



**China-Africa Joint Research Exchange Project 2015**

**Preliminary Report**

**By  
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# **Assessing China's Opening Up Reform Best Practices for Africa's Industrial Growth Through FOCAC**

## **1.0. SUMMARY**

The Africa Institute of South Africa (AISA) at the Human Science Research Council is mandated to promote knowledge production on African Affairs. Fieldwork undertaking is one of the key methods of AISA's research undertaking. From May 25- May 12, 2015, I undertook research in Beijing and Guangzhou to determine whether South Africa and Africa can learn from China's opening up and reform; and determine whether a model could be developed which could outline key substantive and procedural factors that may assist the development and implementation of effective industrial programs on the continent. The research undertaking very constructive particularly due to the China Association of Development Zones. I was able to go to not only have theoretical discussions with scholars, but also met practioners, visit several zones which helped me determine first hand, the levels and capacity of industrial development in China. Based on China's experiences, the interviews discussed both challenges and positive routes that the industrialization process could undertake on the continent. Most of the respondents were quite open. My key findings established that while Africans need to craft their own model, there are strategic lessons to be learnt from the China reform process, China is very open to assist on continental reform measures, and there were a lot of local governments and companies which had a strong interest in doing business in South Africa and Africa.

### **1.1. Research Objectives**

The objectives of this research undertaking was designed to establish best practices African countries can learn if possible from China's Opening up and Reforms. The proposed study formulated the following objectives in accordance with the specific hypothetical questions presented in the preceding section:

1. Examine Beijing, and Guangzhou best practices for opening up and reform policy implementation in China

2. Determine governance best practices in establishing the Chinese economic and opening up reforms?
3. Investigate prospects of utilizing FOCAC as a platform to assist the AU industrial strategy based on lessons learnt from China opening up reforms
4. Examine the possibilities of crafting an Africa based model based on lessons learnt from Deng Xiaoping economic theories

## **1.2. Research Strategy and Methodology**

Through assistance from CADZ, the China Academy of Social Sciences (CASS), Jinan University, the and the South African High Commission this fieldwork was premised on a two-pronged approach; gathering information via interviews, through purposive question sampling where participants were purposefully selected based on their availability and their relevance in assessing lessons to be learnt from China reforms and industrialization, and direct observation which by definition requires the researcher to be in the field, or to be present in the natural settings such as Special Economic Zones (SEZs) where the phenomenon under study takes place.

## **2.0. RESEARCH ACTIVITIES IN BEIJING**

**2.1. May 25@ 2:00pm: meeting with South African High Commission.** The Commission discussed that they were working on consolidating a plan that would be submitted for FOCAC. They recommended an Ethiopian Ambassador due to his involvement in FOCAC. Also given China's investment in Ethiopia, they suggested the Ethiopian Ambassador would have a better clue of how the process has been working. They would also assist regarding the zones when in Guangzhou through their trade and industry section

**2.2. May 26 @ 10:00am: Meeting with China Academy of Social Sciences (CASS):** At this meeting we discussed reform issues. The academics there indicated how China came from an era of a planned economy, which was primarily founded on the system of public ownership, giving priority to enriching state as an important characteristic of a planned economy. We also discussed how China is now in a big transition as well as development. Given that the researchers were a diverse group of scholars, some with a focus on areas such as Nigeria, I got different views on how the previous and ongoing reforms could be possibly reconfigured on the continent

### **2.3. May 27 @ 10:00am: Meeting with China Association of Development Zones (CADZ):**

The objective of CADZ is to publicize development zones, promoting exchange and cooperation among development zones and well as boosting sound development. We had a long discussion where they gave me a background of the development of SEZ's in China and also discussed challenges they have faced in the process. I was very happy to meet someone who had actually been part of the zone development process during the initial stages in the 1980s. CADZ also had an interest in what was going on in South Africa and indicated how they plan to come and co-host a forum with the World Bank during the FOCAC period. Based on my research interests, CADZ also discussed the various areas I could conduct research and promised to introduce me to the relevant parties

### **2.4. May 28@ 2:00pm: China Institutes of Contemporary International Relations (CIRCIR).**

We discussed industrial development and its challenges on the continent. The colleagues indicated that South Africa has not moved towards industrialization and has become more of a patronage society unlike Nigeria where there is a booming middle class developing due to small businesses that are emerging. They indicated that Nigeria's economy is growing and beat South Africa due to this upcoming business development. For South Africa to meet industrial targets it will have to shake off the patronage system. Reforms will only become a success on that basis.

