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Mapping the Future of China–Africa Relations: How the Continent can Benefit

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Abstract

China is Africa's largest trading partner, and deeper China–Africa engagement has the potential to transform the continent's trade. The establishment of the African Continental Free Trade Area (AfCFTA) is set to add significantly to this evolution, particularly as most of the African countries that have ratified the agreement underpinning the free trade area are also signatories to the Chinese-led Belt and Road Initiative. This paves the way for greater strategic cooperation between Africa and China in the area of trade, with many infrastructure development projects that have been carried out under the auspices of the Belt and Road Initiative providing an important foundation for trade expansion on the continent. However, to date, China–Africa engagement has been relatively ad hoc and uncoordinated, and its effects and benefits (especially from Africa's perspective) difficult to determine.

This paper evaluates the potential for greater coordination between the AfCFTA and the Belt and Road Initiative by examining four cooperation approaches: (1) the 'business-as-usual' or 'status quo' option in which the China–Africa relationship (helped by Chinese FDI flows to Africa) will continue to evolve and two-way trade will increase but in an ad hoc manner; (2) greater coordination between the AfCFTA and Belt and Road Initiative, involving the channelling of Chinese FDI into priority countries and sectors in Africa and supported by the establishment of economic zones; (3) managed economic integration between the AfCFTA and the Belt and Road Initiative and a preferential trade framework, modelled along the lines of the US African Growth and Opportunity Act, with significant opportunities for Chinese FDI in economic zones in Africa; (4) a free trade agreement between China and the African Continental Free Trade Area. Each of these options has advantages and drawbacks, while their feasibility also varies. Drawing on the comparative assessment, the paper offers certain recommendations to African policymakers and other stakeholders for taking China–Africa relations to the next level, with the free trade agreement and Belt and Road Initiative acting as important pillars in the two sides' future engagements.

Introduction

In 2018, the Declaration and Action Plan for the Seventh Forum on China–Africa Cooperation (FOCAC) made the first direct reference to the AfCFTA, which became operational on 1 January 2021. It also publicly announced the close alignment of the Belt and Road Initiative (BRI) with the African Union (AU) Agenda 2063 and the development strategies by all African countries. As China and AU signed a cooperation plan for the BRI and AU Agenda 2063 in December 2020, linking the BRI and the AfCFTA will be a key theme of FOCAC 8 in 2021.

As of 30 January 2021, 140 countries and 31 international organisations had signed cooperation documents (Memoranda of Understanding) with China on the BRI, among which were 46 African countries. Furthermore, 36 African countries have deposited their instruments of ratification of AfCFTA with the AU Commission. Of the 36 countries, 29 are also signatories to the BRI. Given the significant overlap in signatories, both China and African governments have an incentive to consider how to leverage their trade linkages among signatory countries and how infrastructure projects will directly enhance trade connectivity, thus making FOCAC 2021 an important platform for exchanging ideas and discussing specific concerns as well as flagship projects that will link the BRI and AfCFTA.

Both China and African governments have an incentive to consider how to leverage their trade linkages among signatory countries and how infrastructure projects will directly enhance trade connectivity

There are several ways in which the BRI and AfCFTA could be linked going forward. In this paper, we appraise the potential of four options for future engagement: a 'business-as-usual' or 'status-quo', fairly uncoordinated baseline option; two types of targeted and structured approaches to trade cooperation; and a full liberalisation option, ie, an AfCFTA–China Free Trade Agreement (FTA). We use an adapted strengths, weaknesses, opportunities and threats (SWOT) framework to explore the pros and cons of each option in a consistent manner. We also incorporate the results of a gravity model of Africa–China trade as well as case studies on two sectors – manufacturing and agriculture – to explain in more literal terms the potential for innovative, strategic trade cooperation and collaboration between China and Africa.

Based on this appraisal and in view of the upcoming FOCAC in 2021, we then provide recommendations for the AU, African governments, African civil society and think tanks to make one or more preferred options a reality. Specifically, we urge all the parties to take full advantage of the synergies between the BRI and AfCFTA in new and innovative ways, while learning from past experiences and interactions with other development partners.

Cost–benefit analysis

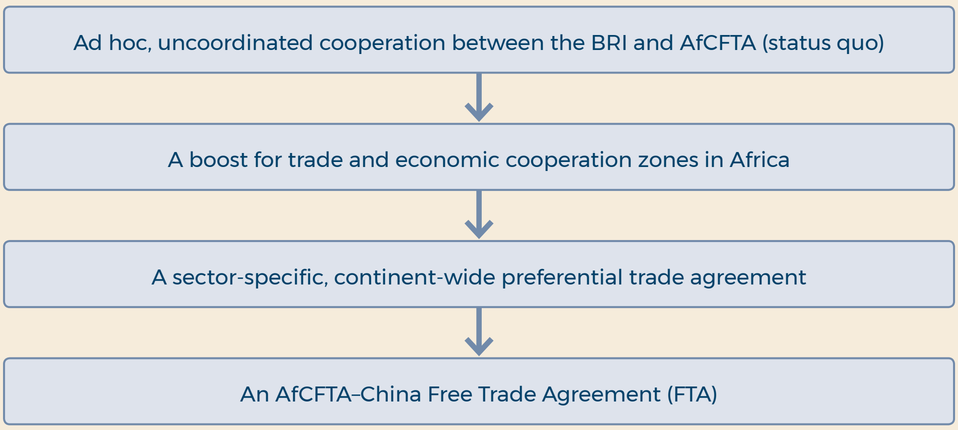
To date, most of the analysis related to the impact of the BRI on the continent has focused on the BRI's potential effect on infrastructure. Indeed, as the main purpose of the BRI is to strengthen linkages on a transcontinental scale, there is no doubt that most of the projects are focused on logistics and transportation infrastructure, including the building of roads, railways, and marine and air links. According to Yi Gang, the governor of the

People's Bank of China, Chinese financial institutions have funded $440 billion-worth of infrastructure projects within the BRI countries, many of which are in Africa.[1] In addition, the Refinitiv database shows that transportation (38%), power and water (23%), and oil and gas (22%) are the top three sectors in BRI projects, followed by manufacturing (9%), real estate (5%), mining (2%) and communication (1%).[2] Based on a joint statement publicised at the end of the Second Belt and Road Forum in Beijing in 2019,[3] and as shown in Annex I, there were seven (out of 35) highlighted economic corridors and other projects in Africa under the BRI, with almost all of them somehow linked to transport development. These economic corridors and projects[4] are important ways of providing adequate infrastructure in African countries so that they can promote trade more effectively, achieve the free movement of people and ultimately develop their economies. However, while beneficial for the AfCFTA, these developments and their effects have come about in a relatively ad hoc, uncoordinated manner – particularly from the African side.

This paper appraises the potential for deeper coordination between the BRI and AfCFTA by examining three *new* options for collaboration, comparing them against each other, and also against what can be called a 'business-as-usual' baseline – in other words, no further, specific coordination or cooperation between the BRI and AfCFTA.

The four assessed options are shown in Figure 1.

Figure 1 Framework for the analysis



Source: Authors' compilation

1 Sina Finance News, 'The Governor of People's Bank of China: Chinese financial institutions have funded $440 billion worth of infrastructure projects within the BRI countries,' April 25, 2019, http://finance.sina.com.cn/roll/2019-04-25/doc-ihvhiqax4950924.shtml.

