FORUM ON CHINESE INVESTMENT FOR SUSTAINABLE TRADE AND ECONOMIC GROWTH IN AFRICA

EVENT REPORT

Dates: 31 May - 1 June 2016
Organizers: ITC, CCPIT, CADFund
Sponsors: DFID, CCPIT Headquarter and Beijing Sub-Council, Standard Chartered Bank
Venue: China World Hotel, Beijing, China

OBJECTIVE

The principal objective of the Forum was to discuss the opportunities and needs for catalysing sustainable investment, especially from China, in productive sectors in Africa, as a means to drive export development, economic growth and job creation.

See Annex I for background information and detailed event programme.

PARTICIPANTS

The Forum gathered more than 250 participants from Africa, China and the United Kingdom (UK), including:

- Senior officials from the China Council for the Promotion of International Trade (CCPIT), the China-Africa Development Fund (CADFund), the Ministry of Foreign Affairs of the People's Republic of China, the UK Department for International Development (DFID) and the International Trade Centre (ITC);

- 16 representatives from 15 investment and export promotion organizations from Ethiopia, Kenya, Mozambique and Zambia;

- Representatives from the embassies of Ethiopia, Kenya, Mozambique, Zambia and the British Embassy in China, including Ambassadors of Ethiopia, Kenya, Zambia;

- 193 business people from 146 Chinese companies interested in sharing their experiences, starting new investment or increasing investment in Africa;

- High-level experts from academia, research institutions and think-tanks from China and the UK;

- Representatives from the British Chamber of Commerce in China, the China-Britain Business Council, the China-Africa Business Council, UK Trade & Investment and the China-Africa Fund for Industrial Cooperation;

- Representatives and experts from CCPIT headquarters, CCPIT Beijing Sub-Council, CADFund, DFID and ITC.

See Annex II for the list of participants.
RESULTS

Enhanced understanding of investment opportunities for economic growth and sustainable development in Ethiopia, Kenya, Mozambique and Zambia

- All speakers reaffirmed the importance of sustainable Chinese investment to promote economic growth in Africa and highlighted the timely opportunity for investments and job creation as Chinese companies are going global;

- Chinese companies that participated in the Forum increased their awareness on the opportunities for investment in Africa and collected information on investment conditions and export potentials in Ethiopia, Kenya, Mozambique and Zambia; Many participants welcomed the analytical reports on investment and export potential assessment produced by ITC;

- Examples of successful Chinese investments in the manufacturing and agro-processing sectors in Africa, presented during the Forum, confirmed the potential for profitable investments contributing to job creation.

Increased Chinese companies’ interest in investing in Africa and business investment linkages initiated

- The Forum attracted more than 140 Chinese companies interested in investing or increasing investment in Ethiopia, Kenya, Mozambique and Zambia;

- 16 investment and export promotion officers from Ethiopia, Kenya, Mozambique and Zambia established direct contacts with Chinese companies interested in investing in their countries;

- Some Chinese companies reported concrete investment plans following the participation in the Forum.

Concrete recommendations formulated to promote investment-led exports and growth in Africa under PIGA

- Working sessions, held in the aftermath of the Forum with African participants and Chinese investors respectively, discussed the key constraints and targets to be achieved for strengthening and internationalizing the SME sector in Africa, in a sustainable and inclusive way, through increased Chinese investment. Concrete recommendations were formulated on how PIGA can support investment-led exports and growth in Africa under its implementation phase, which is to start in 2017.
SUMMARY OF THE DISCUSSIONS: TUESDAY 31 MAY 2016

OPENING REMARKS

1. **Ms. Xiong Jiuling, Chairwoman, China Council for the Promotion of International Trade (CCPIT) Beijing Sub-council**, warmly welcomed all participants to the Forum. Ms. Xiong emphasised the strong economic ties that exist between China and Africa, highlighting that more than US$ 32 billion was invested from China to Africa by the end of 2014. Ms. Xiong explained that China has been supporting infrastructure development in Africa and that Chinese enterprises have been encouraged to invest in Africa, referring to the Forum on China-Africa Cooperation (FOCAC) held in December 2015 in South Africa. Ms. Xiong welcomed the PIGA Forum as an important opportunity to discuss sustainable growth in Africa and promote Chinese investment in agro-processing and manufacturing sectors.

2. **Mr. Shi Jiyang, Chief Executive Officer, China-Africa Development Fund (CADFund)**, explained the high potential to achieve sustainable growth in Africa, while some challenges remain, mainly stagnating industrialisation. Mr. Shi emphasised the importance of accelerating industrialisation and economic diversification in Africa to gradually reduce the dependence on commodity exports. Mr. Shi reiterated the commitment of CADFund to support development and the improvement of people’s livelihood through the promotion of Chinese investment and China-Africa cooperation in productive sectors in Africa.

3. **Mr. David Kennedy, Director General for Economic Development, UK Department for International Development (DFID)**, welcomed the high interest and enthusiasm generated by PIGA and this Forum, and affirmed UK’s global development partnership with China. Mr. Kennedy explained the role of DFID to support economic transformation which creates jobs and private sector investment, and underlined the importance of working with a full range of partners. Mr. Kennedy expressed his hope that PIGA will pay close attention to ensuring that women workers and women-headed businesses are supported where necessary to benefit from investment opportunities.

