

GOING GLOBAL

# Small can be beautiful for investors in Africa

China's SMEs can play a key role in the continent's next stage of industrialization

By **HOU LIQIANG**  
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China's small and medium-sized enterprises will find excellent opportunities in African countries eager to transform their economies because of falling commodity prices and the need for infrastructure.

Li Keping, president of China Investment Corp, believes that the experience of entrepreneurs behind these companies will prove crucial.

Also vice-chairman and chief investment officer of CIC, a sovereign wealth fund established as a vehicle to diversify China's foreign exchange holdings, Li said he hopes to produce maximum returns for his shareholders within acceptable risk tolerance.

Industrial parks can be a good choice for locating SMEs, he said. But there are other factors to take into account, such as natural resources, labor costs, environmental issues and government administrative efficiency.

Also, investing in industry requires a much longer commitment than building infrastructure, so Chinese companies involved in industrial sectors need to make sure they hire talented managers with an international mindset.

"With the development stage Africa is in, planning and strategic orientation" should be given priority when considering investing, he said, adding that only in this way can investments meet the countries' needs and lead to a win-win situation.

While Chinese companies



Li Keping, president of China Investment Corp, believes China has contributed a great deal to infrastructure development in Africa, which paves the way for the continent's economic success. PROVIDED TO CHINA DAILY

should carefully analyze potential investments, the economic situation means more alternatives will start to open up.

Countries with a high economic growth rate in Africa are those with resource advantages, including energy, forests and mines, he said.

"They earn their income by exporting resources. But after the price drops in staple commodities, especially petroleum and ore, the fiscal revenue of those countries has been greatly reduced. This has forced them to look into economic transitioning and diversification."

Debts from large infrastructure investments also make economic transition a priority in the years ahead.

China has contributed a great deal to infrastructure development in Africa, which offers the "foundation and precondition for Africa's economic takeoff".

"While all sectors of society benefit from this infrastructure, African governments don't profit from them directly," said Li.

"The price drops of staple commodities result in financial stress and even deficits, making it hard for many African countries to float loans to build infrastructure.

"As their credit is downgraded, they will find it more and more difficult to obtain financing. This makes it a must for African governments to seek a balance between infrastructure construction and economic diversification," he added.

"I found in my talks with some African officials that the countries, at least in their top policymaking, show a strong desire for China to participate more in their industrialization."

But their stage of industrialization is not at the same level as China's, which is now upgrading. Neither is it the same as the restructuring that is going on in major developed countries.

"Many African countries are now at entry-level industrialization, similar to the agricultural sector," Li said. "Chinese SMEs that have come up in the past several decades are the most experienced in dealing with such a stage.

"Though they have sur-

passed that level after several decades' development, these Chinese entrepreneurs have firsthand, personal experience in doing that.

"For many developed countries, however, it's the entrepreneurs of the previous generation or even earlier who

**BIO**

**Li Keping**

President, vice-chairman and chief investment officer of China Investment Corp

Age: 59

Education: Bachelor's degree in economics, Peking University

Career: Prior to his current position, he served as executive director, executive vice-president and chief investment officer of CIC. He also worked as deputy chairman of the National Council for the Social Security Fund, head of investment department of the National Council for the Social Security Fund. He was deputy director-general of the macroeconomic control department of the State Council Office for Restructuring the Economic Systems, and deputy director-general of the macroeconomic control department of the State Commission for Restructuring the Economic Systems.

have development experience in the stage African countries are in," Li added.

Investment at this early stage of industrialization may be too small for big Chinese State-owned companies. But SMEs are well suited for this kind of challenge, Li said. Projects in which the big, State-owned companies are involved in usually come at a later stage in industrialization.

While Chinese SMEs have potential advantages in African countries, Li said they still face hurdles in turning this potential into reality.

"Currently, many enterprises hold that the investment environment in Africa isn't comparable with that of Chi-

na," he said. "The problems include the low efficiency of governments, bureaucracy or failures to perform. This is quite widespread in Africa."

"For many SMEs, it's not easy to achieve success in Africa, even though there are opportunities and preferential policies there," Li added.

Naturally, it will take time and patience for Chinese SMEs to reap the rewards of their hard work in African countries.

"Knowledge in a specific area alone is not enough to work well overseas. This integration can't be accomplished through a single action, but it can get better and better," he added.

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