2 Refinitiv, 'BRI Connect: An Initiative in Numbers, 4th Edition: The impact of pandemics on infrastructure projects,' n/d, https://www.refinitiv.com/content/dam/marketing/en_us/documents/gated/reports/belt-and-road-issue-4-impact-of-pandemtic-on-infrastructure-projects.pdf.

3 Xinhua, 'A Joint Statement of the Second Belt and Road Forum for International Cooperation (Full Text),' The Second Belt and Road Forum for International Cooperation, April 28, 2019, http://www.brfmc2019.cn/446.shtml.

4 See Annex I for the full list of economic corridors and projects that were highlighted in the Second Belt and Road Forum for International Cooperation.

Option 1: Ad hoc, uncoordinated cooperation between the BRI and AfCFTA

Description

Although China and the AU have signed a cooperation plan to promote the BRI and the AU's Agenda 2063, it is possible that this may not lead to any further, specific cooperation. This can be thought of as the 'business-as-usual' or 'status-quo' option, as the interactions to date between the BRI and AfCFTA have not been characterised by any special, formal mechanisms or ambitions, beyond broad recognition in the FOCAC 2018 Declaration and Action Plan.[5]

Opportunities

Under this option, based on previous trends, it is likely that trade and finance between China and African countries will continue to grow.

With regard to finance, it is likely that concessional loans from China will continue to flow towards Africa, although commentators are divided on whether this will be at a slower pace than before or whether momentum can be maintained post-COVID-19.[6] Our assessment is that such loans will continue, although they may be directed at different sectors, such as communications,[7] while African countries classified as 'debt distressed' by the International Monetary Fund (IMF) may feel under pressure to avoid new Chinese loans. Foreign direct investment (FDI) is also likely to increase but at a pace that mirrors that of other foreign investors in African countries, such that Chinese FDI stocks in Africa could reach $100 billion by 2025, from around $4 billion in 2019.[8] If Africa's other development partners

> Loans will continue, although they may be directed at different sectors, such as communications, while African countries classified as 'debt distressed' by the IMF may feel under pressure to avoid new Chinese loans

5 Yike Fu and Ovigwe Eguegu, "China's BRI and the AfCFTA: Potential Overlaps, Complementarities and Challenges" (Policy Insights 113, June 2021), https://saiia.org.za/research/chinas-bri-and-the-afcfta-potential-overlaps-complementarities-and-challenges/.

6 Kevin Acker and Deborah Brautigam, 'Twenty Years of Data on China's Africa Lending,' (Briefing Paper No. 4, China-Africa Research Initiative, South African Institute of International Affairs, Johannesburg, 2021), https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/605cb1891cb0ff5747b12167/1616687497984/BP+4+-+Acker%2C+Brautigam+-+20+Years+of+Data+on+African+Lending.pdf.

7 Hannah Ryder, 'Africa's relationship with China must be more strategic in 2021,' African Business, February 25, 2021, https://african.business/2021/02/technology-information/africas-relationship-with-china-must-be-more-strategic-in-2021/.

8 In the absence of modelling, we calculate a historic 15% annual growth rate and project this forward based on the data from the Johns Hopkins China–Africa Research Initiative, 'Data: Chinese Investment in Africa,' http://www.sais-cari.org/chinese-investment-in-africa.

do not increase their FDI stocks on the continent, this will move China from fifth largest to the top investor in Africa, followed by the Netherlands.[9] Furthermore, while BRI loans may be directed at a wide range of African countries, as they are now, FDI will likely be concentrated in particular 'high-growth' countries.

Under this option, then, trade trends with China will continue to be driven by changes in loans and FDI. There is likely to be continued moderate growth both in Chinese exports to Africa and in exports from Africa to China, with the latter – as is the case now – remaining focused on raw materials and agricultural products as logistics improve, and the former remaining focused on manufactured goods. There *may* be a shift away from Chinese imports towards African manufactured goods as cross-continental value chains develop in certain sectors in the wake of the AfCFTA, but this will be slow as China's current manufacturing component of FDI into Africa is fairly low (12%).

Challenges

It is also possible that some policy decisions may soon be taken on the African side that will affect Africa's trade with China, and therefore the BRI. Notably, one of the greatest concerns regarding China's interactions with the AfCFTA to date relates to the role of rules of origin (ROOs).[10] ROOs have been described as the 'passport enabling goods to circulate duty free within a free trade area as long as these goods qualify as originating within the FTA'.[11] In other words, they seek to ensure that products are truly 'made in Africa'. This will enable goods to qualify for preferential trade conditions (ie, zero import tariffs) under the AfCFTA.

As things stand, African nations have negotiated for 90% of trade tariffs on goods to be eliminated. For the remaining 10%, it is expected that 7% of the tariff lines will be applied to sensitive goods and 3% will not be liberalised.[12] However, trade specialists are keen to ensure that all goods traded among African countries originate within the AfCFTA and none are imported from abroad, which would cause 'trade deflection'.[13] This is the purpose of ROOs. In this regard, China, as Africa's largest bilateral trading partner, is important. Mwareya and Bhobo explain how trade tensions may arise if there are loose ROOs – especially as Chinese products are often cheaper than those produced in Africa.[14] For example, in the last 10 years, Kenyan exports of cement within the East African Community (EAC), eg, to Tanzania and Uganda, have been much lower (4–6%) than those of China (60%). Hence, some people

9 UN Conference on Trade and Development, 'Investment flows in Africa set to drop 25% to 40% in 2020', UNCTAD, 16 June 2020, https://unctad.org/news/investment-flows-africa-set-drop-25-40-2020.

10 Tralac, 'Rules of Origin key to success of African Continental Free Trade Area,' June 27, 2019, https://www.tralac.org/news/article/14120-rules-of-origin-key-to-success-of-african-continental-free-trade-area.html.

11 UNCTAD, 'Rules of Origin Key to Success of African Continental Free Trade Area,' June 26, 2019, https://unctad.org/news/rules-origin-key-success-african-continental-free-trade-area.

12 Willemien Viljoen, 'Rules of origin, tariffs and the AfCFTA,' Tralac Blog, May 17, 2019, https://www.tralac.org/blog/article/14063-rules-of-origin-tariffs-and-the-afcfta.html.

13 Landry Signé and Payce Madden, 'Considerations for Rules of Origin under the African Continental Free Trade Area,' *Journal of African Trade*, 2020, https://dx.doi.org/10.2991/jat.k.201205.001.

14 Ray Mwareya and Nyasha Bhobo, 'Will China help or hurt the AfCFTA?' *The Africa Report*, February 2, 2021, https://www.theafricareport.com/61451/will-china-help-or-hurt-the-afcfta/.

argue for strict ROOs to prevent the 'flooding' of African markets with 'made in China' products.

In contrast, Signé and Madden note that with stricter ROOs it becomes 'more difficult for firms to meet the value-added threshold and be able to receive the AfCFTA tariff preference'.[15] The authors recognise that because intra-continental value chains are not yet developed, it will be costlier to comply with ROOs, impacting small and medium-sized enterprises (SMEs) and least-developed countries (LDCs) the most.[16] To facilitate the development of more regional value chains, the United Nations Conference on Trade and Development (UNCTAD) therefore suggests that ROO-related complications in the AfCFTA be avoided; instead, ROOs should be 'simple, transparent, business-friendly and predictable'.[17]

Thus, under this 'business-as-usual', uncoordinated option, Chinese perceptions of risk in specific African countries and the balance achieved in ROOs will be critical for determining future interactions with China and the BRI.