4. **Ms. Arancha Gonzalez, Executive Director, International Trade Centre (ITC)**, talked about the importance of inclusiveness and partnerships to achieve sustainable development. Ms. Gonzalez emphasized the role of investors to make a positive and meaningful impact on the lives of local communities. She emphasized that small and medium sized enterprises (SMEs) are the missing link for growth to be inclusive and are the growth levers to ensure investment result in local value addition and job creation. Ms. Gonzalez welcomed PIGA as a strong partnership between ITC, UK, China, and beneficiary countries i.e. Ethiopia, Kenya, Mozambique and Zambia, to promote investment and exports for sustainable growth.
Ms. Xiong Jiuling, Chairwoman, China Council for the Promotion of International Trade (CCPIT) Beijing Sub-council

Mr. Shi Jiyang, Chief Executive Officer, China-Africa Development Fund (CADFund)

Mr. David Kennedy, Director General for Economic Development, UK Department for International Development (DFID)

Ms. Arancha Gonzalez, Executive Director, International Trade Centre (ITC)

The Forum gathered more than 250 participants from Africa, China and the United Kingdom (UK).
PLENARY SESSION 1: PROMOTING SUSTAINABLE INVESTMENT FOR ECONOMIC GROWTH

PRESENTATIONS & SPEECHES BY KEYNOTE SPEAKERS

5. The Session was moderated by Mr. Rajesh Aggarwal, Chief, Trade Facilitation and Policy for Business, ITC.

6. Prof. Justin Lin Yifu, Director, Center for New Structural Economics, Honorary Dean, National School of Development, Peking University, China, highlighted that for developmental success, a new structural economic perspective entails two pre-conditions: i) A competitive market; and ii) A facilitating state to implement an industrial development strategy that builds on countries’ comparative advantages. Prof. Lin also stated that, with the right development ideas and a pragmatic approach to build-up infrastructure and active investment promotion, African countries can capture the window of opportunity from China’s prospective relocation of light manufacturing industries.

7. Mr. Lin Songtian, General Director, Department of African Affairs, Ministry of Foreign Affairs of the People’s Republic of China stated that China is committed politically to support Africa. Mr. Lin explained that China has pledged USD 60 billion to Africa’s development over the next three years, and that it is already a large investor in the infrastructure sector in Africa. China now encourages companies to invest in Africa.

8. Mr. Henry Zhang, Deputy CEO and Head of Corporate & Institutional Banking, Standard Chartered Bank (China) Limited, underlined the important role which financial institutions play to promote China-Africa economic cooperation. Mr. Zhang explained that banks play a key role to promote business development between China and Africa, by providing advisory services for mergers and acquisitions, trade finance and cross-border investment.

Prof. Justin Lin Yifu, Director, Center for New Structural Economics, Honorary Dean, National School of Development, Peking University

Mr. Lin Songtian, General Director, Department of African Affairs, Ministry of Foreign Affairs of the People’s Republic of China

Mr. Henry Zhang, Deputy CEO and Head of Corporate & Institutional Banking, Standard Chartered Bank (China) Limited
DISCUSSION

9. Following the keynote speeches, the discussion and interventions focused on:

- How can the development benefits of foreign investment be maximized in host countries?
- What can the host countries in Africa, the Chinese and the UK Government institutions do to facilitate this process?

10. H.E. Mr. Seyoum Mesfin Gebredinge, Ambassador, Embassy of the Federal Democratic Republic of Ethiopia in China, stated that Ethiopia is focusing on internal and external partnerships for combating poverty. Ambassador Mesfin emphasized that since 80% of the population in Ethiopia is engaged in agriculture, enhancing productivity in the agriculture sector is the key to removing poverty, and it is essential to attract investments in the agriculture sector. Ambassador Mesfin also outlined Ethiopia’s open and facilitating environment, conducive to attracting foreign investments.

11. H.E. Ms. Winnie Natala Chibesakunda, Ambassador, Embassy of Zambia, underscored the importance of understanding Zambian Government’s policies towards foreign investors. Ambassador Chibesakunda encouraged foreign investors to develop local supply chains through technology transfer and skill development of local enterprises.

12. Ms. Hellen Chemuren, Senior Investor Service Officer, Kenya Investment Authority, informed the participants about the single window established by the Kenya Investment Authority to facilitate regulatory approvals for investors. Ms. Chemuren talked about the Export Promotion Zones established in Kenya, which provide good infrastructure facilities to foreign investors. She underscored the importance for foreign investors to partner with local companies for realizing the full potential of their investments in Kenya for mutual benefit.

13. Mr. Adriano Maringue Chamusso, Deputy Director General, Institute for Promotion of Small and Medium Enterprises, Mozambique, explained that small producers dominate the agriculture and industrial landscape in Mozambique and therefore foreign investors should focus on sectors in which SMEs can be involved and benefit. Mr. Chamusso also emphasized the importance of skill development and technology transfer.

14. Ms. Helen Hai, Chief Executive Officer, “Made in Africa” Initiative, advised potential investors to integrate with local culture, practices and needs. Ms. Hai encouraged investors to enhance skills of local people and source as much as possible from local suppliers. This has proved to build confidence of local people in the benefits that can be drawn from foreign investment. Ms. Hai also drew from the experience of China in attracting foreign investments 30 years ago and advocated for the replication of the same strategy by African countries to eradicate poverty.

