China-Africa Joint Industrial Parks: History, Challenges and Solutions

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With vigorous economic cooperation in recent years, the China-Africa cooperation model has undergone profound changes. Production capacity is one of the key areas where this has occurred. In order to promote cooperation in this regard, China and Africa have jointly planned, built and operated a number of industrial parks, aiming to effectively utilize both sides' comparative advantages. This is also in line with the spirit of China's Belt and Road Initiative (BRI), the strategic goals of the African Union's Agenda 2063, and the common interests of China and Africa.

Development History of China-Africa Joint Industrial Parks

China-Africa joint industrial parks emerged around 2000. After the 2006 Beijing summit of the Forum on China-Africa Cooperation (FOCAC), large-scale enterprises started to join the construction. Recently, since the 2018 FOCAC Beijing summit, we have seen a new period coming, a period characterized by the Special Economic Zone (SEZ).

Initial period

The China-Africa joint industrial park is a new cooperation model originally created by trading companies. With the implementation of the "Go Global" strategy around 2000, many Chinese firms flooded into

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Africa. Because of fierce competition, they witnessed falling profits and were forced to change their strategy. Many of them have since chosen to build factories locally, mainly for market considerations. While many Chinese manufacturers face difficulties back home due to Western quota restrictions, particularly in electronic products, textile and light industry, Africa enjoys quota-free access and preferential tariff treatment in EU and US markets. This has attracted more Chinese companies to operate in Africa. For example, after trading with West African countries for several years, Henan Guoji Construction Group decided to build an industrial park in Sierra Leone in 2002, transforming an abandoned railway station into a productive assembly plant. Plenty of Chinese firms were introduced, producing construction materials, electrical components, plastic products, coatings, etc. This represented a new trend of Chinese investment in Africa in that period, although the park didn't survive the Sierra Leone civil war.

Another type of parks has been formed on the basis of trade promotion centers. In the 1980s and 90s, China's Ministry of Commerce (MOFCOM) established trade promotion centers in 11 African countries, relying on the provincial commerce departments, which gradually became the bridge for enterprises in these provinces to invest in Africa. Firms from the same province tended to go out together and build factories near each other, making an industrial park the ideal choice. This kind of parks or processing zones has strong "characteristics of the province of origin," and can be seen in Nigeria, Uganda, Cameroon, Tanzania and Ethiopia.

The third kind of parks is dominated by large Chinese enterprises. These enterprises came to Africa in search of resources during the early years. Later, upstream and downstream firms came too, as resource exploitation required much support that was unavailable in Africa. Industrial parks were thus formed spontaneously. In 1998, China Nonferrous Metal Mining Group (CNMC) obtained land development rights on the surface of the Chambishi copper mine in Zambia. In 2003, CNMC started to establish China's first overseas non-ferrous metal industrial park there. Textile parks also appeared early. In 2004, Yuemei Group of Zhuji, Zhejiang built a textile industrial park in Nigeria, followed by Esquel Group of Guangdong, who set another one in Mauritius in 2005.

Some other parks have been started by Chinese enterprises that were invited to Africa by African governments. Since the late 1990s, many African leaders have proposed to build their own "Shenzhen" or "Suzhou," which was welcomed by the Chinese government. In 1994, then Egyptian President Hosni Mubarak visited the Tianjin Economic-Technological Development Area (TEDA) and proposed to build industrial parks jointly with TEDA. In 2003, Taida Group from TEDA purchased 1 square kilometer of land in Egypt to independently build the Suez Industrial Park.

Institutionalization period

The 2006 Beijing summit of FOCAC led China-Africa economic and trade cooperation into a new stage, with the goal of "promoting Africa's industrial development and enhancing Africa's production and export capacity."[1] The Beijing Action Plan adopted at the summit declared that "China is ready to encourage, in the next three years, well-established Chinese companies to set up three to five overseas economic and trade cooperation zones in African countries where conditions permit"[2] to expand Chinese investment in Africa in the future.