Option 2: A boost for trade and economic cooperation zones in Africa

Description

This option is best described as coordination between the AfCFTA and BRI for the purpose of increasing and channelling Chinese FDI into certain priority countries and sectors associated with regional and national industrialisation/manufacturing plans.

This option's application depends on two linked issues: the development of industrialisation/manufacturing plans (and their prominence in the AfCFTA) and the drivers for Chinese investors in Africa. We examine these two issues in turn below.

The establishment of trade and economic zones in Africa – also referred to as special economic zones (SEZs), free trade zones, export processing zones, industrial zones and free ports, according to different models – was first formally mentioned in the 2006 FOCAC Summit in Beijing when then president Hu Jintao announced that China had pledged 'to establish three to five overseas economic and trade cooperation zones in Africa in the next three years'.[18] Since then, each action plan of FOCAC has in some way highlighted the intention to continuously construct, expand or upgrade trade and economic zones. The

15 Landry Signé and Payce Madden 'Considerations for Rules of Origin.'

16 Landry Signé and Payce Madden 'Considerations for Rules of Origin.'

17 UNCTAD, 'Rules of Origin.'

18 Ministry of Foreign Affairs of the People's Republic of China, 'Forum on China–Africa Cooperation Beijing Action Plan (2007–2009),' November 16, 2006, https://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t280369.htm.

zones are now one of the key mechanisms used by China to increase investment in Africa, support private-sector cooperation between the two sides, and boost industrialisation and economic diversification on the continent. With the BRI in view, the question can be asked: to what extent can interested African countries collaborate in and benefit from the Chinese-led BRI?

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The China–Africa Development Fund (CADFund), a venture capital instrument set up by the China Development Bank, one of China's policy banks, was introduced at the 2006 FOCAC Summit in Beijing as one of the key tools for investing in Chinese companies, Sino–Africa joint ventures and African companies. The CADFund would in time reach a total value of $5 billion, used to promote the expansion of investment in Africa. The fund has taken equity shares in some of the trade and economic cooperation zones that have majority Chinese ownership.

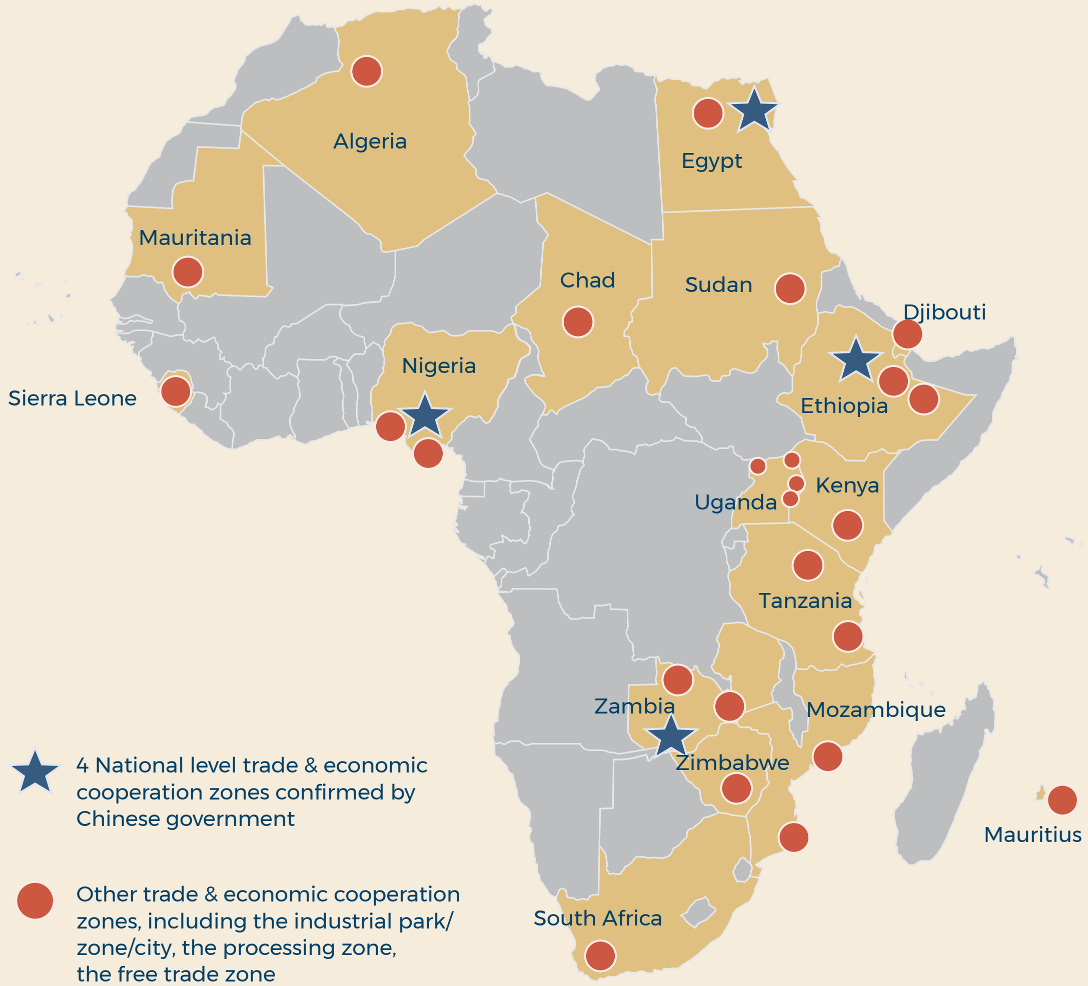
Officially, there are four (out of 20) national-level economic and trade cooperation zones in Africa, as confirmed and assessed by each country's ministry of commerce and ministry of finance. These are: the China–Egypt TEDA Suez Economic and Trade Cooperation Zone; the China–Ethiopia Eastern Industry Zone; the China–Nigeria Economic and Trade Cooperation Zone (also known as the Nigeria Lekki Free Zone); and the Zambia–China Economic and Trade Cooperation Zone.[19] According to official reports by the Chinese government, by 2018 China had invested in 25 economic and trade cooperation zones in 16 African countries, totalling more than $6 billion in investment.[20] However, based on our own discussions with African governments and Chinese stakeholders, we believe that the actual number of Chinese-invested zones is more than 25 (see Figure 2).

The majority of Chinese-invested SEZs are, essentially, private initiatives driven by profit but are also recipients of guidance and financial support from the Chinese government and state banks. The Chinese government has also stepped in to help Chinese companies in their negotiations with the host country. The zones are well-suited for 'win-win' cooperation – ie, Chinese companies supported by the Chinese government invest in the construction of these zones and encourage businesses to invest, which can lead to the building of infrastructure and local job creation.

19 Ministry of Commerce of the People's Republic of China, '" Going Out" Public Service Platform,' n/d, http://fec.mofcom.gov.cn/article/jwjmhzq/.

20 National Business Daily, 'China-Africa "ten major cooperation programmes" are fully implemented. China's cumulative investment exceeds $6 billion,' September 3, 2018, https://baijiahao.baidu.com/s?id=1610591309124558318&wfr=spider&for=pc.

