



Chinese and Brazilian Private Firms in Sub-Saharan Africa

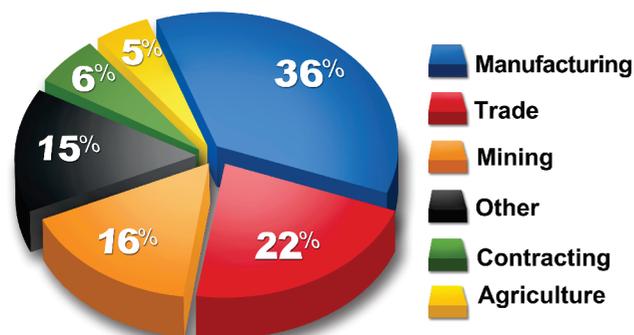
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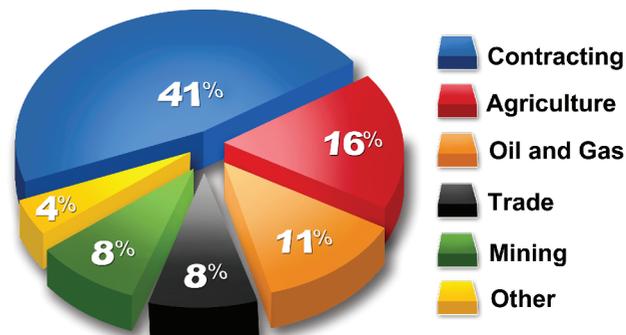
Who, Where, and Since When?

- **B**razilian private investment in Sub-Saharan Africa began in the 1980s. However, Brazil's expansive foreign policy during Lula's administration, heightened domestic demand, and the growth of South-South Cooperation dialogue led to an influx of large corporations in 2005 and 2006, quickly joined by an increasing number of small and medium-sized enterprises (SMEs).
- **C**hina has been active in SSA since the 1970s, in a much-discussed trade exchange focusing on extraction of natural resources to fuel China's economic growth. Recent data from China's Ministry of Commerce (MOC) shows that at least 55% of FDI in Africa is conducted by Chinese private investors, involved not in resource extraction but in labour-intensive manufacturing and service provision. Data collected from host governments in SSA indicate figures 2-7 times higher than China's MOC data, demonstrating the number of unregistered Chinese companies active in the region.
- **T**his fact sheet outlines the expansion and diversification of private investment from Brazil and China in SSA, and the extent to which private companies from the two countries are engaging in corporate social responsibility projects. It uses Angola and Mozambique as case studies. This should serve to illuminate the potential of private investment to contribute to development goals and South-South Cooperation.

Sectors of Chinese Private Investment in Africa * (1) (2)



Sectors of Brazilian Private Investment in Sub-Saharan Africa * (3)



Who's behind it?

* **T**he Chinese government, state-owned enterprises (SOEs), and private enterprises work in close conjunction in Africa. Large SOEs and state-owned banks, provincial government commerce departments, and at least one thousand private companies are present in the region.

* **T**he state retains a strong influence in sectors relevant to China-Africa trade such as electricity, petroleum, coal, telecommunications, construction, steel, and base metals.

* **T**he Brazilian Economic and Social Development Bank (BNDES) expects to disburse \$ 500 million for Brazilian companies in Africa in 2014. 98% of funds disbursed in Africa since 2008 have gone to SSA.

* **T**he Agência Brasileira de Promoção de Exportações e Investimentos (APEX) organises business fairs for Brazilian companies in SSA, the most recent of which occurred in July 2014.

* **T**he government encourages private investment in Sub-Saharan Africa through stimulus program messuch as Program Integration with Africa, which disbursed \$ 360 million for Brazilian firms in 2009.

* (1) China does not publish SSA investment data by sector. However, as a significant portion of Chinese investment in Africa goes to SSA, statistics pertaining to Africa can still be seen as indicative of general trend of Chinese investment in the region.

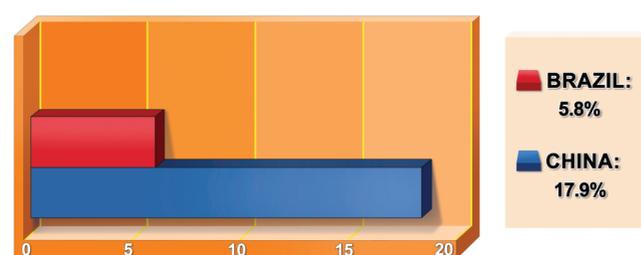
* (2) Shen, Xiaofang. 2013. "Private Chinese Investment in Africa – Myths and Realities". Policy Research Working Paper 6311, Research Support Team, World Bank. <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6311> Pg.7

* (3) Vieitas, Deborah and Aboim, Isabel. 2012. "África – Oportunidades para Empresas Brasileiras." Revista Brasileira do Comércio Exterior. http://www.bcgbrasil.com.br/Imprensa/Documents/Africa%20-%20oportunidades%20para%20empresas%20brasileiras%20_Revista%20Brasileira%20de%20Comercio%20Exterior.pdf
The categories for this graph were amended to match the categories of Chinese investment; for original categories, see original BCG Brazil Report.