During the summit, China and Africa decided to facilitate the negotiation, conclusion and implementation of the Agreement on Bilateral Facilitation and Protection of Investment and the Agreement on Avoidance of Double Taxation to create an enabling environment for investment cooperation and protect the lawful rights and interests of investors from both sides, thus providing policy guarantees for China-Africa joint industrial parks. Meanwhile, the two sides pledged facilitation necessary in terms of administrative approval procedures, customs clearance and border entry and

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1 "Forum on China-Africa Cooperation Beijing Action Plan (2007-2009)," Forum on China-Africa Cooperation, https://www.focac.org/eng/zywx_1/zywj/t280369.htm.

2 *Ibid*.

exit for company investors of the two sides. In addition, the China-Africa Development Fund was founded to encourage and support Chinese firms to invest in Africa, helping Africa achieve sustainable economic and social development.

Driven by FOCAC policies, seven existing industrial parks were selected into MOFCOM's Overseas Economic and Trade Cooperation Zones (OETCZs). Some of the parks even become key industrial projects in the host countries. The Eastern Industrial Zone (EIZ) in Ethiopia, established by a private enterprise named Jiangsu Yongyuan Investment, was approved as MOFCOM's OETCZ in November 2007. In April 2015, it entered the list of OETCZs released by MOFCOM and the Ministry of Finance. The Ethiopian government also regarded EIZ as an important part of its Sustainable Development and Poverty Reduction Program, and a priority of its national industrial plan.

After the 2006 FOCAC Beijing summit, building industrial parks in Africa became more popular among Chinese investors. In early 2009, the Tiantang Industrial Park was registered in Uganda by Tian Tang Group, in which there were over 10 resident firms. At the end of that year, Xinguang Industrial Group from Shandong built a textile park in South Africa and set up six factories, producing 30% of all blankets in Southern African countries. In 2010, PetroChina began construction of the Sunshine International Industrial Park in Chad, attracting more than 10 upstream and downstream firms. Two years later, the Beira Economic and Trade Cooperation Zone (ETCZ) emerged in Beira, Mozambique, which was owned by Anhui Foreign Economic Construction Group, while Jingrui Garments from Shaoxing, Zhejiang started the International Business Center in Togo. In 2013, China Merchants Holdings International and Qingdao Ruichang Cotton Industrial Co. followed closely, planning to build the Bagamoyo Special Economic Zone in Tanzania and the Agricultural Product Processing Park in Zambia respectively. The agreement to build the largest steel city in Africa was signed in early 2014, between the Limpopo government in South Africa and more than 10 firms including

HBIS Group.[3] In the same year, a metallurgical SEZ and an industrial park for platinum, gold, lithium and cesium was built up by Qingdao Hengshun Zhongsheng and other companies in Zimbabwe. The following year saw three parks rising up, namely Huajian Group's International Light Industry City in Ethiopia's Addis Ababa, China Harbour Engineering Company (CHEC)'s high-tech industrial park in the economic capital of Côte d'Ivoire, and CGCOC's integrated industrial park in Senegal. More recently, China Road and Bridge Corporation (CRBC) and BAIC Group also announced their plans, with the former building a center of logistics, manufacturing, aviation and capacity building in Port of Pointe-Noire, Congo,[4] and the latter a park in Kuha, South Africa with an investment of US$800 million.

SEZ construction period

The 2018 Beijing summit of FOCAC announced eight major initiatives in collaboration with Africa for industrial promotion. "China will step up support in the development of industries in Africa including processing and manufacturing and the development of special economic zones and industrial parks, and support Chinese private enterprises in setting up industrial parks in Africa and carrying out technology transfer, to help African countries build more diversified economies and stronger capabilities for self-driven development." "China will encourage Chinese companies to increase investment in Africa, build and upgrade a number of economic and trade cooperation zones in Africa … encourage Chinese companies to make at least US$10 billion of investment in Africa in the next three years."[5]

In order to promote China-Africa production capacity cooperation,

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3 "A Steel City Built in South Africa by Chinese," December 7, 2014, http://finance.ifeng.com/a/20141207/13335071_0.shtml.