15. Mr. Nick Lea, Deputy Chief Economist, DFID, stated that African governments should understand the needs of potential investors from China and provide information about the investment climate, market conditions and other relevant policies for attracting investments. Mr. Lea also pointed out that the host governments should identify specific areas in a value chain where foreign investments can be promoted, as it is very difficult to attract investments across the entire value chain. Conscious efforts are required by investors to build the skills of local workers, add value to the local produce and engage in export-oriented production.
16. Questions from the floor focused on the security situation in Africa as a constraint to investment expansion, and on the regulatory approvals required for investing in pharmaceutical manufacturing.

CONCLUSION

17. The moderator summarized the session and concluded that PIGA can facilitate connections between potential Chinese investors and African partners by:

- Assisting African Investment Promotion Agencies in preparing relevant information brochures on the business environment and sectors for potential Chinese investors, to help them assess investment opportunities;
- Provide advisory services during information exchange sessions between potential investors and relevant institutions/private sector associations in host countries;
- Share good international practices and policies for attracting foreign investors and establishing backward linkages with the local economy.

Discussants in Plenary session 1 exchange ideas and best practices about sustainable investment in Africa

H.E. Ms. Winnie Natala Chibesakunda, Ambassador, Embassy of Zambia (left) and H.E. Mr. Seyoum Mesfin Gebre, Ambassador, Embassy of the Federal Democratic Republic of Ethiopia in China (right)

Mr. Adriano Maringue Chamusso, Deputy Director General, Institute for Promotion of Small and Medium Enterprises, Mozambique (left) and Ms. Hellen Chemuren, Senior Investor Service Officer, Kenya Investment Authority (right)

Mr. Nick Lea, Deputy Chief Economist, DFID (left) and Ms. Helen Hai, Chief Executive Officer, “Made in Africa” Initiative (right)
PLENARY SESSION 2: ANCHORING MANUFACTURING AND AGRICULTURAL INVESTMENTS IN EXPORT MARKETS

PRESENTATIONS & SPEECHES BY KEYNOTE SPEAKERS

18. The Session was moderated by Mr. Nick Lea, Deputy Chief Economist, DFID.

19. Ms. Julia Spies, Market Analyst, Market Analysis and Research, ITC, presented the outcomes of the export potential assessment study conducted for Ethiopia, Kenya, Mozambique and Zambia. Ms. Spies explained that the four countries have untapped opportunities to diversify export products and markets thanks to favourable climatic conditions, resource abundance, preferential access to key markets in Europe and East Africa:

- **Ethiopia:**
  - Large potential in agriculture with diversification opportunities up the value chain,
  - High demand potential in manufacturing,
  - Construction sector with strong SME involvement and high employment growth.

- **Kenya:**
  - Food and beverage sector with significant export potential,
  - Manufacturing sector with opportunities for regional exports,
  - High SME prominence in food and wood-processing as well as apparel, high employment growth in chemicals,
  - Construction sector with strong SME involvement and high employment growth.

- **Mozambique:**
  - Fishery sector with opportunities for product diversification, employment-intensive vegetable-based sector with opportunities for market diversification,
  - Abundant forests bringing up the value chain opportunities in wood-related products,
  - Investment options up and downstream the aluminium sector.

- **Zambia:**
  - Attractive investment destination for regional exports,
  - Existing regional export potential in agro-based products,
  - Diversification opportunities in SME-dominated textile, rubber and copper-related industries (the latter with strong employment growth).

20. Mr. David Mataen, Investment Expert, Trade Facilitation and Policy for Business, ITC, presented the results of the investment opportunity study carried out for Ethiopia, Kenya, Mozambique and Zambia. Mr. Mataen explained that investment opportunities were identified using the value drivers’ analysis, which examines factors with highest impact in terms of value creation. As a result, the sub-sectors within agro-processing and light manufacturing with highest investment potential by country are:

- **Ethiopia:**
  - Agro-processing: edible oils, poultry (animal feeds), dairy, horticulture (flowers),
  - Manufacturing: leather (organic, for import substitution), textile, pharmaceuticals (import substitution), packaging materials, fertilizers, consumer electronics.

- **Kenya:**
  - Agro-processing: sugar, dairy, poultry, fruit processing,
- Manufacturing: construction materials, pharmaceuticals, packaging, agricultural machinery, animal feed.

- **Zambia:**
  - Agro-processing: cotton, oilseed and oils, fruit processing (currently up to 70% waste), dairy (huge deficit), poultry,
  - Manufacturing: fertilizers, animal feed, wood products, construction materials (cements for import substitution).

- **Mozambique:**
  - Agro-processing: cassava, rice (import substitution), poultry, sesame,
  - Manufacturing: fertilizers, fruit processing, animal feed.

21. **Ms. Wang Lingjie, Deputy Director, Commercial Legal Service Centre, CCPIT**, presented the various ways to limit investment risks. Ms. Wang explained that Chinese exports to Africa are decreasing while project contracting is increasing (representing one third of total overseas investment). To handle investment risks, Ms. Wang advised that the following measures and practices should be put and place and applied:

- Insurances to protect investors from financial and political risks,
- Good understanding of labour regulations in target markets,
- Avoid double taxation,
- Learn about environmental protection regulation,
- Compliance with anti-monopoly policies,
- Good understanding of foreign exchange regimes,
- Handling disputes through international arbitration,
- Contract-related issues:
  - Bidding restrictions (60% compliance before application),
  - Bank guarantee (many not accepted),
  - Project standard (European / American standards required).
DISCUSSION

22. Following the presentations, the moderator posed the following questions to the discussants:

- What are the priority areas for investment and trade in each country?
- How can the needs of investors be best addressed by the host countries and by the PIGA project?

