

# GLOBAL VIEWS



**Editor's note:** The world has undergone many changes and shocks in recent years. Enhanced dialogue between scholars from China and overseas is needed to build mutual understanding on many problems the world faces. For this purpose, the China Watch Institute of China Daily and the National Institute for Global Strategy, Chinese Academy of Social Sciences, jointly present this special column: The Global Strategy Dialogue, in which experts from China and abroad will offer insightful views, analysis and fresh perspectives on long-term strategic issues of global importance.

WU GUODING

## Paving the way for the RMB in Africa

African countries should loosen foreign exchange controls, creating a better environment for using the renminbi and China should expand currency swap agreements with more countries

Internationalizing the renminbi is an inevitable path for China to further economic development and financial opening-up. Boosting the use of the renminbi in African countries, which are important trading partners of China and participants in the Belt and Road Initiative, is key to the internationalization of the renminbi. It will help elevate China-Africa financial cooperation and economic and trade relations to a higher level.



The growing economic strength of China and Africa and their deepening cooperation in recent years have paved the way for increased use of renminbi on the continent.

China-Africa trade reached \$282 billion in 2023, of which Chinese exports to Africa stood at \$172.8 billion and its imports from Africa were \$109.3 billion. China has been the largest trading partner of Africa for 15 years. The growing trade has led to increased use of renminbi in cross-border transactions and created higher demand for renminbi as a reserve currency.

Among developing countries, China is the largest provider of investment capital to Africa. China's direct investment in Africa topped \$40 billion by the end of 2023.

Industrial capacity cooperation is a major form of cooperation between China and Africa. China has established industrial capacity cooperation mechanisms with 15 African countries.

Africa is China's second-largest overseas market for contracted projects, with a total of \$700 billion worth of African projects contracted to Chinese enterprises. Chinese investment and infrastructure projects in Africa have boosted the use of renminbi in Africa, and promoted the role of renminbi as a global currency.

Africa is a key participant in the BRI. So far, 52 African countries have signed BRI cooperation documents with China. The Forum on China-Africa Cooperation summits held in Johannesburg in 2015 and in Beijing in 2018 have brought the bilateral relations to a higher level, and created sound political and economic conditions for the wider use of renminbi in Africa. Other cooperation mechanisms

such as the China-Africa Renminbi Internationalization Forum and the China-Africa Inter-Bank Association have also created conditions for the internationalization of the renminbi.

Africa's economic integration has made solid progress in recent years. The African Continental Free Trade Area came into force in January 2021, facilitating the development of a financial industry in Africa. The Pan-African Payment and Settlement System, a system which China could leverage to boost the use of renminbi on the continent, was formally launched in January 2022.

Thanks to these favorable conditions, the internationalization of the renminbi has made some progress in Africa. Between 2010 and 2020, the cross-border trade settlement using the renminbi between China and Africa soared from 520 million yuan (\$73 million) to 79 billion yuan. Many African institutions are connected to the Cross-border Interbank Payment System. By early 2024, six African institutions were direct participants in the CIPS, with another 52 indirectly involved.

China-Africa currency swap has also made breakthroughs. China has signed bilateral currency swap agreements with countries such as South Africa, Morocco, Egypt and Nigeria. South Africa, Nigeria and Kenya have adopted the renminbi as a reserve currency. In addition, the Bank of China's branch in Johannesburg issued in 2017 the first offshore renminbi-denominated bond in Africa.

However, the internationalization of the renminbi in Africa still faces many challenges.

Due to long-standing internal contradictions and geopolitical competition among major powers, some African countries have been plagued by political instability. In addition, some African countries have yet to build a complete legal system, a credit system, and a sound business environment. As a result, foreign enterprises face more risks when operating there.

Because of the dominance of the US dollar and historical traditions, some African countries' financial systems rely heavily on the dollar and the euro, where the renminbi remains a minor player. Most African countries have strict foreign exchange controls, with

the exception of a few such as Kenya and Libya. These negative factors have limited the wider use of the renminbi in Africa.

Africa's economic fragility and structural deficiencies are also obstacles to the internationalization of the renminbi on the continent. In recent years, Africa has seen a growing trade deficit with China, which reached \$64 billion in 2023. The trade deficit has led to an insufficient flow of renminbi in Africa, hampering its wider use on the continent.

Some measures should be taken to boost the use of the renminbi in Africa.

It is imperative to encourage monetary authorities of African countries to loosen foreign exchange controls, and create a better environment for using the renminbi. It is equally important to introduce the benefits of using the renminbi and the policy of cross-border use of the renminbi to African market entities. Efforts should be made to train African market entities to enable them to use the renminbi. It is key to strengthening China-Africa industrial capacity and infrastructure cooperation. On the one hand, China could increase the supply of the renminbi to African markets. On the other hand, the cooperation can enhance the renminbi's role as an invoicing currency. African countries can earn the renminbi by providing commodities such as natural resources to China, and, in turn, they can use the renminbi to buy China's industrial products and infrastructure construction services.