4 "Wang Yi Meets with Foreign Minister of the Republic of the Congo," Ministry of Foreign Affairs of PRC, January 11, 2017, https://www.mfa.gov.cn/web/zyxw/t1429524.shtml.

5 "Elaboration on the Eight Major Initiatives of the FOCAC Beijing Summit," Ministry of Commerce of PRC, September 19, 2018, http://english.mofcom.gov.cn/article/policyrelease/Cocoon/201809/20180902788698.shtml.

the summit also announced that the BRI will be closely in line with the UN 2030 Agenda for Sustainable Development, the African Union's Agenda 2063 and each country's national development strategy. During the summit, 28 African countries signed memoranda of understanding (MOUs) with China on the BRI, making the total number of African signatories 37.

At the same time, facing problems of insufficient infrastructure, trade facilities and public services, China and Africa decided to implement an infrastructure connectivity initiative, a trade facilitation initiative and a capacity building initiative. With regard to the financial difficulties of African countries, the Chinese government promised that it is "willing to expand the use of local currencies in investment, funding and trade. China will give better scope to the China-Africa Development Fund, the China-Africa Fund for Industrial Cooperation and the Special Loan for the Development of African SMEs."[6] Chinese President Xi Jinping in his keynote speech committed a further US$60 billion financial support to Africa.

With all these favorable conditions, the enthusiasm of Chinese enterprises has further increased. A series of manufacturing parks, logistics parks, port economic zones and high-tech parks have been launched, which have not only enriched the diverse types of entities, but also increased the scale and level of industrial parks. For example, the Port of Pointe-Noire plan in 2013 has been upgraded into a national SEZ between China and the Congo. In July 2018, an industrial park constructed by China National Building Materials Group (CNBM) was opened up in Zambia. Four months later, CRRC established a joint R&D center in South Africa to promote the development of its rail transit equipment manufacturing base there. In late 2018, the Jimma Industrial Park in Ethiopia built by China Communications Construction Company (CCCC) was completed, attracting enterprises of textile, garment and other industries to settle in.

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6 "Elaboration on the Eight Major Initiatives of the FOCAC Beijing Summit."

Meanwhile, the industrial parks built by Chinese private enterprises have further diversified into agriculture, tourism and healthcare. In January 2018, based on the import quarantine agreement of cassava between China's General Administration of Quality Supervision, Inspection and Quarantine and the Tanzanian government, a Chinese private company, TAEPZ, began the construction of a cassava processing zone in Tanzania. The planned investment is US$1 billion for more than 10 productive processing plants.

Main Types of China-Africa Joint Industrial Parks

Currently, there are more than 30 operational China-Africa joint industrial parks, and nearly 70 under construction. Due to different industrial plans of each country, the functions and positioning of the parks and the incentives they receive vary widely. We can classify them in five dimensions.

Investors. Most parks are designed, constructed, and operated by China-Africa joint investment firms. Though Chinese investors play a leading role and most enterprises in the parks are Chinese, the African counterparts are also important.

The industrial parks can be divided into three types in terms of investors. The first type is those mainly invested by Chinese local governments, central stated-owned enterprises (SOEs) and local SOEs, such as the Suez ETCZ in Egypt and the Chambishi ETCZ in Zambia. The second type is led by private enterprises, like the Djibouti SEZ and the Huajian International Light Industry City. The third type of parks, mainly invested by commercial associations, can be seen in Cameroon and Uganda. Some Chinese firms own more than one park in Africa. For instance, the ETCZ in Zambia consists of two parts, the Chambishi copper mine and the industrial park in Lusaka, both of which are constructed and run by CNMC. Xinguang Industrial Group operates textile industrial parks in South Africa and Sudan. Companies like China State Construction Engineering Group (CSCEC), Hisense Group and CNBM also have plans in several African countries. CCCC's planned industrial parks along roads, railways and ports cover five African countries, while China Merchants Port's (CMPort) port economic zones involve six countries.