23. H.E. Michael D.M. Kinyanjui, Ambassador of the Republic of Kenya in China, presented Kenya Vision 2030, which aims to transform Kenya into a middle-income country with doubled manufacturing jobs with the target of 1 billion jobs within 10 years. Ambassador Kinyanjui listed key potential investment areas in Kenya, namely: the leather sector (move from hides and skins to leather articles), electronics, chemicals in the light manufacturing sector; tea, coffee (value added) and fish processing in the agro-processing sector. Ambassador Kinyanjui emphasised joint ownership and bank guarantees as investment enablers.

24. Mr. Negus Kassaw, Minister Counsellor, Embassy of the Federal Democratic Republic of Ethiopia in China, explained that Ethiopia’s Growth and Transformation Plan (GTP) II seeks to enhance industrialization within priority sectors including textile, leather, agro-processing, construction, sugar-related manufacturing and pharmaceuticals. Mr. Kassaw highlighted that the set-up of integrated agro-industrial partnerships and inclusive industrial development strategies, with the support of UN agencies, are necessary to attract FDI. He proposed that PIGA could assist Ethiopia in developing a partnership with China to generate incomes and overcome challenges such as product quality and standard compliance.

25. Mr. Joao José Macaringue, President, Export Promotion Institution, Mozambique, pointed out the missing link between investment and export priorities. Mr. Macaringue explained that agriculture is the basis of the Mozambican economy and that agricultural exports should be backed-up by preferential market access such as AGOA, SADC, duty-free and quota-free access to European markets. Mr. Macaringue explained that the priority areas for Mozambique’s agriculture and agro-processing subsectors are outlined in the country’s agricultural strategy. Mr. Macaringue also pointed-out that the problems faced by Mozambique include lack of investment, infrastructural and of technology.

26. Ms. Jessica Mwinga Chombo, Acting Director-Investments, Zambia Development Agency, highlighted the sectors with investment opportunities in Zambia, including cotton, cotton seed, edible oils, fruit processing and dairy products, animal feed (poultry), wood processing and construction materials. Ms. Chombo also explained that the country has reserved dedicated land in each region for investment, and that one-stop shop facilities have been set-up to provide information about investment regulations. Ms. Chombo emphasised that Zambia gives preferential access to wider markets, given its shared borders with eight countries and its SADC and COMESA memberships. Ms. Chombo suggested that PIGA could facilitate information exchange and train local staff in the preparation of investment promotional materials targeted to Chinese investors.

27. Mr. Wang Yong, Vice President, CADFund, emphasized that the objective of his organization is to support sustainable investment in labour intensive and export-oriented projects for job creation and technology transfer. CADFund also aims to expand investments in sub-Saharan Africa.

28. Mr. Stephen Gelb, Team Leader, Private Sector Development, Overseas Development Institute, UK, responded to issues brought-up by other discussants. Mr.
Gelb stated that African institutions need to better understand the specific needs of potential investors to be able to compete with other Chinese investment destinations (West of China, Sub-Saharan Africa, South-East Asia etc.) Mr. Gelb also highlighted that sector-specific profiles and policy transparency facilitation would be required. He emphasized the importance of measuring investment impact on local economies and development, and suggested to look beyond the dollar value of FDIs. Recipient countries and investors should look at job creation, skills and technology transfer, export creation, economic transformation as a means to measure investment impact.

CONCLUSION

29. The moderator summarized the session and concluded that:

- China's transformation could be a role model for Africa;
- China is in the early stages of becoming an outward investor after having received investments for many decades;
- The PIGA project should have a key role to facilitate communication between investors and recipient countries.
31. **Mr. Yao Yunwu, Chairman, Jihai Group, China**, spoke of his experience in investing in the agro-processing in Zambia. Mr. Yao gave examples of Jihai’s investment projects in farming, including the development of bi-products from forestry and agriculture, training of local workers and the use of special techniques for waste management and recycling. He explained how these projects resulted in exports, the creation of new jobs for women, in rural areas and contributed to the development of a local brand. Jihai Group has set-up an exchange market for its products, where other companies can rent space. It is also building a Zambia-China cooperative zone for primary good supply.

According to Mr. Yao, key success factors for sustainable investment include working with local counterparts and jointly with partner organizations such as ITC and CADFund. Mr. Yao emphasized the importance of supporting other sectors to maximize impact on agricultural development (e.g. chemicals, fertilizers, machinery, etc.).

Mr. Yao highlighted Zambia’s promising future in agro-processing thanks to abundant labour, farmland, irrigated land and inland fisheries. Support is required to develop industrial chains, power supply, transport and logistics, as well as workers’ skills.

**DISCUSSION**

32. **Dawit Adugna Tolla, Senior Agro-processing Expert, Ethiopian Investment Commission**, provided a list of sectors with high investment opportunities in his country, including beeswax, livestock, meat and leather. He also highlighted the fact that Ethiopia is the second largest country in Africa in terms of population after Nigeria and that the domestic market is growing with rising incomes. Mr. Tolla explained that Ethiopia specifically needs support for skills and technology development, improving its financial system and post-harvest handling in the agro-processing sector.