Figure 2 Map of economic and trade cooperation zones



Note: The figure includes industrial parks, industrial zones and trade cooperation zones

Source: Authors' compilation, based on: (1) China Council for the Promotion of International Trade. Foreign economic and trade cooperation zones included in the statistics, https://oip.ccpit.org/ent/parkNew/138; (2) China Overseas Trade and Economic Cooperation Zone Platform, http://www.cocz.org/index.aspx; (3) Academy of China Council for the Promotion of International Trade, 'Investment Guide for China's Overseas Economic and Trade Cooperation Zones (2018),' December 7, 2018, http://www.ccpit-academy.org/v-1-4365.aspx; (4) Aiping Zeng and Shu Zhan, 'Origin, Achievements, and Prospects of the Forum on China Africa Cooperation,' China International Studies, http://www.focac.org/eng/lhyj_1/yjcg/P020181026382446204313.pdf

Once these zones are well established, they have the potential to assume a dominant position in many African markets in the production of, for example, competitively priced consumer goods, building materials, machinery and electronic equipment. Such products can also be manufactured for export markets. Indeed, there are several examples of Chinese firms, such as Huajian and others, that have moved their textile and apparel production to zones in Africa to take advantage of preferential trade agreements with US and European markets.

Opportunities

Given the importance of SEZs in attracting investment under the BRI and AfCFTA, they need to grow; thus, more African companies need to be involved in these zones. Chinese and African enterprises, along with their respective governments, need to work together – perhaps using the CADFund to support the expansion of SEZs in line with local competitive advantages and China's own market growth expectations. African countries also need to leverage the benefits of SEZs for their domestic markets. As with any development plan, the application of SEZs within the BRI will have teething problems initially. However, consistent adherence to best practices will mitigate potential challenges and past experiences will shorten the learning curve. Market demand assessments, rigorous transparency and structural feasibility studies accessible to the public are among the critical elements needed to alleviate the harmful effects of poor SEZ application. A flexible legal regime is essential for ongoing adaptability, while broad representation, such as community groups and labour groups, acts as an effective check against inequitable incentives. The BRI should serve African interests and not just SEZs, which could become 'Phoenix nests' for China, where the needs of host countries are secondary at best and ignored at worst.[21]

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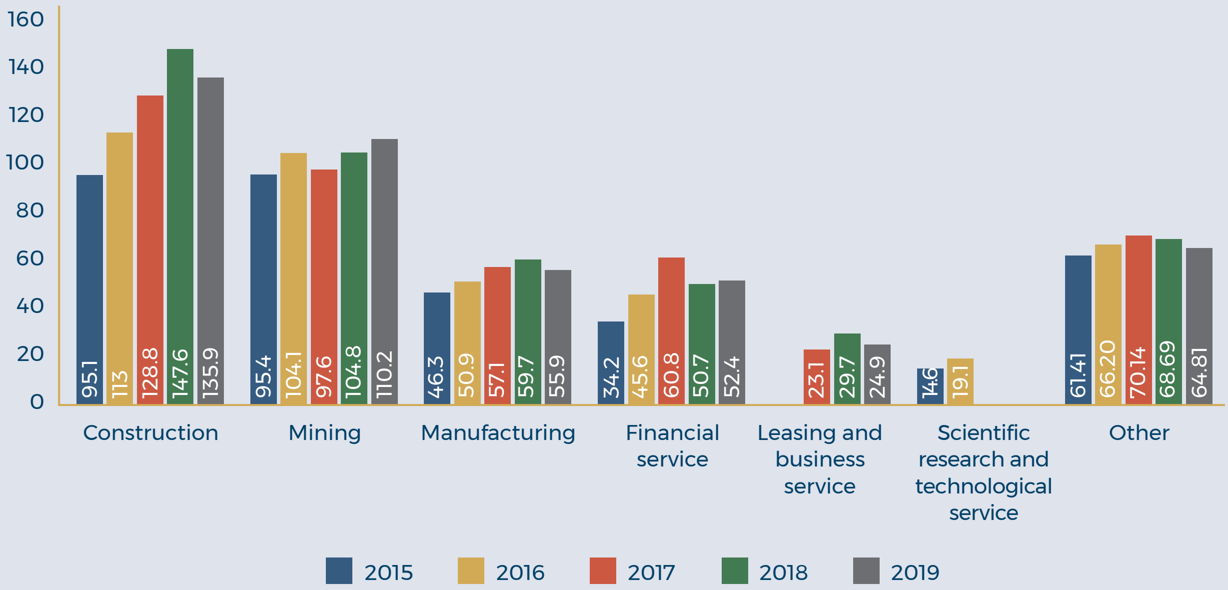
FDI plays an important role in the establishment of SEZs. Chinese FDI to Africa covers several industries, including construction, mining, manufacturing, financial services, leasing and business services, and scientific research and technological services (see Figure 3). Data from the 2019 Statistical Bulletin of China's Outward FDI[22] in these sectors points to the dominance of construction and mining over the other sectors. In 2019, Chinese FDI stock in the construction sector was valued at $13.9 billion, accounting for 30.6% of total FDI stocks, while FDI stock in mining accounted for 24.8%, in manufacturing 12.6% and in financial services 11.8%.

This suggests that the manufacturing sector has somehow been neglected in current BRI projects; yet it has great potential to drive trade under the AfCFTA and should be better linked to SEZs in terms of value addition.

21 Thierry Pairault, 'China in Africa: Phoenix nets versus Special Economic Zones,' 2019, Hal-01968812, https://hal.archives-ouvertes.fr/hal-01968812/document.

22 Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange of the People's Republic of China, '2019 Statistical Bulletin of China's Outward Foreign Direct Investment,' September 1, 2020.

Figure 3 Top 5 industries: Chinese FDI stock in Africa, 2015–2019 ($100 millions)



Source: Authors' compilation with reference to the Ministry of Commerce of the People's Republic of China, 2019 Statistical Bulletin of China's Outward Foreign Direct Investment, http://hzs.mofcom.gov.cn/article/date/202009/20200903001523.shtml

CASE STUDY CHINESE INVESTMENT IN THE MANUFACTURING SECTOR IN AFRICA

Manufacturing holds great potential in the post-COVID-19 era. Analysts have predicted that the sector could reach a value of $666.4 billion by 2030.[a] China's FDI to Africa is shifting towards the manufacturing sector where it has been growing steadily since 2015. According to a report by McKinsey in 2017, Chinese-owned firms have rapidly acquired a sizeable market share in the manufacturing sector, covering an estimated 12% of Africa's industrial production and generating around $60 billion in revenues each year. In more than 1000 firms that McKinsey surveyed, one-third were manufacturers. Firms reported that their revenues grew on average by 8–9% per year from 2012 to 2015.[b]

SEZs are a good example of how the Chinese are investing more heavily in the manufacturing sector, as many Chinese companies choose African countries as destinations for the relocation of labour-intensive industries. The focus of Chinese investment has also progressed from textiles and apparels to industrial materials, such as automotive products and appliances. For example, 95% of firms in the China–Ethiopia Eastern Industry Zone are manufacturers, with more than half of these producing industrial materials and auto parts. In the Nigeria Lekki Free Zone, around 46% of enterprises are involved in manufacturing.