Ownership. Ownership structure varies in different parks, including some wholly-owned by either the Chinese or the African side, but most of them are owned by a China-Africa joint venture. For those jointly owned, African governments usually share in the project by providing land and capital. A few joint parks are financed through a public–private partnership (PPP) model with local governments, while the Chinese partner does the planning, construction, investment promotion, and sometimes operation and management. China-Africa joint management committees have been established in some parks. Parks wholly-owned by China include TEDA's Suez Industrial Park and Touchroad Group's park in Djibouti. In Suez, TEDA has land property, operational and management rights, while in Djibouti, Touchroad even possesses some administrative powers like taxation and security. For parks wholly-owned by the African side, some are also jointly planned, built and promoted by both sides, like those in Senegal, Côte d'Ivoire and Algeria.

Industrial policies. Judging from policy applicability, the parks fall into five types. First is the export free zone. In these parks, firms enjoy preferential policies related to taxes, fees and loans. Raw materials and semi-finished products can be imported duty-free, while local materials can be used with subsidies and concessions. The final products can be exported freely, but are restricted or completely prohibited from being sold locally. Most joint parks belong to this category, such as the EIZ in Ethiopia, TEDA's Suez Industrial Park in Egypt, and the integrated industrial park in Senegal. Second is the free port or the free trade zone, such as the SEZs in Djibouti, Bagamoyo Port and Pointe-Noire. In these zones, all manufacturers, processors, as well as warehousing, trade, logistics, hotel and other service providers can enjoy preferential policies. If the products are sold locally, import duties of the imported materials must be paid. Third is the free transit zone, such as the port industrial parks in Angola, Mozambique and Tanzania. Products transiting from these zones to other countries are exempted from customs duties. Fourth is the economic and trade cooperation zone (ETCZ), like the Zambia-China ETCZ, the Nigeria-Guangdong ETCZ and Mauritius's Jinfei ETCZ. Fifth is the high-tech industrial zone, which is mostly seen in South Africa. For this type of parks, the needed new technologies are imported from China, so as to raise the local industrial innovation capabilities and production level. A large proportion of these parks are co-designed by Chinese and African governments, and do not accept any backward production capacity.

Scale. China-Africa joint industrial parks can be found in most African countries that have diplomatic relations with China. In some countries, we can even find more than one, such as in South Africa, Egypt, Ethiopia, Nigeria, Algeria, Tanzania, Kenya and Uganda. In terms of scale, there are three types of parks. First, the parks listed in MOFCOM's OETCZs. These parks are usually large in terms of assets, number of resident firms and economic profits, such as the EIZ in Ethiopia, the Chambishi ETCZ in Zambia and the Suez ETCZ in Egypt. Being landmark projects for China-Africa production capacity cooperation, they have played an important role in developing local industries, earning foreign exchange, increasing tax income, boosting employment, and improving the local fiscal situation. Second, the medium-sized ones. These parks are usually dominated by a single firm, such as PetroChina's industrial park in Chad and Haishan Group's park in Angola. By improving self-sufficiency and providing import substitution of certain products, these parks also help promote related industries' development in the host country. Third, the small ones mainly built by private firms and local Chinese business associations, which promote economic diversity and development. The Tiantang Industrial Park in Uganda is an example.

Industrial functions. Among China-Africa joint industrial parks, there are industrial parks, agro-processing zones, logistics parks, port economic zones, commercial zones, tourism parks and other professional parks. Currently, the parks built by Chinese enterprises in Africa are mainly industrial parks, which can be further divided into raw material processing parks, export processing parks with supplied materials, and final product processing parks. Raw material processing parks use local raw materials like energy, minerals and timber for rough processing before selling to international markets, as we can see in Chambishi ETCZ. Deep processing is rare in this kind of parks. For the second type which is export-oriented, both the source of raw materials and the market are outside Africa, with the Huajian Light Industry City as a typical case. Most privately invested parks belong to the third type, the final product processing parks. They sell locally, such as the Tiantang Industrial Park and the Xinguang Textile Park in South Africa.