33. **Ms. Agatha Juma, Head of Public-Private Partnership, Kenya Private Sector Alliance**, advised that investment should not be spread over the entire agricultural value chain, but should rather focus on segments of it through partnerships with African companies. The most successful companies in Kenya are those with a mix of foreign and local investments. She encouraged Chinese investors to support recipient countries’ national agendas. Ms. Juma presented aquaculture, tea, pulses, grains and edible oils as sectors with highest investment potential in Kenya. She cited the needs for capacity building on standards, market access requirements as well as technology.

34. **Mr. Nuno Maposse, Coordinator, Marketing Service, Investment Promotion Centre, Mozambique**, emphasized the large agricultural resources and potential in Africa. FDIs in Mozambique have largely focused on gas and oil, which supply chains are limitedly anchored within the local economy. Mr. Maposse explained that agriculture accounts for 80% of employment and 25% of GDP in Mozambique. He emphasised the needs of
more investment in technology and productive capacity, and support to integrate value chains, improve post-harvest management and land irrigation for commercial agriculture.

35. Mr. Simono Akapelwa, Vice-Chairman, Chamber of Commerce and Industry, Zambia, described Zambia’s investment potential, the country’s exposure to a market of 400 million through SADC and COMESA, and large agricultural lands (1 million ha of land). Mr. Akapelwa gave examples of agro-crops with high potential for growth including cotton, tobacco, cashew nuts, biofuels and mushrooms. Constraints include small-holder fragmentation, lack of skills and technology, post-harvest losses, limited access to finance and capital mobilization, weak marketing capacities towards regional markets and China. Mr. Akapelwa suggested that foreign investors could get involved in contract farming to help with access to financing and build local skills.

36. Mr. Manuel Ortega, Assistant Secretary-General and Deputy Director International Relations Department, China-Africa Business Council, spoke of the opportunities for increasing standards and global food security through the development of agricultural sectors in Africa. Mr. Ortega pointed to the important role of PIGA to help African countries set-up legal frameworks for agricultural development. There is also a need to improve regulations to facilitate transport, cross-border trade, licencing, etc.

37. The floor was then opened for questions and answers. It was suggested that PIGA could facilitate cooperation between CCPIT and African trade, investment and business institutions, to improve information sharing. The costs of logistics were pointed out as a challenge for investors. Discussants from Ethiopia, Kenya and Zambia described the link between logistics and hard infrastructure and the status of transport development within each of the countries, including road, railway, sea, air and corridors.
38. The session was moderated by Mr. Lin Shunjie, Director-General, Department of Trade and Investment Promotion, CCPIT.

39. Mr. Zhang Huarong, Chairman of the Huajian Group, China, presented the experience of Huajian that started investing in Africa 5 years ago. Mr. Zhang highlighted the huge opportunity for investment and growth in Ethiopia.

Huajian employs over 4,000 workers in the country and generates a yearly revenue of over US$ 20 million and an export value of US$ 18 million in 2015 (expected to grow to US$ 25 million in 2016), mainly to supply high-end American brands. The company aims to improve workers’ productivity by integrating them in the business processes. Huajian has invested US$ 2 billion in Ethiopia and plans to invest in the light industry park, which will include a waste water treatment plant, energy generation systems, schools, dormitories, shops as well as business district. The park is expected to be operational in 2020 and to create 30,000 to 50,000 jobs.

According to Mr. Zhang, the following factors contribute to Africa’s attractiveness to investors: i) preferential tariffs to the US market (leather 10%, shoes 6%, MFN) and the EU market (free duty for apparel - up to 35% tariff preferences); ii) availability and cost of labour (1/8 of the salaries in China); and iii) appreciation of property/land value.

Mr. Zhang advised that Chinese investors should empower local workers to implement international standards. He emphasized the importance of government support to lower shipping costs, facilitate export procedures and ensure security of foreigners. Assistance in policy, finance and law are also required as foreign exchange reserves in Ethiopia are one of the major challenges for foreign investors.

40. Mr. Aschalew Tadesse Mecheso, Investment Promotion Team Leader, Ethiopian Investment Commission, explained that the Ethiopian Government promotes targeted investments in high quality export products. There are no export taxes in Ethiopia and repatriation of profits is allowed. Power supply is improving. Mr. Mecheso stated that Ethiopia presents high potential in textiles and footwear, leather products (largest livestock population in Africa) as well as agro-processing for both the domestic and export markets. Ethiopia aims to construct industrial parks in all county’s regions and become a manufacturing hub in Africa.

41. Mr. Peter Biwott, Head of Policy, Research and Advocacy, Kenya Association of Manufacturers, presented the advantages of investing in his country, including developed human capital, opportunities along light manufacturing value chains e.g. Kenya is planning to set-up an Export Processing Zone (EPZ) for textile production with a preferential tax system. Mr. Biwott also mentioned Kenya’s competitive advantage in livestock, leather and wood, as well as opportunities for subcontracting large manufacturing assembly operations through local SMEs, such as auto-parts sourcing from SMEs in the automotive sector.

42. Mr. Rogerio Gudo, Vice-President, Confederation of Economic Associations, Mozambique, explained the PPP dialogue mechanism established in Mozambique which allows discussing policy issues and facilitating business and investment in Mozambique. He also introduced the audience to the single customs window system,
which reduced trade procedures from 32 to 7 steps. Finally, he highlighted that Mozambique is currently designing a strategy to unlock unchartered opportunities.