CASE STUDY CHINESE INVESTMENT IN THE MANUFACTURING SECTOR IN AFRICA (CONT'D)

The enterprises in these zones are also important in terms of their value-addition capabilities, such as providing employment opportunities. For example, the Huajian Group, one of the largest producers of women's shoes in China, first established Ethiopia Huajian International Shoe City in 2011 and then started to construct Ethiopia–China Huajian International Light Industry City (also a trade and economic cooperation zone) in 2013. The total value of the investment in this project reached $2 billion, with the aim of creating 100,000 jobs for locals upon its completion in 2020. As of June 2019, Hujian had invested $100 million in Ethiopia and created 8000 jobs. The firm, in turn, has generated $150 million in sales revenue in Ethiopia.[c]

a Ignatius Annor, 'Africa's manufacturing sector in 2021,' Africa News, February 4, 2021, https://www.africanews.com/2021/02/04/africa-s-manufacturing-sector-in-2021-business-africa//.

b McKinsey & Company, 'Dance of the lions and dragons: How are Africa and China engaging, and how will the partnership evolve?' June 2017, https://www.mckinsey.com/~/media/mckinsey/featured%20insights/middle%20east%20and%20africa/the%20closest%20look%20yet%20at%20chinese%20economic%20engagement%20in%20africa/dance-of-the-lions-and-dragons.ashx.

c China Daily, 'Huajian Group puts its best foot forward,' June 27, 2019, http://www.chinadaily.com.cn/cndy/2019-06/27/content_37485271.htm.

Challenges

The four national-level economic and trade cooperation zones in Africa have two limitations. First, they have so far been dominated by Chinese firms, with the participation of only a few other foreign firms and very few domestic firms (see Table 1), and few direct linkages to plans under the AfCFTA. Few African enterprises are strongly linked to these zones. For example, the China–Ethiopia Eastern Industry Zone is 100% Chinese-owned but a few China–Ethiopia joint ventures operate in the zone. A total of 86 firms are currently operating in the Nigeria Lekki Free Zone, of which 56 are Chinese. Second, the sectors represented in these zones are not diversified and firms are largely concentrated in one or two industries. For example, the Zambia economic zone largely focuses on copper and copper mining-related industries. The Nigeria Lekki Free Zone is dominated by firms working in the energy and manufacturing (specifically industrial materials) sectors.

There are also limitations presented by the SEZ hosting countries. The United Nations University and the Korea International Cooperation Agency, in a 2014 working paper, suggested that flaws in the political economy of SEZ programmes have been a stumbling block to the effective implementation of best practices.[23] Internal policy confusion and competing interests are among the factors that derail implementation and create overlapping SEZ regimes. One example is Tanzania launching an exporting processing

23 Thomas Farole and Lotta Moberg, 'It worked in China, so why not in Africa? The political economy challenge of Specific Economic Zones' (WIDER Working Paper 2014/152, UN University, Tokyo, 2014), https://www.wider.unu.edu/sites/default/files/wp2014-152.pdf.

zones strategy in 2002, led by its National Development Corporation, but four years later the government set up a new SEZ regime under the Ministry of Planning, Economy, and Empowerment.[24]

TABLE 1 A SNAPSHOT OF THE FOUR NATIONAL-LEVEL SEZs IN AFRICA

	Models	No. of companies involved[a]	Dominant Sector	Industry involved
TEDA Suez (Egypt	JV (75%+ Chinese)	101	Manufacturing (industrial materials)	Service, energy, agriculture, manufacturing (including industrial materials, auto and textile)
Eastern Industry Zone (Ethiopia)	100% Chinese	21	Manufacturing (industrial materials)	Manufacturing (including industrial materials, auto, and textile), food processing, service
Nigeria Lekki Free Zone	JV (60% Chinese and 40% local)	119[b]	Energy	Energy, manufacturing (including industrial materials, electric appliances auto), timber
Zambia	JV (95%+ Chinese)	63	Mining and smelting	Copper mining and smelting, mining equipment and services, construction vehicles and materials, chemicals, logistics and banking

a The number is calculated based on the information found on website. The actual number might be different

b 119 registered countries with 86 in operation (56 Chinese, 30 non-Chinese)

Source: Authors' compilation, with reference to Deborah Bräutigam and Tang Xiaoyang, 'China's Investment in Special Economic Zones in Africa: Overview and Initial Lessons,' in *Special Economic Zones: Progress, Emerging Challenges, and Future Directions*, eds Thomas Farole and Gokhan Akinci (Washington, DC: The World Bank, 2011)

Option 3: A sector-specific preferential continent-wide trade agreement

Description

This option is best described as a form of managed 'economic integration and liberalisation' between the AfCFTA and BRI which seeks to both open and manage trade in specific sectors associated with African regional development plans.

The China Africa Research Initiative reports that in 2019 China–Africa trade was valued at $192 billion, with Angola being the largest exporter to China and Nigeria the largest

24 Thomas Farole and Lotta Moberg, 'It worked in China.'

buyer of Chinese goods, followed by South Africa and Egypt.[25] These are strong economic indicators and if the AfCFTA and BRI do not resonate with each other, fragmented trade deals and negotiations will hamper the efficacy of the BRI in the African context and the realisation of Africa's economic development potential under the AfCFTA.

In bringing about a managed liberalisation framework, the African Growth and Opportunity Act (AGOA) could potentially provide the inspiration for the development of a regional trade framework to boost African exports to China. Enacted on 18 May 2000, AGOA is a US Trade Act that has since become a cornerstone of the US' trade and investment policy engagement with Africa. It builds on the market access extended by the US under the Generalised System of Preferences (GSP) and expands these preferences in favour of Africa, providing duty-free and quota-free access for 6500 products from eligible African countries.[26]

As of 2021, 39 African countries and 10 non-African countries are eligible for AGOA preferences. AGOA is due to expire in 2025 unless there is an extension. An AGOA-inspired BRI–AfCFTA framework could promote increased exports from Africa to China in specific sectors, such as textiles, agriculture or labour-intensive manufacturing, and thus also increase access and opportunities for Chinese investors and businesses in Africa, while promoting manufacturing and economic development in African countries.

Opportunities

A structured preferential trade framework with China (like AGOA) could create valuable opportunities for African countries. There is significant evidence to suggest that the duty-free access afforded under AGOA has contributed substantially to an increase in export-led job creation in several sectors in South Africa, including automobiles and agriculture ($553 million and $364 million, respectively, in 2019).[27] Relatively small countries have also benefited from AGOA. For example, Lesotho's textile and apparel industry, which was first

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25 Johns Hopkins China–Africa Research Initiative, 'Data: China–Africa Trade,' n/d, http://www.sais-cari.org/data-china-africa-trade.

26 Zacharia Sorgho and Joe Tharakan, 'Assessing the impact of unilateral trade policies EBA and AGOA on African beneficiaries' exports using matching econometrics,' *The World Economy* 42, no. 10 (2019), 3086–3118.

27 Gracelin Baskaran, 'US–Africa trade relations: Why is AGOA better than a bilateral free trade agreement?' September 24, 2020, Brookings Institution, https://www.brookings.edu/blog/future-development/2020/09/24/us-africa-trade-relations-why-is-agoa-better-than-a-bilateral-free-trade-agreement/.

established in the late 1980s, saw exports skyrocket after AGOA.[28] In the same way, exports to China could soar if a similar agreement were concluded.