Opportunities for China-Africa Joint Industrial Parks

China-Africa joint industrial parks conform to the logic of historical and economic development, the interests of China and Africa, and the trend of China-Africa economic cooperation. Now, Africa enjoys competitive advantages of developing industrial parks, in line with China's BRI and the African Union's Agenda 2063.

Conforming to trend of international economic cooperation

For a long time, Africa's role in the global economic chain has been that of a mere resource provider, not that of a major market. With the development of science and technology and the improvement of the global trading system, the world is more closely connected and integrated. During the 40-year reform and opening-up, China's economy has developed rapidly, contributing to the collective rise of developing countries. The relationship between Africa's and China's economic development has been continuously strengthened. Since 2000, Africa's economic growth curve has been highly consistent with China's development trend.[7]

With more international cooperation and close bilateral relations, the

7 "Martin Davis: Close Connection between Chinese and African Economy," June 27, 2010, http://finance.sina.com.cn/hy/20100627/23208188441.shtml.

labor division also becomes more sophisticated. The traditional role of Africa as the raw material provider no longer fits the need of global production. Major manufacturers in the world, including China, are going through economic structural transformation, which may require Africa to provide primary industrial products. China-Africa joint industrial parks are in line with the logic of the historical development of international economic cooperation.

As for the law of global economic development, mainstream economists such as Raymond Vernon, W. Arthur Lewis and Justin Lin believe that industrial transfer dominated by "economic rationality" plays an important part. Since the emergence of globalization, there have been four rounds of world-scale industrial transfer, and the historic trend is still underway. As accelerated industrial upgrade has been taking place in China, labor-intensive industries will gradually transfer from China to other BRI countries, including Africa. Comparatively, Africa has its unique advantages. Therefore, in the first two lists of MOFCOM's OETCZs, projects in Africa account for 7 out of the 19. Moreover, CNBM's building material park in Zambia and China Overseas Ports Holding Company (COPHC)'s Djibouti Free Trade Zone are also expected to be included in the list.

Trend of cooperation conducive to construction of industrial parks

Since the BRI was proposed, strengthening investment in Africa has become the consensus of various departments in the Chinese government. China has been Africa's largest trading partner and third largest investor for many years.[8] In 2017, China's FDI stock in Africa exceeded US$100 billion, which is nearly 50 times the amount in 2010.[9] As more enterprises enter industrial parks, industrial agglomeration effect starts to emerge. The transformation of the China-Africa infrastructure cooperation model from

8 "Structural Change of FDI Inflow in Africa," Ministry of Commerce of PRC, January 11, 2017, http://www.mofcom.gov.cn/article/i/jyjl/k/201701/20170102499833.shtml.

9 "MOFCOM: China's Investment Stock in Africa Exceeds USD100 Billion," August 29, 2018, http://finance.sina.com.cn/china/gncj/2018-08-29/doc-ihikcahe9915490.shtml.

EPC (engineering, procurement and construction)[10] to BOOT (build, own, operate and transfer)[11] has greatly improved Africa's infrastructure and the environment of park development. Up until now, Chinese firms have built 5,756 kilometers of railways, 4,335 kilometers of roads, 9 ports, 14 airports and 34 power plants, more than 10 large hydropower stations and thousands of small ones for Africa. Private capital has also flooded into Africa since the BRI's implementation, under the guidance and promotion of sovereign funds like the China-Africa Development Fund, the China-Africa Fund for Industrial Cooperation and the Silk Road Fund. Commercial financing has become more popular among Chinese firms, which used to rely on sovereign guarantee financing.

