

# Research on China-Africa Economic Zone and the Effect on Trade

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**Abstract**—As a new phenomenon, the China-Africa economic zone has been studied by some scholars. However, foreign scholars have studied the China-Africa economic zone and incorporated it into the overall framework of China's investment in Africa. There are few researches on targeted research. Chinese scholars mostly use China as a perspective to study the significance. Challenges of China's investment in Africa and the establishment of cooperation zones are not easy to analyze in the trade effects of China-Africa economic zones. It is still blank and this article can just make up for it. It is divided into the following two aspects. The framework divides effects into direct trade effects and indirect trade effects. Among them, the direct trade effect is analyzed from the aspects of export growth and import substitution respectively. The indirect trade effect is studied from the cooperation zone to the host country's technological progress, employment, fiscal revenue, and the two-state system progress. The method has more comprehensively demonstrated the trade effect of the China-Africa economic and trade cooperation zone, as well as the specific operational modes of the economic zones, which operates from the estate and the government.

**Keywords**—China-Africa economic zone, trade cooperation, manufacturing industries, the imbalance of investment

## I. INTRODUCTION

Since the new century, the international situation has been constantly changing. In 2008, the US subprime mortgage crisis triggered a global economic recession. Countries urgently need to cooperate through various means among countries to achieve the goal of common development. At present, China is in a period of tough economic where enterprises need to go out, but due to international credit risk, a new round of international trade protectionism virtually increases the economic cost of overseas investment by enterprises. It makes countless domestic enterprises face the dilemma of entering the international market.

From the regional distribution map of China's investment in Africa (see Figure 2): China's investment in Africa is mainly concentrated in South Africa, accounting for 46%, and a large amount of investment tends to be richer countries in Africa or resource-rich countries, South Africa, Nigeria, Countries such as Zambia, Kenya, Algeria and Angola account for more than 50% of China's total investment in Africa<sup>[2]</sup>.

## II. CHINA'S CURRENT STATUS AND CHARACTERISTICS OF DIRECT INVESTMENT IN AFRICA

As China-Africa economic and trade cooperation deepens, China's investment in Africa has achieved sustained and rapid growth, and investment in Africa is distributed in 48 countries in Africa, with an investment coverage rate of 85% [1]. With the exception of a few island countries or regions that are not involved, the investment covers most of Africa.

In recent years, China's overseas investment entities have diversified. More and more Chinese companies are participating in investment activities in Africa. In addition to state-owned large and medium-sized enterprises investing in Africa, private enterprises have become a new force for investment in Africa. In 2011, there were more than 2,000 enterprises in Africa in China, and nearly 3,000 in 2013, accounting for 11.6% of China's total foreign direct investment<sup>[2]</sup>.

The seven overseas economic and trade cooperation estates and industrial estates invested and constructed by China and the African host countries have state-owned enterprises and private enterprises. With the help of the state's investment policy and financial support for Africa, private enterprises play an increasingly important role in the field of investment cooperation in Africa. China's direct investment in Africa is unevenly distributed in countries and regions. On the one hand, the investment was mainly concentrated in Nigeria, South Africa, Sudan, Algeria and other countries. On the other hand, due to the large differences in the economic development level of 55 countries in Africa, the imbalance of investment in regional distribution will also bring many problems. The competition of Chinese enterprises in a few African countries is too fierce, which is not conducive to the diversification of China's investment in Africa.

TABLE I THE SPECIFIC ANALYSIS FROM BOTH DIRECT AND INDIRECT ASPECTS

Diversification of investment entities	China's existing exploration	Future developing areas
Paying Attention to and Strengthening China's Assessment of Investment Risks in Africa	technology, machinery manufacturing	Industry
Distributing resource-seeking strategic motives which has strong international competitiveness	equipment capabilities	finance
Improving the quality of China-Africa trade and promoting complementary advantages China-Africa trade	modern communication technology,	manufacturing
Expanding China-Africa two-way direct investment and coordinated development	high-speed rail technology	scientific research and technical services
Using the comparative cost advantage to vigorously cultivate the development of the leading industry	Communication technology	High quality service industry

Therefore, the trade effect of the China-Africa Economic and Trade Cooperation Zone from the perspective of the host country is shown in Table I

### III. HIGH INVESTMENT COVERAGE THROUGHOUT AFRICA

As an important platform for Chinese enterprises, the China-Africa Economic and Trade Cooperation Zone is closely related to the comparative advantage of the host country in the industrial location selection. Specifically, it is to combine the local production factors and solve the dilemma of the host country's empty elements without the pre-industry investment resources. Under the development of leading industries, the related enterprises will be stationed in the estate to form a one-stop production value chain [3].

At the same time, with the development of the estate's leading industries, the relevant industries and regions such as transportation, logistics and business services will be radiated to promote production. The flow of elements in the region forms a counter-feeding trend, which is similar to the theory of balanced growth and unbalanced growth. Since China is a big trading country in the world, its trade base is large and its structure is complex. The scale of African countries trade is relatively small and the structure is relatively simple.

The advantages of the China-Africa economic and trade cooperation zone are still in the initial stage of development, and the combination of various factors makes the estate's trade radiation effect to the host country more obvious than China [4].