Angola: A Closer Look

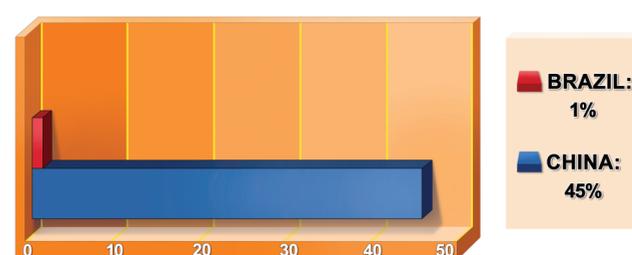
Chinese and Brazilian Imports from Angola

China and Brazil rank 2nd and 4th respectively in Angola's top import countries.



Chinese and Brazilian Exports to Angola

China and Brazil rank 1st and 19th respectively as Angola's top export destinations.



Brazilian Private Investment: Did You Know?

- **T**rade with Angola represents 0.4% of Brazil's total foreign trade.
- **O**f the 2.8 billion BNDES has disbursed for private funds in Africa since 2007, Angola has received 96%.
- **T**he highest number of Brazilian SMEs in Africa is in Angola.
- **A**lmost all Brazilian infrastructure projects in Angola are financed by five lines of credit worth \$ 5.2 billion, of which \$ 2.7 billion had been disbursed in 2012. Of the 65 projects financed by BNDES in 2012, 32 were conducted by Odebrecht, now the largest private employer in Angola.

Chinese Private Investment: Did You Know?

- **C**hina's trade with Angola is currently valued at over \$ 120 billion, the highest figure on the continent.
- **I**n what has become known as the Angola Model, Chinese commodity firms establish a trade deal on the back of which a separate infrastructure firm conducts construction projects via a revolving credit facility.
- **T**he Chinese government committed \$ 12 billion in credit lines to the Angolan government between 2002 and 2011. Health, education, energy, and water were priority sectors chosen by the Angolan government for the disbursement of these loans, with Chinese private firms playing a significant role in implementing projects. However, only 30% of the \$ 2 billion and \$ 2.5 billion committed in 2004 and 2007 respectively have been disbursed.
- **50** Chinese private projects, valued at \$ 73.6 million, received approval from the National Agency of Private Investment [Agência Nacional de Investimento Privado] between 2005 and 2007.

Mapped Out: Brazilian and Chinese Infrastructure Projects in Angola



Chinese Companies

Sinohydro:

- Investment of \$ 900 million in 30 projects in the country in hydropower, agriculture, hospitals, schools, and transportation.

Huawei:

- Expansion of telecommunications network to cover all districts of the country, in conjunction with Vodacom Mozambique.

China Roads and Bridge Corporation:

- Rehabilitation of the 444-km Luanda Railway.

China National Machinery Equipment Import Export Corporation:

- Acquisition of 36 large fishing trawlers and 3,000 boats for industrial and artisanal use, as well as 10 coast guard vessels.

China Construction Bank & Exim Bank funded projects carried out by private firms and SOEs:

- Rehabilitation and expansion of the electrical network of Luanda.
- Rehabilitation of electricity networks in Lubango, Namibe and Tombua.
- Rehabilitation of irrigation systems in the localities of Luena, Caxito, and Waco-Kungo.

Brazilian Companies

Odebrecht:

- Hydroelectric projects in Capanda, Malanje, and Cambambe, Cuanza River.
- Owns 40% of BIOCUM (Angola) an ethanol production firm.
- Founded and owns Nosso Super supermarket chain in joint venture with the Angolan government; 37 shops countrywide.

Petrobras:

- Joint venture with BTG Pactual (Brazil) for oil and gas excavation; partner in 6 blocks, operator in 4.

Vale:

- Joint venture with Genius (Angola) on research in minerals, particularly nickel and copper.

Andrade Gutierrez:

- Construction of transport networks towards International Airport of Luanda.
- Renovation and extension of the International Airport of Lubango.
- Renovation of Port of Luanda Containers Terminal.

Camargo Corrêa (CC):

- Construction of Maquela Airport.
- Partnership with Escom and Gema (Angola) for production unit in Benguela.

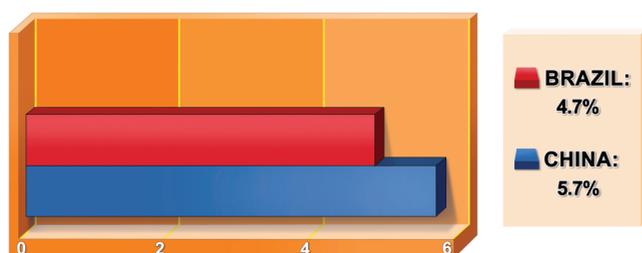
Asperbras:

- Involved in Special Economic Zones in Viana, Catete, Huambo, Negage, M'Banza Congo.