Such a framework would also boost the potential of exports from Africa in the cooperation agreement between China and Africa under the BRI and AfCFTA, which would be a step up from just 'trade'. It could also encourage a stronger focus on SEZs in African countries with export potential with a view to attracting more investment and creating more employment opportunities. For instance, agro-SEZs could link agriculture with industry to assist SME farmers in establishing new manufacturing facilities for agronomic production and accessing China and other large markets through the provision of the necessary infrastructure, technology and logistics.

Finally, such a framework would enable Africa's growing manufacturing industry to be protected, enabling countries to impose most-favoured-nation (MFN) tariffs to shield certain internal markets against cheap imports, as opposed to permitting all Chinese products to enter the country duty free. This would ensure that a framework negotiated between the BRI and AfCFTA upset the status quo, rather than maintained it.

Challenges

Improvements on the trade and investment fronts in African countries should be the primary objective of policymakers and economists. However, there are structural deficiencies that are preventing the realisation of this objective; even AGOA is not without its shortcomings.

Textile and apparel exports from Lesotho to the US were once a poster child for AGOA, especially from 2001 to 2015, although 79% of exports from Africa (comprising minerals, precious stones, fuels and oil) come from just three countries: Nigeria, Angola and South Africa.[29] This is rounded out with cocoa and cocoa preparations, which is the only agricultural product in the top exports from Côte d'Ivoire, Ghana, Cameroon, Nigeria and Togo. AGOA was expected to trigger investment in adding value to raw materials for the purpose of export. Yet in practice, African SME business owners struggle to obtain and/or complete the documentation required by US customs. It can also be difficult to determine which goods are eligible under the scheme and which are not.[30]

Furthermore, there is evidence that the absence of supply chain capacity, financing and a national strategic plan for deriving benefits from AGOA have impeded the success of the

28 Gracelin Baskaran, 'US–Africa trade relations.'

29 Addisalem Zenebe, 'The Impact of the African Growth and Opportunity Act (AGOA): An Empirical Analysis of Sub-Saharan African Agricultural Exports,' (M.A. diss., University of Nebraska – Lincoln, 2013), https://digitalcommons.unl.edu/cgi/viewcontent.cgi?article=1014&context=agecondiss.

30 Atim Oton, 'The AGOA Problem: Africa's Hidden Secret,' Huffington Post, November 14, 2011, https://www.huffpost.com/entry/the-agoa-problem-africas-_b_1005915.

scheme in Ghana, for instance, but also in many other African countries. For an AfCFTA–BRI trade framework to be highly successful, these weaknesses need to be seriously addressed.[31]

Thus, a regional trade framework like AGOA can only be adopted if non-tariff barriers are minimised. In addition, it is important to ensure that such liberalisation does not undermine the main purpose of the AfCFTA, which is to integrate African trade and bolster it by creating incentives that encourage economies of scale. Any trade framework for the BRI and AfCFTA should benefit African economies just as much as it would the economies further along the new Silk Road. Eligibility standards, for instance, should not be used as a mechanism to deter competitors and create artificial, regional monopolies.

A final challenge is how African countries should negotiate with China to ensure that nascent manufacturing industries and internal markets are protected from cheap imports, without imposing overly burdensome ROOs. It will be difficult to achieve this balance as there are many Chinese and African businesses – including e-commerce firms – that are exporting goods to Africa. If these businesses stand to lose out, they may set out to block such a framework.

CASE STUDY A PREFERENTIAL TRADE FRAMEWORK FOR THE AGRICULTURAL SECTOR

Frameworks for specific priority sectors could be created by drawing on BRI and AfCFTA dynamics. For instance, a preferential scheme for agricultural exports to China could be considered. Agriculture is an important pillar of the African economy, accounting for 23% of the continent's total GDP and providing 60% of employment in sub-Saharan Africa.[a] Africa's agribusiness sector holds great potential and is predicted to be valued at $1 trillion by 2030. Yet there is a significant financing gap in the sector. Analysts project that $45 billion is needed every year to 'harness the power of agriculture and move up the value chain to create jobs and wealth', while only $7 billion is invested in the sector each year.[b] As the fallout from COVID-19 could trigger a serious food security crisis in Africa, more strategic action is needed to ensure adequate funding for a sustainable agricultural sector.

Strengthening agricultural cooperation between China and Africa was written into the FOCAC Action Plan 2007–2009 in 2006. Specifically, China committed to establishing 10 agricultural demonstration centres in Africa, encourage and help Chinese enterprises to expand investment in Africa's agriculture sector, and advance cooperation with Africa in terms of practical agricultural technology and agricultural human resources.[c] A trade-related framework for this sector could drive these outcomes. It could even support the development of specific agricultural products linked to geographical indications with a view to adding value.[d]

31 Elizabeth A. Asante, Simon Bawakyillenuo and Clemente Ahiadeke, 'AGOA: Market Opportunity and Supply Capacity in Ghana,' Africa Growth Initiative at Brookings, https://www.brookings.edu/wpcontent/uploads/2016/06/0601_improving_agoa_asante_bawakyillenuo_ahiadeke.pdf.

An examination of some official Chinese data is encouraging. From 2000 to 2018, the value of China–Africa agricultural trade grew from $650 million to $6.92 billion, with an average annual growth rate of 14%, while China's agricultural imports from Africa grew at an average annual rate of 17.3%. By the end of 2018, Chinese enterprises had invested more than RMB 5 million in 115 agricultural projects in Africa, stretching across two-thirds of African countries.[e] China has also provided support for the construction of 25 agricultural technology demonstration centres in Africa.[f]

Moreover, there are already several agriculture-geared SEZs, which could be ripe for investment. Four out of 29 zones focus on agriculture and agro-processing in Africa: the Jiangsu–Shinyanga Agricultural, Industry, Trade Modern industrial Park; the Zambia Agricultural Products Processing Cooperation Park; the China–Sudan Agricultural Cooperation Development Zone; and the Mozambique Agricultural Technology Demonstration Center (Zone).[g] The Lusaka Zone, a subzone of the Zambia–China Economic and Trade Cooperation Zone, also partially concentrates on food processing and agriculture.

However, within the overall FDI portfolio, Chinese FDI in Africa's agribusiness sector is extremely small. By the end of 2019, Chinese FDI stocks in the agriculture/forestry/animal husbandry and fishery sector were valued at $19.67 billion – accounting for only 0.9% of the total, of which 28.7% fell under agriculture.[h] Moreover, how Chinese FDI is spent in Africa's agricultural sector is unclear because of limited information. Similarly, at present, the volume of China–Africa agricultural trade accounts for only 3.2% of China's total agricultural trade.[i] Thus, it is not clear how much of an impact it could really have, but it is also an indication of the potential for improvement in the future.

a Lutz Goedde, Amandla Okko-Ombaka and Gillian Pais, 'Winning in Africa's agricultural market,' McKinsey & Company, February 15, 2019, https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market#.

b The African Development Bank, 'Africa agribusiness, a $1 trillion businesses by 2030,' November 9, 2018, https://www.afdb.org/en/news-and-events/africa-agribusiness-a-us-1-trillion-business-by-2030-18678.

c Forum on China–Africa Cooperation, 'Beijing Action Plan of the FOCAC (2007–2009),' November 5, 2006, http://www.focac.org/chn/zywx/zywj/t584788.htm.

d Development Reimagined, 'Geographical Indications: An Opportunity for Africa to Add Value to Exports,' January 24, 2020, https://developmentreimagined.com/2020/01/24/geographical-indications/.

e Xinhua News, 'The average annual growth of China–Africa agricultural trade in the past 20 years is 14%,' September 9, 2019, http://www.gov.cn/xinwen/2019-12/09/content_5459824.htm.

f Ministry of Commerce of the People's Republic of China, 'My country has aided the construction of 25 agricultural demonstration centres in Africa,' November 24, 2016, http://er.mofcom.gov.cn/article/jmxw/201611/20161101903549.shtml.

g Investment Promotion Office of China Overseas Trade and Economic Cooperation Zone website, http://www.cocz.org/index.aspx.

h Ministry of Commerce, National Bureau of Statistics, and State Administration of Foreign Exchange of the People's Republic of China, '2019 Statistical Bulletin of China's Outward Foreign Direct Investment.'

i Yue Xitong and Huang Shunda, 'China, Africa join for broader agricultural cooperation,' Xinhua News, December 10, 2019, http://www.xinhuanet.com/english/2019-12/10/c_138621136.htm.