### **2.5. May 29 @8:00- 4:00pm Tianjin:**

Tianjin Economic-Technological Development Area (TEDA) is one of the oldest economic zones in China. TEDA, established in 1984 on a wave of economic reform promoted by Deng Xiaoping, was one of a series of state-level development zones designed to attract foreign direct investment and promote a model of economic growth based on strong manufacturing and international trade. During its first two decades, TEDA's primary focus was manufacturing and export, much like of the rest of China. In the early 2000s, however, the economic zone was one of the first to start looking ahead. Of relevance to South Africa is how TEDA has moved quickly up the value chain, introducing to its expanded campuses a range of high-tech and high-value new enterprises. I was shown the industrial zone in particular the One Stop shop service process which I did a thorough examination to see whether SEZ's in South Africa could emulate some of the same structure.

I also then met with the manager responsible for Egypt TEDA Investment. The investment is an industrial park set up in the Northwest Suez Economic Zone, about 45 km southeast of Suez City, Egypt. The park is being developed by Egypt TEDA Investment Co., a joint venture between Tianjin Economic-Technological Development Area (TEDA) Investment Holdings and Egyptian interests. On April 2 2013, the Egyptian government signed an investment agreement with the Chinese TEDA Corporation to develop part of this joint industrial zone near the Suez Canal. TEDA has already brought investments of about \$600 million through 38 investment projects in the China-Egypt Suez Economic and Trade Cooperation Zone. There were lessons of governance to be learnt from the Egypt-China case of relevance to the continent

**2.6. June 1@ 10:00am: The Lekki Free Zone.** The Lekki Free Zone is set to boost Nigeria's economy by opening up trade routes to bring about an unprecedented surge in logistics and business. Through the Lekki Free Zone, Nigeria is hoping to change its country's destiny. Lekki Free Zone Development Company FZC (LFZDC ) is the Joint Venture incorporated and established in Lagos, Nigeria in May 2006 among China-Africa Lekki Investment Ltd. Based on their experiences Mr Guo Hao, Senior Advisor indicated five very interesting criteria for industrial success in Africa; strategic location, sound infrastructure, strong government support and robust legislation

**2.7. June 1@ 2:00pm: Tsinghua University:** There was a discussion on the role of technology at SEZ's. They informed me that Tsinghua is amongst the best in the country with about 50,000 graduates every year. They said many students come back home from the West and work in the zone their university is involved in. The zone was first a shopping mall, but now high tech companies are there including start-ups. They said they had an incubation zone for university outputs. Basically they design the research and Shenzhen on the other hand does the manufacturing of the products. The issue was whether we implement the same structure in South Africa, feeding in industrial technology and incubation at our SEZ's?

**2.8. June 2@9:00am. Ministry of Foreign Affairs of the People's Republic of China.** Ambassador Songtain imparted a wealth of information from human resource development for the continent, to mobilization of investors for industrial development strategies. For

example he discussed adding at least 10,000 more scholarships for technical management experience and skills transfer for Africans in China. He also indicated that in terms of manufacturing on the continent, there were 3 key countries identified, Ethiopia, Tanzania, and Kenya which would serve as pilot countries. He said the continent also needs to do its part in areas such as law and regulations for safety, and incentive policies for businesses to settle. In regards to South Africa, he indicated how the country needs to work on issues of electricity, human resource development and security

**2.9. June 2@ 2:00pm: International Economic Institute of Tianjin Municipal People's Government, Africa Division.** We discussed Tianjin's economy as the city of Tianjin recorded China's highest per-capita GDP with \$13,393, followed by Shanghai with \$12,784 and Beijing with \$12,447. At the same time, Tianjin is actively developing financial reform and innovation. Tianjin has become the pilot city with the most industrial investment funds in China. Tianjin pillar industries are electronic information technology, automotive, biotechnology and pharmaceuticals, metallurgy and petrochemicals industries. The manufacturing sector was the largest (54.8%) and fastest-growing (18.2%) sector of Tianjin's economy in 2009. Major industries include petrochemical industries, textiles, car manufacturing, mechanical industries, and metalworking. The researchers from this institute have a strong interest in collaborating with AISA-HSRC in the future

### **3.0. RESEARCH ACTIVITIES IN GUANGZHOU**

**3.1. June 4@10:00am at Jinan University:** The meeting was to discuss prospective visits and logistics beginning with the trip to Shenzhen on June 5<sup>th</sup>. We discussed a lot also about the One Belt One Road and what it will mean for Guangzhou and industrialization