43. Mr. Maybin Nsupila, CEO, Zambia Association of Manufacturers, explained that 30-40% of value added GDP in Zambia comes from manufacturing. Mr. Nsupila highlighted mining, wood processing, leather and agro-processing as sectors with high investment potentials. Favourable export taxes introduced for some sectors such as wood and leather have encouraged processing. Mr. Nsupila also explained that the Zambian government has been increasing its support to skills development, creating platforms to ensure the training offer responds to the needs of the industry.

44. Mr. Tang Xiaoyang, Deputy Director, Carnegie-Tsinghua Center for Global Policy and Associate Professor, Department of International Relations, China, described the major change that has happened in Africa with the development of industries and industrial parks. He explained that this offers promising opportunities for investors and that, while other markets are getting saturated, Africa is emerging. Sectors offering highest opportunities in manufacturing relate to those with strong natural endowments, which underpin their potential due to a strong comparative advantage e.g. agro-processing, wood processing, cotton to clothing, footwear, leather and leather articles, and building materials. Mr. Tang also highlighted the favourable tariff and labour conditions which investors can benefit from and which can drive SME development. He advised investors to undertake careful market research before investing in Africa and to consider investing in industrial parks and development zones.

45. Ms. Clare Pearson, Chair, British Chamber of Commerce, China, presented some lessons from British companies operating in Africa. Ms. Pearson emphasized the importance of creating platforms across Chinese regions to listen to the companies interested in investing overseas, and better understand the realities of the market. Ms. Pearson suggested the use of mediators for supporting business and investment negotiations to carefully manage intellectual property rights and contracts.

46. The floor was then opened for questions and answers. A Chinese company from Shandong province announced its interest in investing in poultry farming in Africa, with training of local workers. Discussants emphasized the importance of skills development for developing local businesses and improving incomes. The poultry sector also offers great opportunities for women employment. PIGA and organizations like CCPIT aim to support such initiatives.

CONCLUSION

47. The moderator summarized the session and concluded that:

- 80% of the Chinese enterprises investing in Africa focus on the light manufacturing sector according to CCPIT surveys;
- Investment climates in Africa can be very favourable to foreign investment; profit margins in Ethiopia are for instance higher than in China;
- Sector diversification along value chains where countries have comparative advantages is an important element to attract foreign investment;
- Chinese enterprises should be aware of the strengths and differences of investing in Africa;
- Investing in or setting-up a company in Africa requires working with local market realities and integrating within the recipient country’s systems and local environment.
CLOSING REMARKS

48. Mr. Xuejun Jiang, Chief, Office for Asia and the Pacific, ITC, summarized some of the main takeaways from the Forum:

- Investment can contribute to sustainable economic growth and to lifting more people out of poverty;
- There is great potential for increasing Chinese investment in productive sectors for economic growth and poverty reduction in Ethiopia, Kenya, Mozambique and Zambia;
- Technology transfer and skills development are key factors for sustainable investment, and China has a lot of experience to share with African countries on attracting investment and skills transfer; PIGA will provide support in that regard;
- SMEs in Africa should be a key partner for promoting investment in Africa, representing 90% of the companies in the continent; PIGA will work with SMEs;
- Partnerships - involving the private sector, donors, institutions and local communities - have been singled out as essential criteria for successful investment; partnerships are one of the key principles of PIGA.

49. Mr. Shantanu Mitra, Senior Economic Adviser, DFID, Beijing office, highlighted the relevance of PIGA demonstrated by the high interest from African partners and economic statistics which show that China is moving outwardly. Mr. Mitra emphasised that PIGA should lead to sustainable investments that creates jobs and local development.
ANNEX I: BACKGROUND AND PROGRAMME

BACKGROUND

Africa has experienced high and sustained economic growth in the past decade. In many countries, there is increasing potential for structural transformation, to shift from low- to high-productivity activities for more inclusive growth.

Manufacturing and agricultural investments anchored in export markets offer great opportunities to make this transition happen. China’s large and growing importance as a trading partner and investor in Africa should help grasp these opportunities. Support to improve market information and intelligence, reinforce supply-side capacities, overcome regulatory barriers within the region and overseas, and improve access to finance, is important both for investment capital and trade expansion.

Under PIGA, the Government of the United Kingdom of Great Britain and Northern Ireland’s Department for International Development (DFID), the China Council for the Promotion of International Trade (CCPIT), the China-Africa Development Fund (CADFund) and the International Trade Centre (ITC) work together to increase sustainable investment for greater integration of SMEs into global value chains in the manufacturing and agro-processing sectors. PIGA aims at maximising local development benefits, including the creation of more, better and inclusive jobs in four pilot countries namely Ethiopia, Kenya, Mozambique and Zambia.

Against this background, the “Forum on Chinese Investment for Sustainable Trade and Economic Growth in Africa” looked at the opportunities and needs for catalysing sustainable investment, especially from China, in productive sectors in Africa, as a means to drive export development, economic growth and job creation. Discussions focused particularly on Ethiopia, Kenya, Mozambique and Zambia.