Option 4: An AfCFTA–China free trade agreement

Description

This option is best described as complete 'economic integration and liberalisation' between the AfCFTA and BRI. This option would be a significant shift from the status quo for several reasons.

First, all trade agreements with China in Africa have so far been negotiated with individual countries as opposed to a bloc of countries. To date, 33 African countries – both LDCs and middle-income countries (MICs) – have bilateral investment treaties (BITs) with China (see Figure 4), while 18 African countries, displaying a mix of income levels, have double taxation agreements (DTAs) with China (see Figure 5). These agreements reflect the general acknowledgement globally of the role of trade and private investment.

Figure 4 African bilateral investment treaties with China

1990s

- Ghana (1989)
- Egypt (1994)
- Morocco (1995)
- Mauritius (1996)
- Zimbabwe (1996)
- Zambia (1996)
- Algeria (1996)
- Gabon (1997)
- Cameroon (1997)
- Sudan (1997)
- DRC (1997)
- South Africa (1997)
- Cape Verde (1998)
- Ethiopia (1998)

2000s

- Congo (2000)
- Botswana (2000)
- Kenya (2001)
- Sierra Leone (2001)
- Mozambique (2001)
- Nigeria (2001)
- Côte d'Ivoire (2002)
- Djibouti (2003)
- Benin (2004)
- Tunisia (2004)
- Uganda (2004)
- Equatorial Guinea (2005)
- Namibia (2005)
- Madagascar (2005)
- Seychelles (2007)
- Mali (2009)

2010s

- Chad (2010)
- Libya (2010)
- Tanzania (2013)

Note Dates shown are for the agreement/signature. Some of these BITs are not yet ratified/in force

Source: Development Reimagined, https://developmentreimagined.com/

Figure 5 African double taxation agreements with China

1990s

- Mauritius (1994)
- Sudan (1997)
- Egypt (1997)
- Seychelles (1999)

2000s

- South Africa (2000)
- Nigeria (2002)
- Tunisia (2002)
- Morocco (2002)
- Algeria (2006)
- Ethiopia (2009)

2010s

- Zambia (2010)
- Uganda (2012)
- Botswana (2012)
- Zimbabwe (2015)
- Kenya (2017)
- Gabon (2018)
- Congo (2018)
- Angola (2018)

Note Dates shown are for the agreement/signature. Some of these BITs are not yet ratified/in force

Source: Development Reimagined, https://developmentreimagined.com/

Second, there is only one African country that has so far agreed to an FTA with China – Mauritius. As mentioned earlier, Mauritius is one of the countries that has not yet signed up to the BRI.

Third, China has already extended duty-free status to some imports from African LDCs. Some 97% of products from African LDCs that have established diplomatic relations with China are eligible for zero tariffs, without having to grant China the same treatment.[32] An FTA with China would remove this differential treatment and enable more Chinese goods to enter the LDCs duty free.

To assess the potential pros and cons of a continent-wide FTA between China and Africa, this analysis looks at various scenarios using a gravity model (see Annex II for the results of the gravity model).[33] While other 'forecasting'-based general equilibrium modelling is also possible, we use the gravity model as a starting point as it is significant and uses real data,

32 Forum on China–Africa Cooperation, 'China Policy Document on Africa (full text),' December 5, 2015, http://www.focac.org/chn/zywx/zywj/t1321590.htm; the African countries currently covered by the scheme are the 33 African LDCs – namely: Angola, Benin, Burundi, Burkina Faso, Central African Republic, Chad, Comoros, Democratic Republic of the Congo (DRC), Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Tanzania, Togo, Uganda and Zambia.

33 This gravity model builds on the 'Law of Universal Gravitation' by Isaac Newton in 1687, in which he states that an attractive force between two objects is subject to the two masses' distance and a gravitational constant. See Paul R. Krugman and Maurice Obstfeld, *International Economics: Theory and Policy*, 6th ed. (New York: Pearson, 2003). The dependent variable is annual trade (exports) of selected African countries. This data, covering the period from 2001 to 2019, was obtained from the trade map database of the International Trade Centre (https://www.trademap.org/Index.aspx). The data used to measure economic size was obtained from the World Development Indicators (WDI) database of the World Bank (https://databank.worldbank.org/source/world-development-indicators). The analysis originally aimed to analyse the top 20 exporters to China, but data for Angola, South Sudan, Sudan and Zimbabwe was missing, and the countries were omitted from the survey. Owing to multicollinearity issues, Cameroon, Republic of Congo and Algeria were also omitted.

including that related to LDCs' duty-free, quota-free access into the Chinese market since 2005. However, the drawbacks of this approach are that trade between African countries and China is currently highly concentrated in extractives and agricultural products; thus, it is difficult to take dynamic shifts in the composition of trade into account.

Opportunities

In principle, the opportunities surrounding an FTA with China are mainly concentrated in non-LDCs in Africa, such as Nigeria, South Africa, Ghana and Kenya, whose goods would enter China duty free. There may also be cheaper exports from China, both for LDCs and non-LDCs, leading to lower prices (and therefore lower inflation) of key goods imported by African economies.

This could have a significant impact if, for instance, the AfCFTA itself is expected to drive economic growth. For example, the gravity model suggests that a 1% increase in African countries' GDP will increase Africa's exports to China by 0.095%. These effects vary by country. When Egypt's GDP increases by 1%, its exports to China will increase by 0.818%. Likewise, Ghana's exports will increase by 1.433%, Zambia's by 1.593%, Mauritania's by 2.2%, Nigeria's by 3.53% and South Africa's by 0.593%. As the economies of these countries expand, their exports to China will increase. Similarly, a 1% increase in China's GDP will result in an overall increase in African exports of 0.670%.

In a world of expected future growth, free trade could be an interesting proposition for Africa–China relations. Indeed, Mauritius' FTA with China could be the model for a broader, continent-wide FTA. The key elements of the FTA are set out in Box 1. China's other new, region-wide FTA – the Regional Comprehensive Economic Partnership (RECP) – could also be a model. The RECP is a free trade agreement between 15 Asia–Pacific countries, which together account for about one-third of the world's population and 30% of global GDP as of 2020.[34]

BOX 1 KEY FACTS ABOUT THE CHINA–MAURITIUS FTA[a]

- The agreement gives Mauritius duty-free access in respect of 8547 products – beginning immediately with 7504 tariff lines, with 723 lines being phased out over a 5- to 7-year period.
- It includes a tariff rate quota (a quota of 15%) for 50,000 tonnes of sugar, to be implemented on a progressive basis over 8 years, starting with 15,000 tonnes in 2021.