China can also expand currency swap and renminbi settlement agreements with more African countries and encourage Chinese financial institutions to open branches in Africa or partner with local banks through investment or joint ventures. Additionally, more renminbi clearing banks should be established in Africa, either by Chinese banks or in cooperation with African national banks.

*The author is an associate researcher with the Institute of World Economics and Politics at the Chinese Academy of Social Sciences. The author contributed this article to China Watch, a think tank powered by China Daily. The views do not necessarily reflect those of China Daily.*



YAN GUO / FOR CHINA DAILY

LI XIAOYUN

## Growth engine for a continent

China-Africa agricultural cooperation exemplifies the vision of building a community with a shared future for mankind

China-Africa agricultural cooperation plays a vital role in their broader partnership, and viewing it as beneficial to only one side is a biased perspective. The differences in development between China and Africa, along with their respective strengths and challenges in agriculture, create a mutually beneficial relationship. Promoting China-Africa cooperation is crucial for Africa's

development, particularly in poverty reduction and agricultural advancement, as well as for China's agricultural growth.

First, the African continent, particularly sub-Saharan Africa, remains predominantly agricultural. In most countries, agriculture accounts for over 30 percent of GDP, with more than 70 percent of the population involved in farming and most people living in rural areas. Agriculture is crucial to these countries' economies and societies. However, low urbanization and limited demand for non-agricultural products pose challenges. Aside from cash crops such as coffee and cocoa for international markets, domestic demand for agricultural products is limited. For instance, our team has been promoting high-density maize planting in Morogoro, Tanzania, for a decade, but farmers often face the dilemma of unsold maize despite increased yields.

Second, sub-Saharan African countries have abundant land resources but low population density, resulting in less pressure on land. And many areas are in the tropics and have rich sources of food that do not need to grow on arable land, which also contributes to low agricultural productivity. In southern Tanzania, where we work, farmers in major maize-producing provinces achieve an average yield of only 50 to 100 kilograms per mu (one-fifteenth of a hectare). Even with simple techniques such as increasing planting density and weeding frequency — without using fertilizers — yields can increase

two to three times. Many African countries have substantial agricultural growth potential and could become key to global food security.

Third, in most African countries, rural areas generally do not face severe difficulties accessing food, provided there are no wars or natural disasters. However, the primary challenge lies in households lacking sufficient economic resources to meet their basic material needs. Farmers relying solely on family labor often cannot cultivate larger plots, leading to low productivity and limited commercialization. Additionally, insufficient domestic demand hampers the creation of a robust demand in urban and rural areas, resulting in slow income growth for farmers. Consequently, sub-Saharan Africa has one of the highest poverty rates globally — 36.7 percent in 2020, according to the World Bank standards, compared to just 1 percent in East Asia and the Pacific. Promoting agricultural development in Africa from a global perspective is crucial for poverty alleviation in the region.

Fourth, China's experience in transitioning from an agriculture-based country to an industrialized one, particularly in leveraging agricultural development for large-scale poverty reduction and rapid socioeconomic transformation, is highly relevant to Africa's current development stage. African agriculture needs to shift from extensive cultivation to increased land productivity. China's labor-intensive farming techniques can offer valuable insights for Africa to overcome its capital and technology constraints.

Additionally, manual and semi-manual agricultural machinery once widely used in China is also applicable in Africa. Therefore, China-Africa agricultural cooperation should focus on the complementarity of experience and application.

Fifth, as China is a major player in global agricultural trade, China-Africa agricultural cooperation can significantly boost African agricultural development. In the first half of 2024, China imported a total of

84.18 million metric tons of grain, with increased imports of wheat and soybeans. In recent years, China has reached a series of trade agreements with African countries. For example, China and Tanzania reached an agreement on soybean trade in 2020, making Tanzania one of China's soybean suppliers. In this sense China-Africa trade cooperation could provide impetus.

Sixth, with China's economic and social development, the spillover of Chinese agricultural education, research and technology has become increasingly evident. More Chinese research institutions and universities are beginning to engage with Africa. As an emerging economy, China's development process and experience over the past decades are highly relevant to Africa in its modernization drive. Viewing China-Africa cooperation as a mechanism for sharing parallel experiences, particularly in agriculture, is highly valuable. China's experience in maize, rice, vegetables, fruits and animal husbandry, based on small holder farmer development models, is highly relevant for many African countries, highlighting the unique value of China-Africa agricultural cooperation.

China-Africa agricultural cooperation exemplifies the vision of building a community with a shared future for mankind, where both sides establish a mutually beneficial partnership at their respective development stages. The cooperation includes bilateral, trilateral and multilateral development partnerships, as well as a new type of South-South cooperation formed through trade and investment, making it a typical example of global development cooperation in the new era.

*The author is lead chair professor of China Agricultural University and honorary dean of the College of International Development and Global Agriculture. The author contributed this article to China Watch, a think tank powered by China Daily. The views do not necessarily reflect those of China Daily.*



WANG JUN / FOR CHINA DAILY