From the perspective of the trade volume between China and African countries, the top ten African countries in terms of import and export volume are South Africa (\$35.344 billion), Angola (\$15.629 billion), Egypt (\$10.993 billion), and Nigeria (\$10.664 billion), Ethiopia (\$10.177 billion), Algeria (\$7.986 billion), Ghana (\$5.976 billion), Kenya (\$5.688 billion), Tanzania (\$3.881 billion) and Morocco (\$3.631 billion). The details are shown in the Figure 1 below.



Figure 1 Proportion of Africa's top ten trading partners in China's trade in Africa

### IV. ADJUSTMENT AND OPTIMIZATION OF THE INDUSTRIAL STRUCTURE

On the one hand, the article starts with China-Africa economic exchanges and systematically introduces the current status and industrial advantages of the China-Africa economic and trade cooperation zone. The nature of the estate summarize the three characteristics of the China-Africa economic and trade cooperation zone, so that readers have a systematic concept of the China-Africa economic and trade cooperation zone [5]. On the other hand, the author takes the trade effect from the perspective of the trade effect of the China-Africa economic and trade cooperation zone, and has constructed a general interpretation framework of trade effects [6].

China's investment in Africa is widely distributed and has a certain degree of involvement in all walks of life. In 2013, China's top five direct investment stocks in Africa were mining and construction. Among them, the industries with the highest investment concentration are mining and construction, accounting for more than 50% of the total investment, while the technology services industry has the least investment. The industry characteristics of China's investment in Africa are concentrated in the extractive industries and manufacturing industries, reflecting the strong complementarity between China and Africa. The resource-seeking strategic motivation of Chinese enterprises for non-investment is very obvious. On the one hand, African countries are rich in mineral resources. The location advantage has great appeal to China's energy resource-based enterprise investment [7]. Investing in Africa can give play to the technological advantages and competitive advantages of Chinese companies and contribute to the strategic goal of foreign investment [8].

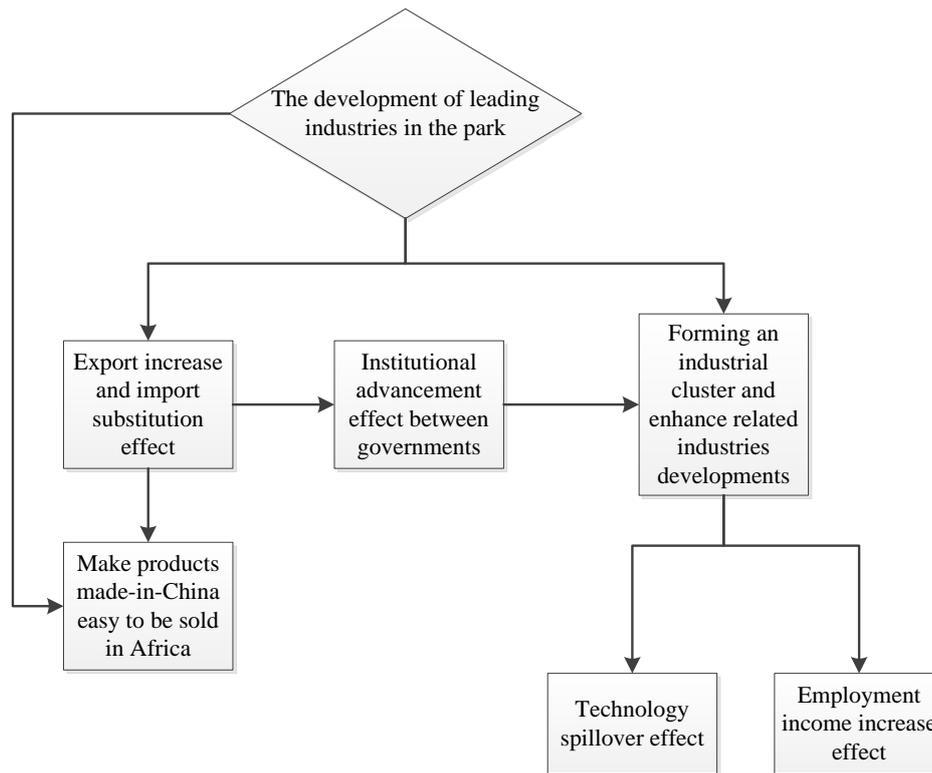


Figure 2. Trade effect display map of China-Africa economic and trade cooperation zone

## V. CONCLUSION

Although the China-Africa Economic and Trade Cooperation Zone is in the early stage of development, we can conclude that the development of the cooperation zone can promote the export scale of the host country's related products on the basis of promoting industrial agglomeration.

At the same time, in the context of the host country's high dependence on the import of industrial products such as daily necessities, the products produced by the cooperative enterprises can exert a certain import substitution effect and reduce the country's dependence on foreign countries. In addition to the above-mentioned direct effects, the construction and operation of the cooperation zone can also produce technology spillover effects, helping solve the employment problems of the host country. It finally increases the government revenue, and enhances the indirect trade effects of local residents' recognition of Chinese products.

In general, the China-Africa Economic and Trade Cooperation Zone has cleared the obstacles for the trade effect of the estate with its unique operational mode and policy support. The cooperation and innovation of the two sides in the system is both political and economic. The estate is relatively successful in Central Africa. It is an innovative way of international cooperation and there is no ready experience in the world. Compared with the construction of the domestic economic development zone, the uncertainty of the international cooperation mode will inevitably take out a series of risks and challenges.

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