Model of industrial park needed in African market

Considering mixed risks and opportunities in Africa, relying on the collective advantages of industrial parks seems the way to invest in Africa, in order to deal with the challenges of an unfavorable market environment there. Most Chinese manufacturers choose this option. In Egypt, nearly 80% of Chinese enterprises are located in several joint industrial parks. Moreover, since the industrial production chain in Africa is not complete, manufacturers' production needs could only be met if upstream and downstream industries are highly concentrated spatially. With a closely connected industrial value chain, maximum production capacity can be achieved and promoted to achieve industrial polymerization. This has been verified as an effective model of industrialization in Europe, America and East Asia. The absorption effect is another advantage of industrial parks, which helps expand the market, improve labor productivity, reduce industrial costs and make preferential policies available. It's especially important in

10 Under the EPC contracting arrangement, the contractor performs the whole or part of the process from design, procurement, and construction to commissioning of a project. Conditioned by an overall budget, it is usually made responsible for the project's quality, security, expenditure and schedule.

11 Under a BOOT model, infrastructure projects are built with financial support from private companies or international consortiums. They own and run the projects for several years according to the contract, and transfer the ownership to the government upon the contract's expiration.

Africa, where the market is fragmented, infrastructure is relatively backward, and costs of logistics, electricity and administration are high.

Favorable factors for construction of industrial parks in Africa

Africa is suitable for developing four kinds of industrial parks. First, raw material-oriented industrial parks, since Africa is rich in natural resources. Second, labor-intensive industrial parks, since Africa has the youngest population in the world. By 2050, 35% of the world's young people under 25 will be in Africa.[12] Third, market-oriented industrial parks for textile, food, electronics and other consumer goods, as Africa, with a population of 1.1 billion, is the world's largest market yet to be developed. Fourth, export-oriented industrial parks, due to the preferable policies Africa enjoys in developed and emerging economies, including tariff exemption and deductibles.

Africa has experience in building industrial parks. During World War I, Western colonists established processing industries in North, East and Southern Africa. Although these industries didn't develop into modern industrial parks or economic development zones, they did leave Africa an industrial base. In the 1970s, when African countries formulated their policies to achieve economic independence and industrialization, Egypt, Liberia, Senegal, Mauritius, among others, built a series of industrial parks. By the 1990s, export-oriented industrial parks with preferential policies of taxation and labor had been established in more than 20 countries, including Kenya, Egypt, Mauritius, Nigeria, South Africa and Zambia. In 2015, the number of industrial parks in Africa exceeded 200.

At present, it is the consensus of most African countries to develop special economic zones. Driven by the African Union, the African Development Bank, and the United Nations Economic Commission for Africa, African countries have successively formulated implementation plans

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12 "Des Emplois pour les Jeunes en Afrique," Groupe de la Banque Africaine de Développement, 2018, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Brochure_Job_Africa_Fr.pdf.

for the 2030 Agenda for Sustainable Development, Agenda 2063 and the New Partnership for Africa's Development (NEPAD), and their respective national industrial plans. Some plans have already been completed, such as those of the four development zones in Côte d'Ivoire, the four SEZs in the Republic of the Congo, the Tangier SEZ in Morocco and the Nkok SEZ in Gabon. Legislative work is also underway in some countries. For example, followed by Tanzania's promulgation of the Special Economic Zone Act in 2006, the South African Department of Trade and Industry formulated an SEZ regulation in 2014, and Egypt enacted an SEZ investment law specifically for the Suez Canal region based on its 2002 and 2013 SEZ laws. Kenya passed its Special Economic Zone Act in 2015 and Zimbabwe in 2016. In 2017, the Zimbabwean government declared that the Indigenization and Economic Empowerment Act does not apply to investors in SEZs, who can have 100% share of total investment.

Challenges to China-Africa Joint Industrial Parks

From the African side, four challenges are obvious for China-Africa joint industrial parks, namely security, financing, investment environment and economic policy. For investors and operators, homogeneous competition, lack of coordination and service insufficiency stand out as primary issues. For firms in the parks, the main issues comprise internationalization, localization and legal compliance.

