

Seminar with China Development Bank
Economic and Financial Cooperation between Egypt and China
Sunday 18th of June 2023
EBA Premises

The Committee for the Development of Relations with China in EBA had held a Seminar with China Development Bank headed by Mr. Ahmed Ezz El Din the Chairman of the committee, with the presence of Mrs. Zhang Wenzhen Second Secretary Economic and Commercial Office - Embassy of P.R.China in Cairo and Mr. Ma Lu the Chief Representative of CDB Cairo Representative Office

The aim of the seminar was to discuss the role of the Chinese Development Bank in Egypt, the bank's vision in cooperation with Egyptian banks.

Mr. Ahmed Ezz El-Din, Chairman of the China Committee in EBA, confirmed that there is a great opportunity after the central banks of the two countries signed the protocol of the pound and the yuan, which will create greater growth in the Egyptian-Chinese trade movement.

Mr. Ahmed Ezz El-Din thanked the Chinese Embassy and the Economic and Commercial Office for their support for promoting trade and facilitating the issuance of entry visas for businessmen to China, which would contribute to increasing the volume of trade exchange.

He added that exports from China to Egypt are between 18 to 19 billion U.S \$ and exports from Egypt to China 1.8 billion U.S \$.

He stressed that the Committee and EBA had an effective role during the past 15 years in strengthening the bilateral cooperation, as we hosted trade delegations, and we were able to make successful partnerships with the Chinese side.

And we were among the first organizations to believe in the idea of the Belt and Road Initiative launched by Chinese President Xi Jinping in 2013, and to activate this initiative, we joined a group of important economic entities in China to promote this initiative and define how to benefit from it.

Mr. Ma Lu the Chief Representative of CDB Cairo Representative Office started by giving an introduction of CDB. Established in 1994, CDB is the leading bank in the field of medium and long-term investment and financing in China. By holding 4 wholly-owned or controlling subsidiaries:

CDB Capitals; CDB Securities, CDB Leasing, China-Africa Development Fund, CDB has formed an integrated financing service of “investment, lending, bond issuance, leasing, and securities.

As he added by the end of 2022, the total assets of CDB Group was approximately 2.63 trillion dollars, with a capital adequacy ratio of 11.37% and a non-performing loan ratio of 0.78%. Up to now, CDB Group has 12 thousand employees.

He explained that international business is an important business sector of CDB. Since 2005, CDB has actively promoted bilateral and multilateral economic and trade cooperation, and CDB’s international business has covered 115 countries and regions, which has effectively promoted the economic and social development of China and the host countries. By the end of 2022, CDB's outstanding foreign currency loans are more than 220 billion dollars, covering most countries in Asia, Euro, America and Africa. CDB have established 12 overseas institutions including Hong Kong branch and Cairo representative office.

CDB earnestly adheres to President Xi Jinping's policy concept of "sincerity, realness, affinity and sincerity" towards Africa, focuses on assisting African countries break the bottleneck of development. After years of hard work, CDB has provided over 60 billion dollars financing and investment to more than 40 African countries, supporting projects such as fiberglass fabrication in Egypt, railway upgrading in South Africa, power projects in Ghana and Cameroon, and promoting the agricultural modernization level in Angola, Ethiopia, Malawi, etc .

Next, he introduced the business of CDB in Egypt and typical projects. Egypt is one of the most important countries of CDB’ business in Africa. The Cairo representative office was established in November 2009. It is worth mentioning that the Cairo representative office is the first overseas representative office established by CDB, which fully reflects the closeness of financial cooperation between the two countries and the support of Egyptian government to CDB. Since it’s establishment, Cairo representative office has played an actively role as a bridge and link in promoting China-Egypt finance, infrastructure and production capacity cooperation, and made positive contributions to the business of CDB in Egypt. By the end of May, CDB has made commitments to 30 projects in Egypt, with a total commitment amount up to 9 billion dollars, total

disbursement amounts up to 6.3 billion dollars and the outstanding loan approximately 2.5 billion dollars.

In addition, the China-Africa Development Fund, controlling subsidiaries of CDB, undertakes the functions of making investment in Africa. The CAD Fund is also committed to guiding and encouraging Chinese enterprises to increase investment in Egypt. Up to now, CAD Fund has invested in 8 projects in Egypt, with a committed investment amount of 198 million US dollars and an investment balance of 123 million US dollars.

He showed the main products CDB could provide in Egypt include the following ones.

The first is financial institution loan; the purpose of loans includes providing foreign currency liquidity to commercial banks and on-lending loan to support the development of small and medium-sized enterprises in Egypt. In terms of on-lending loans, CDB has provided more than 2 billion dollars loans to major commercial banks such as National Bank of Egypt and Bank Misr, supported SME projects in education, medical, manufacturing, agriculture and many other fields

The second is Export Credit Loan in infrastructure field. In this regard, CDB supported Egypt's largest transmission line upgrade project - EETC 500 kilovoltage transmission line project which is constructed by China Electric Power Equipment and Technology Company. This project is also a sovereign loan which guaranteed by the Ministry of Finance of Egypt, CDB undertaken the role of mandated lead arranger. and provided 230 million dollars for this project. It is also the first transaction in power industry which implemented under the capacity cooperation mechanism between China and Egypt, and this project was also included in the achievements of the first "Belt and Road" Summit Cooperation Forum held in China in 2017.