**3.2. June 5: @10:00aam at China Development Institute.** Mr. Li Luoli, Deputy Secretary General, indicated 5 reasons why Shenzhen had been successful which were the national policy for preferential treatment which differed from other provinces, secondly they had their own innovative institutions, thirdly, the government of Shenzhen had a spirit of innovation which reflected on industry, 4<sup>th</sup>, Shenzhen close to Hong Kong and 5<sup>th</sup>, political expediency through the bureau of investment services. Shenzhen used to copy like with cell phones, and now they have started their own, so the focus is on industrialization more from the electronic side. South Africa should consider the model especially the Bureau of

investments which as political figures like the mayor to ensure that investors have little challenges in getting their municipal needs met.

**3.3. June 8: Guangzhou Local Government official:** He explained how the drive toward a market economy has, as might have been expected, borne fruit first in the more populous and industrialized cities of eastern China which include Beijing, the capital, Guangzhou, Shanghai and Shenzhen. He indicated how the Guangzhou government had accelerated the process for establishing Nansha New Area and Free Trade Zone in 2015. In regards to the One Belt one Road he discussed how Guangdong is one of the earliest regions in China that traded with foreign countries. It is also the birth place and starting point of the ancient Maritime Silk Road. He stated that Guangzhou will probably strengthen the cooperation with other cities which related to the One Belt one Road. In addition, the government will encourage companies invest beyond the borders and contract projects. Reform is the most powerful weapon for Guangzhou development. Moreover, there is a lot of cooperation that can happen between South Africa and Guangzhou as they are always looking for more business opportunities

**3.4. June 9 @ 2:00pm. Guangzhou Development District.** Established in 1984, it is amongst the first groups of such developments that were approved by the central government. It has given birth to 10 state level industrial bases in the zone, which are respectively devoted to IT, biology, new materials, industrial design etc. What was of interest to me was how the zone has addressed brain drain, a challenge that South Africa has. The Development District has attracted a number of overseas educated personnel to pen business in the zone and made it easy for them to resettle. Also the place reminded me of COEGA and maybe we could learn something from them given their industrial clusters which feed into the manufacturing. At COEGA the structures are not that organized.

**3.5. June 10 @ 11:00am: Shenzhen, Yantian, Free Logistics Zone.** The zone was founded in 1996. Its total planned area is 0.96 square kilometers and its current area is 0.85 square kilometers. The zone has a very good location for transportation. It is very close to the national highway G205 as well as the port and the airport. Of interest to me at the zone were major industries which include logistics, shipping and raw material processing which are relevant for South Africa. Also of relevance is the Western Cape SEZ which has a port which could use some of Yantians port best practices. As one of the four largest container



terminals in China, Yantian Port has opened 46 international sea routes connected to Europe, Asia and Pacific Regions. All kinds of public utilities in the South park of Yantian Port Free Trade Zone have been completed, such as land levelling, road construction, water supply, electricity supply, post communication, telecommunications, drainage, etc

**3.6. June 11@ 2:00pm at Shantou Zone.** I did not get a full official tour but I managed to gather some firsthand information. I was interested in visiting this zone because it reminds me of the South African ones. It has been very slow to develop compared to Shenzhen or Zhuhai. It has a port which plays an important role in the province of Guangdong's economy, shipping to nearby Hong Kong, Taiwan and other regional Asian destinations. Although Shantou is not known as a manufacturing power, its decent location, logistical infrastructure, and various SEZ incentives make it a viable investment option. Shantou's main industries include (toy production, textiles, plastic products, electric power, machinery, and chemicals). These industries are mainly concentrated in the light-manufacturing sector. Its skilled labor force is fed by Guangdong province's 100 universities, enrolling 874,000 students. There are some lessons that South Africa can learn from this zone in particular

**3.7. June 12@2:00pm at Zhuhai Zone:** Zhuhai is interesting due to its rapid growth. Zhuhai is located in the southern part of Guangdong province, which was ranked the largest economy in China in terms of GDP in 2013. The city of Zhuhai has grown rapidly since it became an SEZ in 1980. Its advantageous position bordering Macau helps to make it a window for foreign investment into the SAR. Zhuhai boasts over 10,000 foreign funded projects and 30 fortune 500 companies. Zhuhai's main industries are primarily in the light-manufacturing sector: electronics, information technology, home electrical appliances, petrochemicals, electric power supply and bio-pharmaceuticals. Its two ports and one domestic airport connect it to the rest of Asia, allowing for easy transport of goods.

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