Problems of African countries

Investment security is a common problem in Africa. It is the most important factor in determining an industrial park's development, as the parks usually attract strategic, long-term and asset-intensive investment, which is vulnerable to major risks. In Africa, the forms of security risks include regime change, tribal conflicts, military conflicts and terrorist attacks.

Financial environment is also a constraint. Industrial parks are immovable and capital-intensive projects, facing a high risk of asset devaluation and disruption in the capital chain. Due to Africa's small and fragmented market, weak and brittle fiscal structure, unstable exchange rates and fragile financial order, financing costs in the African local market are high, with interest rates in some countries exceeding 15%, even 25% in Malawi.[13] Low credit rating of African countries is another problem, which limits investors from using African assets as mortgage in international financing. In addition, during periods of financial turmoil, some African countries adopt foreign exchange control measures that can cause disruption to many firms' capital flow.

Third, the investment environment in Africa needs improvement. The development of industrial parks requires friendly social public services, as well as favorable soft and hard investment environment. However, in both soft and hard aspects, Africa is relatively weak. This is the most urgent problem for foreign investors. For a soft environment, law and standard adaptability, trade facilitation, social security, tariff reduction, labor regulation and human resource quality are the most critical items. For hard environment, the main elements are supplies of electricity, transport facilities, construction materials, social services and medical care.

Last but not least, policies are not always stable. Political stability and long-term planning are lacking in many African countries. When faced with conflicts between long-term and short-term interests, or between general and specific interests, plenty of African governments are short-sighted. They change policies frequently, abandon agreements signed with foreign firms and even blackmail them. Moreover, as the political and economic lifeblood of many African countries are still controlled by the West, their autonomy is insufficient in formulating the domestic and foreign policies needed to stabilize the policy environment. With the implementation of the BRI and China-Africa production capacity cooperation, Western dominance in Africa is challenged. To avoid this, the West has used various obstructionist

13 "High Interest Rates Ruin Malawi's 2015," Ministry of Commerce of PRC, December 30, 2015, http://www.mofcom.gov.cn/article/i/dxfw/gzzd/201512/20151201222695.shtml.

and destructive measures to constrain equitable and win-win cooperation between China and Africa, hindering the development of China-Africa joint industrial parks.

Problems of park investors and operators

Homogeneous competition is the biggest problem. Most China-Africa industrial parks are built by enterprises spontaneously. These firms often rush into the same industry due to insufficient communication and coordination, causing cutthroat competition. Moreover, the parks are mostly manufacturing ones with the same development model. This problem can be witnessed on both country and provincial levels.

Failure of coordination in terms of planning, construction and operation ranks second. In the absence of a full understanding of the whole production chain and the difficulties of coordination, park investors usually face risks after the construction and investment promotion phase. Besides, the design of factory, living and commercial areas in the park often disappoint the enterprises, since the constructors lack professional knowledge of the manufacturing industry. In addition, most parks are invested by a single enterprise, which places more emphasis on construction than operation. Due to a lack of professional experts in the early stages of planning and development, the enterprise may find itself in a predicament later.

A clear understanding of the local business environment also matters. Park investors tend to focus only on individual factors of the production chain, ignoring other key elements such as safety, market environment, finance, commerce and logistics. There are actual cases of huge losses, which were caused by incomplete study of local social security, judicial fairness, financial freedom, investment and commercial convenience, logistics costs, and labor productivity, among other factors.

Fourth, management and service capabilities. Most operators of China-Africa joint parks are contractors with little park management experience. When running the parks, these operators would directly borrow the experience back home, from design drawings to management regulations. Some even still regard themselves as administrators rather than servers. However, in Africa, most park management committees cannot enjoy the administrative powers bestowed by local governments.

Problems of enterprises in the parks

Internationalization. The history of Chinese companies in Africa is not long. Many firms have little experience in dealing with problems caused the differences in business environment between China and Africa. Additionally, most Chinese firms came early to Africa and engaged in trade, energy and mineral development, and project contracting, without enough experience in manufacturing. Even though "single window" or "one-stop service" measures can be helpful with many administrative issues, many problems specific in Africa remain difficult to be settled.