The Forum sessions brought together representatives from businesses, governments, trade and investment support institutions from Ethiopia, Kenya, Mozambique, Zambia, China and the UK.
PROGRAMME
Tuesday, 31 May 2016

08:30 - 09:00  Registration
Venue: Foyer, Conference Hall, Level 1, China World Hotel

09:00 - 09:50  OPENING SESSION
Venue: Conference Hall C, Level 1, China World Hotel

Ms. Xiong Jiuling, Chairwoman, China Council for the Promotion of International Trade (CCPIT) Beijing Sub-council

Mr. Shi Jiyang, Chief Executive Officer, China-Africa Development Fund (CADFund)

Mr. David Kennedy, Director-General for Economic Development, UK Department for International Development (DFID)

Ms. Arancha Gonzalez, Executive Director, International Trade Centre (ITC)

09:50 -10:20  Coffee Break

10:20 -13:00  PLENARY SESSION 1
Promoting Sustainable Investment for Economic Growth
Venue: Conference Hall C, Level 1, China World Hotel

Local development impact from foreign investment does not happen automatically. Investors and partner companies, trade and investment support institutions and governments of both investing and host countries must work together to turn such opportunities into concrete development impact, through technology transfer, improvement of technical skills and production capacities, as well as the development of backward linkages.

The objective of this session is to discuss the role of investment - from China and the UK - in promoting sustainable growth in Africa - Ethiopia, Kenya, Mozambique, Zambia - and how stakeholders can collaborate to maximize its local development impact.

Items for discussions
• How can the development benefits of foreign investment be maximised in the host countries for skill development, job creation, backward linkages, and compliance with environmental and social standards?
• How can these investments bring technology transfer and processing capacity to bring local value-added/develop local value chains?
How can Chinese and UK companies support these benefits and/or partner to support these benefits? What can host countries, and Chinese and UK government institutions do to facilitate this process?

Keynote speakers

- **Prof. Justin Yifu Lin**, Director, Center for New Structural Economics, Honorary Dean, National School of Development, Peking University
- **Mr. Lin Songtian**, General Director, Department of African Affairs, Ministry of Foreign Affairs of the People’s Republic of China
- **Mr. Henry Zhang**, Deputy CEO and Head of Corporate & Institutional Banking, Standard Chartered Bank (China) Limited

Discussants

- **H.E. Mr. Seyoum Mesfin Gebredingle**, Ambassador, Embassy of the Federal Democratic Republic of Ethiopia in China
- **H.E. Ms. Winnie Natala Chibesakunda**, Ambassador, Embassy of Zambia
- **Ms. Hellen Chemuren**, Senior Investor Service Officer, Kenya Investment Authority
- **Mr. Adriano Maringue Chamusso**, Deputy Director General, Institute for Promotion of Small and Medium Enterprises, Mozambique
- **Ms. Helen Hai**, Chief Executive Officer, “Made in Africa” Initiative
- **Mr. Nick Lea**, Deputy Chief Economist, DFID

Moderator

- **Mr. Rajesh Aggarwal**, Chief, Trade Facilitation and Policy for Business, ITC

13:00 -14:30 Networking Lunch
Venue: Conference Hall B, Level 1, China World Hotel

14:30 -17:30 PLENARY SESSION 2
Anchoring Manufacturing and Agricultural Investments in Export Markets
Venue: Conference Hall C, Level 1, China World Hotel

To provide sustainable benefits to recipient economies, foreign investments need to target productive sectors, with high potential for job creation and trade competitiveness. Trade competitiveness is not only about promoting exports in isolation. It has become the result of interdependencies with international flows of technology, know-how and investment. The objective of this session is to discuss in which sectors and how African countries - Ethiopia, Kenya, Mozambique, Zambia - can take full advantage of investment opportunities - from China and the UK - to boost their trade competitiveness.
Items for discussions

- Which are the sub-sectors within the manufacturing and agro-processing sectors in Ethiopia, Kenya, Mozambique and Zambia with greatest potential to bring Chinese and UK investments while boosting global exports from Africa?
- What type of investment for which sub-sector?
- What are the market potential and barriers to exports to EU/UK, China and within Africa?
- What are the prospects for “offshoring” labour-intensive manufacturing from China to Africa? Which specific subsectors have greatest potential? What is the number of jobs that might realistically move? To what extent has this process already got underway?

14:30-15:30 Presentations + Questions and Answers

Speakers

- Ms. Julia Spies, Market Analyst, Market Analysis and Research, ITC
- Mr. David Mataen, Investment Expert, Trade Facilitation and Policy for Business, ITC
- Ms. Wang Linjie, Deputy Director, Commercial Legal Service Centre, CCPIT

15:30-16:00 Coffee Break

16:00-17:30 Panel Discussion

Discussants

- H.E. Michael D.M. Kinyanjui, Ambassador of the Republic of Kenya in China
- Mr. Aschalew Tadesse Mecheso, Investment Promotion Team Leader, Ethiopian Investment Commission
- Mr. João José Macaringue, President, Export Promotion Institution (IPEX), Mozambique
- Ms. Jessica Mwinga Chombo, Acting Director-Investments, Zambia Development Agency
- Mr. Wang Yong, Vice President, CADFund
- Mr. Stephen Gelb, Team Leader, Private Sector Development, Overseas Development Institute (ODI), United Kingdom

Moderator

- Mr. Nick Lea, Deputy Chief Economist, DFID

18:00 - 20:00 Networking Reception

Venue: Traders Hotel Beijing, Garden Terrace
Agriculture remains the key sector for economic growth in many African countries. It accounts for 40% of Ethiopia’s GDP, 25% in Kenya and Mozambique and 13% in Zambia. This is also the sector which can best transmit the gains from growth to the poorest, and women in particular, as the majority of the labour force in these countries work in agriculture.