Mozambique: A Closer Look

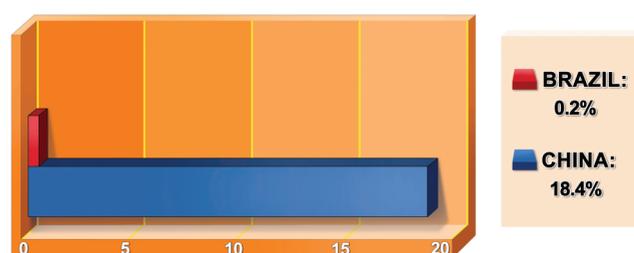
Chinese and Brazilian Imports from Mozambique

China and Brazil rank 6th and 9th respectively in Mozambique's top import countries.



Chinese and Brazilian Exports to Mozambique

China and Brazil rank 3rd and 26th respectively in Mozambique's top export destinations.



Brazilian Private Investment: Did You Know?

- I**n terms of FDI, Brazilian firms invest more than any other country in Mozambique, accounting for 42.5% of all FDI in 2012.
- P**rivate investment is concentrated in the sectors of oil and gas, minerals, agroindustry, and construction.
- V**alue of trade between Brazil and Mozambique grew from \$ 110 million to \$ 148 million between 2009 and 2013. Exports increased 14.6% and imports by over 500%, with a jump from \$ 4.1 billion in 2011 to \$ 24.2 billion in 2012.

Chinese Private Investment: Did You Know?

- C**hina extended its first credit line to Mozambique in 1989, worth \$ 12 billion.
- A** \$ 20 million fund was set up 1997/8 by the Chinese government to encourage Chinese private firms to invest in Mozambique.
- T**he Centre for Investment Promotion Development and Trade was established in 1999 by Mozambique's Ministry of Commerce and Anhui Foreign Economic Construction Group Co. to organize trade fairs, on occasion in collaboration with Macau, for Chinese and Macau companies working in industries ranging from solar energy to aviation engineering.

The Growing Importance of CSR

Increasingly, private investors across the globe are addressing issues of corporate social responsibility when investing abroad. Below are examples of Chinese and Brazilian projects in Angola and Mozambique.

ANGOLA

- ★ **Odebrecht partners with The Universidade Agostinho Neto** to offer a job to the best student of engineering. It also runs technical courses in professional training on 'Construindo Talentos' programme working in partnership with the Instituto Superior Politécnico Privado de Angola and the Ministry of Education.
- ★ **Camargo Corrêa runs the Kidimacaji project**, training young people from Cazenga, a low-income community in Luanda, for the job market through courses in electricity, IT, cooking and confectionaries. Angolan professors are being hired to run the courses in conjunction with Serviço Nacional de Aprendizagem Industrial (SENAI). CC renovated the Centre of Professional Training Santa Bakhita to host the project. Several students were chosen for scholarships to study at UNILINS, São Paulo.
- ★ **Sinohydro invested \$ 900 million in 30 projects in Angola** including hydropower, agriculture, hospitals, schools and transportation.
- ★ **Huawei is conducting project to provide free internet access for higher education students** in conjunction with the Ministry of Education and the mobile operator Unitel (Angola) each student receives a free computer and routers with a 625 UTT internet credits per month.

MOZAMBIQUE

- ★ **Vale runs projects on food security, health infrastructure, microbusiness, technical capacity, and technology transfer** in Cateme and 25 de Setembro, Maputo. They also ran a workshop on CSR in February 2014 on best practices, cooperation, and sustainable development for firms in Mozambique.
- ★ **Wanbao**, a mining corporation, has rented 30 hectares of land in Gaza province, 200 km north of Maputo. It has designated 10 percent of the land as demonstration fields to teach farmers how to grow rice. This includes lessons on how to plant rice in the correct pattern and how to use fertilizer.
- ★ **Lianfeng Farm** of Hubei Province was selected by MOFCOM to run an agriculture centre in Mozambique, training local farmers and bringing Chinese seeds for crops such as maize, rice, vegetables, and fruits.
- ★ **Camargo Corrêa** has renovated football pitches, schools and health clinics in Nacala, where the cement factories owned in conjunction with Insitec are located.

Potential for South-South Cooperation?

Already, Chinese and Brazilian private firms have built upon each other's presence in Sub-Saharan Africa, demonstrating potential for South-South Cooperation in the region...

- ★ **... in sustainable development:**
China and Brazil are cooperating on biofuel projects in Mozambique with EMBRAPA expertise and Chinese infrastructure investment.
- ★ **... in investment projects:**
Mpanda Nkua dam, Mozambique's biggest infrastructure project will be financed by China Exim Bank but constructed by Camargo Corrêa.
- ★ **... in developing markets:**
Brazilian officials have pointed out that a positive effect of Chinese investment for Brazilian firms is the boost to local incomes, creating consumer demand for Brazilian manufactured goods.