Localization. Chinese firms face a dual challenge of management localization and employee localization. Management localization is far from being achieved, as Chinese SOEs tend to adopt centralized management while private companies are run by families. Breaking promises and sacrificing principles for profits are even witnessed in a small number of Chinese enterprises. With regard to employing local labor, although it is required by African governments and people and is written into many countries' labor laws in the form of a minimum percentage of local employees, some Chinese firms still ignore it. The reputation of China-Africa joint industrial parks is affected by cases in which Chinese firms violate host countries' visa regulations to use Chinese labor illegally.

Legal compliance. Due to some African countries' low governance capacity and the Chinese government's weak supervision, some Chinese firms in Africa disrespect the law. A few companies only seek short-term benefits without caring about brand reputation. They get involved in problems like evading taxes, forging contracts, using poor-quality materials, producing counterfeit and inferior commodities, etc.

Solutions to Challenges of China-Africa Joint Industrial Parks

Nowadays, China-Africa cooperation on industrial parks has entered a period of rapid progress. On one hand, this provides unprecedented opportunities for economic development in both China and Africa. On the other hand, it also brings challenges, such as risks to the security of investment and homogeneous competition. In this regard, the Chinese government and the firms concerned should plan proactively and respond appropriately, in order to push industrial park cooperation to a higher level.

For the Chinese government, there are four pieces of advice.

First, strengthening planning of and guidance for industrial park development. At present, the parks fight each other in terms of industrial positioning and investment promotion. To avoid it, related government agencies should formulate an overall plan for overseas industrial parks, making it more relevant to the strategic needs of China-Africa cooperation and the real conditions of each African country. Key projects should be focused on and arranged in advance, according to the basic development logic of industrial parks and SEZs. More policy support is also necessary.

Second, harmonizing the management of parks. Currently, government departments at all levels seem to have a say in managing overseas industrial parks. The government could upgrade production capacity cooperation to the national strategic level and establish unified coordination of all relevant departments' efforts.

Third, coordinating better with African countries. The ideas, measures and mechanisms of government administration in Africa are under-developed. Improving Africa's administrative governance is beyond investors' capacity. Therefore, the Chinese government should take the initiative to help African countries rationalize their development ideas and improve their management and services.

Fourth, helping firms with financial difficulties. Grants should be allocated carefully, focusing on planning of industrial parks, training of local employees and improvement of investment environment. The two preferential facilities from the Export-Import Bank of China, namely the Chinese Government Concessional Loan and the Preferential Export Buyer's Credit, need to be reasonably used to support key projects. Financial innovation is worth trying, so new models could be explored, like offshore guarantees for onshore loans. Banks, insurance companies and other domestic financial institutions ought to be promoted to enter overseas industrial parks.

For park operators and enterprises in the parks, we have equally four pieces of advice.

First, choosing industrial positioning rationally. The choice of industries should be decided on the basis of local resources and market demand, so that resource, capital, technology and labor can be integrated to improve productivity and the economic development level in the local community. Park operators must be careful in choosing partners in the planning stage, constructors in the construction phase, and enterprises in the operation stage.

Second, highlighting capacity building. To give enterprises in the parks a better business environment, it requires park operators to improve their management and services. Resident firms should also enrich their knowledge of local environment, so together with park operators, risks and problems encountered locally can be resolved. To maintain the upward trend of industrial development, technological upgrades as well as skill training and retraining for workers are vital.

Third, synergizing with local governments' efforts. As bridges connecting local governments and resident enterprises, park operators can inform enterprises of local policies, while at the same time reporting enterprises' needs to local governments. Only by knowing local industrial policies, can the firms comply with local laws and meet local needs.

Fourth, upholding justice while pursuing shared interests. The balance between individual interests and other people's interests, and also between short-term and long-term interests should be kept. Relations with host governments, local people, business partners and employees should also be well handled.