The third is project financing, which CDB could provide financial supports for project construction. A typical project is CDB and its wholly-owned subsidiary, China-Africa Development Fund provided a total amount of 74 million dollars for the construction of China-Egypt TEDA Suez Economic and Trade Cooperation Zone in Egypt through a combination of investment and loan. By the end of 2022, the cooperation zone has attracted 137

enterprises (including 70 local enterprises), the investment of the enterprises in the cooperation zone exceeds 1.6 billion dollars, taxes paid are nearly 200 million dollars. The cooperation zone has directly creates 5 thousand jobs and promoted more than 50 thousand upstream and downstream jobs opportunities.

Fourth, Cross-border RMB loans. In 2018, CDB provided Central Bank of Egypt with 7 billion Cross-border RMB loans, which successfully supplementing Egypt's official foreign exchange reserves in the form of commercial loan and making positive contributions to Egypt's financial stability.

He added that the overall development of Egypt's banking sector is in good condition, the banking supervision is highly in line with international standards, and commercial banks have strong risk management capabilities. Since 2012, CDB has carried out extensive and in-depth cooperation with Egypt's financial institutions and built good cooperative relationship with Central Bank of Egypt, National Bank of Egypt, Bank Misr and other local financial institutions in Egypt, as well as multilateral financial institutions such as African Export-Import Bank. In this process, we also deeply appreciate the active efforts and attempts made by the Egyptian financial institutions to promote the financial cooperation between China and Egypt. We are willing to actively explore ways to strengthen cooperation with our Egyptian financial partners. In November 2021, at the opening ceremony of the Eighth Ministerial Conference of the Forum on China-Africa Cooperation, the Chinese government announced that it will work closely with African countries to jointly implement the "nine projects." It is mentioned that China will provide African financial institutions with a credit of US\$10 billion, focusing on supporting the development of small and medium-sized enterprises in Africa. In December last year and March this year, CDB provided National Bank of Egypt with a total amount of 300 million dollars loans, supporting 49 projects in the fields of SME developments and infrastructure construction in Egypt. This is a concrete measure taken by CDB to promote the implementation of Chinese governments' important outcomes. In the future, CDB will continue to adhere to the goals of high standards, sustainability, and benefiting the people's livelihood, actively promote the cooperation between the two countries' financial institutions and help the

two countries jointly build the "Belt and Road" cooperation with high quality.

In the end, he thanked EBA for organizing this event and the representatives of government departments, financial institutions and enterprises who attend the event.

Mrs. Zhang Wenzhen Second Secretary Economic and Commercial Office Embassy of P.R.China in Cairo started by apologizing that the Minister Counsellor cannot attend this event as he assigned her to discuss topics related to China-Egypt economic, trade and financial cooperation. She said that this is also the second event jointly organized by EBA, Chinese Embassy and Chinese businesses since this February. Embassy & Commercial Office of P.R.China would like to express sincere thanks to EBA and the China Development Bank for their thoughtful organization and preparation.

She added that the recent years have witnessed leapfrog growth of China-Egypt relations under the strategic leadership of President Xi Jinping and President Abdel Fattah El Sisi. The all-round cooperation between our two sides in industry, energy, infrastructure construction and other fields have delivered tangible achievements, further aligning the Belt and Road Initiative with the Vision 2030. China has been the largest trading partner country of Egypt for 11 years, with bilateral trade in goods reaching \$18.2 billion in 2022, far exceeding the level before the pandemic. China continues to import more agricultural products from Egypt, for example, the value of cotton imported from Egypt last year exceeded \$100 million, 18 times of that of the previous year. Egyptian pomegranates entered the Chinese market last August and have been popular among the Chinese consumers. The process of importing Egyptian Mangoes to China is currently underway, and it is expected that Chinese costumers will enjoy Egyptian mangoes in the near future.

In addition, the China-Egypt TEDA Suez Economic and Trade Cooperation Zone, jointly developed by China and Egypt, has attracted around 140 businesses from China and other countries; and Chinese businesses have implemented major national projects in Egypt such as the CBD project in the new administrative capital, the 10th of Ramadan Railway Project, etc. All these are concrete examples reflecting the deepening trade and investment cooperation between the two countries.

In recent months, due to interest rate hike in the developed economies and other factors, Egypt is facing some difficulties in its international balance of payment. Foreign exchange shortage and depreciation of the Egyptian pound bring some challenges to the international trade and financial cooperation. Some Chinese businesses and investors reported to the Chinese Embassy difficulties they had encountered. We note that the Egyptian government has taken various fiscal consolidation measures, issued bond and expanded export, etc. to increase its foreign reserve and cope with these challenges. The Central Bank of Egypt raised interest rates and took other measures to control inflation and keep the exchange rate stable. Despite the current uncertainties in the world economy, especially in the international financial markets, we believe that with the all the efforts of the Egyptian government and people, as well as the international community, these difficulties will definitely be overcome.

Financial cooperation is one of the important areas of the practical cooperation between our two countries. The two central banks signed the bilateral local currency swap agreement at the end of 2016 and renewed the agreement in 2020. Such an agreement will facilitate bilateral trade and investment, and further promote financial connectivity between the two countries. Regarding the issuance of Panda Bonds in China by the Egyptian Ministry of Finance, the technical teams of both sides are going through required processes. The Chinese Embassy is willing to actively promote the monetary and financial authorities of both sides to maintain close communication and cooperation and explore financial cooperation models that suit the needs of the two sides, therefore provide strong support to the economic and trade cooperation.

She stressed that this seminar is a great opportunity for businesses and financial institutions to come together and discuss cooperation opportunities.