GUANGJIN INTERNATIONAL GROUP
广进国际集团

A model of cooperation

Focused on working with others to meet challenges

By **CHEN YINGQUN**

Chinese companies in Africa must work with each other as well as with enterprises from the continent to tackle a changing business environment, an industry insider says. Lu Hongfa, vice-general manager of the Guangjin International Group, says that over the past two years, working with African companies has become a more important way to explore the market.

"When Chinese companies go to Africa, we take talent, technology and capital, but we lack an understanding of local laws, policies and culture," he says. "For African companies who know the market and culture, they lack the capital, technology and management experience to succeed on a project. Many turn to companies like us for cooperation. This is a two-way relationship, and this model has become more and more popular."

Lu says that as the market in Africa becomes more regulated and as more Chinese companies enter Africa, it is important for Chinese enterprises with complementary advantages to collaborate with one another to better compete with international companies.

Guangjin International Group, begun in Angola in 2007 to meet a post-civil war demand for the construction of infrastructure, is involved in real estate, project management and international trade and logistics in China and abroad. The company has about 3,000 employees and five subsidiaries in Zambia, Nigeria, Angola, Cyprus and Sierra Leone, along with its headquarters and five subsidiaries in China, and subsidiaries in other countries. Annual revenue in Africa totaled about $200 million in 2013, accounting for roughly 25 percent of its entire revenue.

"It is important for us to ensure the quality of our work and also reduce costs through improving our technological and management skills in order to stay competitive," Lu says.

He says Africa represents a big market, especially in its main market of Angola, where the real estate industry is currently thriving and has kept up double-digit growth in recent years.

"There are also many projects for middle- and high-end housing or villas, so real estate will be an important business," he says.

Lu says that as African governments create more regulations and add further pressures on companies to meet standards, it surprisingly creates economic opportunities for Chinese companies.

"Facing these pressures will encourage us to be more creative in some industries," he says. "In the past, we relied on logistics and trade and import goods from China, but now we are investing locally and setting up factories in Africa. In the next three to five years, we will set up factories that produce water and drainage pipes as well as color-coated metals. We will also build assembly production lines in Africa."

Guangjin currently has a factory in Angola's capital, Luanda, to produce tubing. Next year, the company will begin a new project to produce color-coated metals with an investment of $30 million over the next three years.

"If we depend on the import of finished goods from China, there will be a 20 percent tariff on goods, so we want to produce locally. When we build a factory in a country, we not only target the country's market, but we also serve its neighboring markets," says Lu, citing as an example the exportation of products out of Luanda's port to Angola's neighboring countries.

The company is also facing further challenges in its makeup of employees to meet stricter rules that limit the number of foreign workers allowed in African countries. The company currently employs more than 500 Chinese in Africa and about 2,000 African employees.

"An important problem is the transformation of our staff," he says. "In the past, we relied on bringing people in from China, but based on current policies, we may need to reduce the number of our Chinese staff. We are currently working to employ more local talent in the next three to five years."

Lu says as competition becomes fiercer, it is increasingly difficult to survive if you focus on only one sector. He adds that Guangjin is diversifying its business across a number of African countries, including an investment in a beverage factory in Nigeria.

As Guangjin develops new business opportunities, it also must adjust to market demands and opportunities on the continent. This is where cooperation with Chinese companies comes into play. For example, with many enterprises in China faced with overcapacity and shifting their business to African markets, Guangjin has made efforts to step in and help those enterprises connect with African markets.

Despite the fact that more and more Chinese companies are entering Africa, Lu says most of the competition is coming from Europe, Brazil and India. In Angola's real estate industry, more than 80 percent of the real estate contracts are being made with Brazilian, Portuguese and Israeli companies.

As African companies currently look to recruit more talented workers and acquire better technologies, Chinese firms must vie with companies from other countries to fill this demand.

Lu says the biggest challenge for Chinese companies doing business in Africa is still the lack of knowledge of local systems, laws and cultures, though local African governments and chambers of commerce could help to improve investment environments. Yet another problem is finding enough capital.

"If a private company like us wants to compete with some major competitors, we need to invest tens or hundreds of millions of yuan into one project, which means we need more capital support from China," he says.

Lu says the company is working with the China-Africa Development Fund, but is also interested in working with other Chinese companies to strengthen their advantages in African markets.

"Africa is drawing a lot of attention, but the markets there are changing quickly. We need to seize the moment and be more decisive to capitalize on the right opportunities."

AFRICA OPERATIONS
CHEN-SHINE INDUSTRIA DE CONSTRUCAO LDA
Industry: Real estate, international logistics and trade
Founded: 2007
Headquarters: Luanda, Angola
Employees: More than 2,000
Revenue: $320 million

PARENT COMPANY IN CHINA
GUANGJIN INTERNATIONAL GROUP
Industry: Real estate, project construction, international logistics and trade
Founded: 2007
Headquarters: Zhengzhou, Henan province
Employees: More than 3,000
Revenue: $800 million
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- Founded Guangjin International Group (2007)
- Construction Manager of Angola branch, Sinohydro Group Ltd (2005-07)
- Joined Sinohydro Tianjin Engineering Co Ltd after graduation

LU HONGFA

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