weakening demand or a further decline in



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the prices of raw materials. These countries would also be vulnerable to changes in China's foreign policy because Chinese interests in the region are, first and foremost, based on a complex network of political and economic objectives.

"The latest developments seem to be moving in the right direction but efforts are still needed to move from a marriage of unbalanced convenience to a partnership based on win-win cooperation," said Ruben Nizard.

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