Substantial challenges still exist to improve the competitiveness of the agricultural sector and bring benefits to all actors along the value chains, from smallholders to exporters and traders, such as the lack of appropriate technology, inadequate access to finance, and insufficient market information. Building business partnerships for sustainable foreign investment would contribute to bring technology transfer in areas such as irrigation, farm mechanization, post-harvest management, processing and packaging, marketing and agricultural support services, etc. to allow African companies increase value addition, move-up agricultural value chains and enhance competitiveness in regional and international markets.

The objective of this session is to discuss the opportunities, challenges, and technical assistance needs to promote Chinese and UK investment in the agro-processing sector in Ethiopia, Kenya, Mozambique and Zambia, and how business partnerships can facilitate such investment.

**Items for discussions**

- What is the potential for increasing Chinese investment in the agro-processing in Africa? What are Chinese companies looking for to be able to invest in agro-processing in Ethiopia, Kenya, Mozambique and Zambia?
- What are the capacity building needs in the agro-processing sector in Ethiopia, Kenya, Mozambique and Zambia to be able to attract and absorb foreign direct investment?
- What is the potential for international business partnerships in this sector, not only between Chinese and African businesses but also UK businesses?
- How can i) trade and investment support institutions (meso level); ii) policy makers (macro level); iii) service providers; iv) donor and
development agencies - such as DFID/UK and ITC; support investors and African SMEs?

- What are the needs for technical assistance in this sector?

Keynote speaker

- **Mr. Yao Yunwu**, Chairman, Jihai Group

Discussants

- **Mr. Dawit Adugna Tolla**, Senior Agro-processing Expert, Ethiopian Investment Commission
- **Ms. Agatha Juma**, Head of Public-Private Partnership, Kenya Private Sector Alliance
- **Mr. Nuno Maposse**, Coordinator, Marketing Service, Investment Promotion Centre, Mozambique
- **Mr. Simomo Akapelwa**, Vice-Chairman, Zambia Chamber of Commerce and Industry
- **Mr. Manuel Ortega**, Assistant Secretary-General and Deputy Director International Relations Department, China-Africa Business Council

Moderator

- **Ms. Jiajun Xu**, Deputy Executive Director, Center for New Structural Economics, Peking University

10:30 -11:00 Coffee Break

11:00 -12:30 **PLENARY SESSION 2**

**Promoting Investment in the Light Manufacturing Sector**

Venue: Conference Hall C, Level 1, China World Hotel

The light manufacturing sector encompasses key productive sectors to spur economic growth and development because of its potential for job creation and poverty reduction. Ethiopia and Kenya have undergone significant industrial transformation, while other countries are still emerging. The large demographic and income growth make these interesting markets for manufactured goods.

To attract and take full advantage of foreign investment to develop its manufacturing capacity, Africa must address challenges such as lack of appropriate technology to enhance supply-side capacity, access to finance, information on market demand and various regulatory and policy barriers.

The objective of this session is to discuss the opportunities, challenges, and technical assistance needs to promote Chinese and UK investment in the light manufacturing sector in Ethiopia, Kenya, Mozambique and Zambia, and how business partnerships can help grasp maximum benefits from such investment.
**Items for discussions**

- What is the potential for increasing Chinese investment in the light manufacturing sub-sectors in Africa? What are Chinese companies looking for to be able to invest in light manufacturing in Ethiopia, Kenya, Mozambique and Zambia?
- What are the capacity building needs in the light manufacturing sector in Ethiopia, Kenya, Mozambique and Zambia to be able to attract and absorb foreign direct investment?
- What is the potential for, and what might limit, international business partnerships in this sector, not only between Chinese and African businesses but also UK businesses?
- How can i) trade and investment support institutions (meso level); ii) policy makers (macro level); iii) service providers; iv) donor and development agencies - such as DFID/UK and ITC; support investors and African SMEs?
- What are the needs for technical assistance in this sector?

**Keynote speaker**

- **Mr. Zhang Huarong**, Chairman, Huajian Group

**Discussants**

- **Mr. Aschalew Tadesse Mecheso**, Investment Promotion Team Leader, Ethiopian Investment Commission
- **Mr. Rajeev Arora**, Advisor Textile Value Chain, Ministry of Industry, Investment and Trade, Kenya
- **Mr. Rogério Gudo**, Vice-President, Confederation of Economic Associations Mozambique
- **Mr. Maybin Nsupila**, Chief Executive Officer, Zambia Association of Manufacturers
- **Mr. Tang Xiaoyang**, Deputy Director, Carnegie-Tsinghua Center for Global Policy and Associate Professor, Department of International Relations
- **Ms. Clare Pearson**, Chair, British Chamber of Commerce, China

**Moderator**

- **Mr. Lin Shunjie**, Director-General, Department of Trade and Investment Promotion, CCPIT

**Schedule**

- **12:30 - 12:45**  
  **CLOSING PLENARY**  
  Venue: Conference Hall, Level 1, China World Hotel
- **13:00 - 14:30**  
  **NETWORKING LUNCH**  
  Venue: Grand Ballroom AB, Level 1, China World Hotel
- **14:30 - 16:30**  
  **PIGA WORKING SESSIONS (BY INVITATION ONLY)**  
  Venue: Traders Hotel Beijing