34 Tim McDonald, 'What is the Regional Comprehensive Economic Partnership (RECP)?' BBC News, November 16, 2020, https://www.bbc.com/news/business-54899254.

BOX 1 KEY FACTS ABOUT THE CHINA–MAURITIUS FTA[a] (CONT'D)

- China is expected to eventually reach zero tariffs on 96.3% of traded items – with 88% of China's tariffs on Mauritian imports starting immediately at zero, with 5% liberalised over 5 years and 3% liberalised over 7 years. Products falling into these two categories include a wide range of agricultural products (eg, beef and pork, tuna, nuts, avocadoes and fruits, coffee, stevia leaves, whole pepper, glucose and fructose, couscous, bulgar wheat, peas and yeast); footwear, motorcycles and mounted diamonds; vehicles, parts, and accessories; wool fabrics; and film.
- The 313 tariff lines excluded from liberalisation include shark's fin, tea, rice, soya beans, seed oil, tomato juice, tobacco refuse, cigars and cigarettes, urea, toilet tissue, most types of paper, wool, cotton, sewing machines and hand tools
- Mauritius is expected to eventually reach zero tariffs on 94.2% of traded items.
- The ROO part of the agreement prevents the export of products from Mauritius (under cover of the FTA) that contain non-originating Mauritian materials exceeding 10% of the product's Free on Board (FOB) value. This is more restrictive than, for example, Mauritius' preferential trade agreement under AGOA.
- The FTA also enables China to access more than 40 service sectors and 130 sub-sectors in Mauritius, including financial services, telecommunications, ICT, professional services, construction and health services.

a The official text of the Free Trade Agreement between China and Mauritius can be accessed here. See Ministry of Commerce of the People's Republic of China, 'Free trade agreement between the government of the People's Republic of China and the government of the Republic of Mauritius,' October 17, 2019, http://fta.mofcom.gov.cn/mauritius/annex/mlqs_xdzw_en.pdf

Challenges

There are some major challenges that a full FTA with China would present to Africa. First, the 'pull' effect of higher incomes and cheap products from China is likely to increase Chinese exports to Africa under an FTA. Although this is not included in the model, it is likely to be significant, given that exports to African countries from China bounced back fairly quickly, despite COVID-19 border closures. For example, from January to March 2021, China's exports to Africa were valued at RMB 193.78 billion, representing year-on-year growth of 29.6%.[35]

Second, the impact of an FTA on exports of African products to China will not be uniform, which may derail a continent-wide initiative. Indeed, population changes – an indicator of

35 National Development and Reform Commission of the People's Republic of China, '2021 January to March China's import and export situation to Africa,' April 21, 2021, https://www.ndrc.gov.cn/fggz/jjmy/dwjmjzcfx/202104/t20210421_1276897.html.

market size and the potential for trade – can also drive changes in exports and imports, with or without an FTA. For instance, a 1% increase in China's population will result in an 8.287% decrease in Africa's exports to China; however, this is not significant or uniform. Notably, South Africa and Nigeria will experience a decline in their exports when China's population increases. This is likely to be the result of China opting to trade with other partners in Asia, the US and EU. Several other African exporters, however, will experience export growth when China's population increases by 1% – ie, Egypt (30%), Ghana (22%), Mauritania (6%), Mozambique (87%), Namibia (35%) and Zambia (85%).

Third, most African countries are expected to record increases in population size. Based on current manufacturing capabilities, and using the gravity model, this means that many are likely to record a decline in their exports to the Chinese market in future. For instance, Congo, Egypt, Ghana, Mauritania, Mozambique, Namibia, South Africa and Zambia are likely to divert production to meet domestic demand – at the same time reducing exports to China.

This diverse response is likely to be due to supply-side constraints associated with weak export product diversity in some of Africa's larger economies, which reduces the potential benefits of an FTA. This calls for further assessment of the dynamic impacts of an FTA on Africa's industrialisation efforts under the AfCFTA.

Fourth and finally, it is unclear whether the existing, sprawling map of bilateral agreements would in fact be preferred by China or African countries. However, the fact that some regional coordination forums have been created but hardly put into effect lends credence to the noted challenges of negotiating a continent-wide FTA. For instance, in November 2011, the EAC–China framework agreement on economy, trade, investment and technical cooperation was implemented, which was expected to promote commodity trade, exchange visits by business people, and cooperation in the fields of investment, infrastructure and human resource development and training.[36] A Joint Committee on Economy, Trade, Investment and Technical Cooperation (JCET) was, in turn, expected to follow up on implementation. However, after meeting a few times, the committee's work then dissipated. Similarly, negotiations were initiated as far back as 2004 on an FTA between China and the Southern African Customs Union (SACU), but to date no agreement has been signed.[37] A China–ECOWAS trade forum was set up in 2012 but since then, no progress has been recorded. SADC has a working relationship with China, which came into effect following the SADC–China Infrastructure Investment Seminar that took place in 2015, but the focus is on infrastructure and not on trade directly.[38]

36 East African Economic Community, 'PRESS RELEASE: EAC and China sign framework agreement to boost trade, investment,' Aspen Institute, November 2011, https://www.aspeninstitute.org/wp-content/uploads/files/content/images/ghd/China_EAC_Press_Release_11.17.2011.pdf.

37 Ministry of Commerce of the People's Republic of China, 'China's FTA Network: China-SACU FTA,' n/d, http://fta.mofcom.gov.cn/topic/ensacu.shtml.

38 Southern African Development Community, 'SADC–China Infrastructure Investment Seminar,' July 22, 2015, https://www.sadc.int/news-events/news/sadc-china-infrastructure-investment-seminar/.

Conclusions and recommendations

At the end of 2020, China and the AU signed a cooperation plan to effectively promote the BRI and the AU's Agenda 2063. This presents many opportunities and challenges in various aspects of trade, investment and cooperation between China and Africa.

This paper proposed and explored four options for future engagement between the AfCFTA and the BRI. These range from 'business-as-usual', ad hoc coordination (Option 1) to a full FTA (Option 4).

Our initial assessment, using our SWOT-like 'opportunities and challenges' framework and a gravity model (used to assess Option 4 in particular) is that Options 2 and 3 – which are more targeted and structured forms of trade cooperation – may well serve Africa's interests best. Our analysis suggests that Option 1's ad hoc approach could pose risks to Chinese interests in Africa, while Option 4 may lead to a rise in African imports of Chinese goods, which may not be offset by exports from Africa to China – with both of these options possibly being unfeasible in view of the highly differentiated impacts that they would have across the continent.

> Our initial assessment is that Options 2 and 3 – which are more targeted and structured forms of trade cooperation – may well serve Africa's interests

Furthermore, while Options 2 and 3 may require more work to structure and design initially, they have the potential to prioritise African exports to China in manufacturing and agriculture, which have the potential to significantly boost sustainable development on the continent and would complement the AfCFTA's plans insofar as they would encourage the pursuit of economies of scale. In this regard, it is also very important to attract more African (and Chinese) firms to invest in existing infrastructure, and in particular SEZs, while ensuring that they fully leverage their roles and seek stronger returns from these investments. Furthermore, Options 2 and 3 can be implemented simultaneously.

However, policymakers will need to consult on and analyse these issues in the coming months and years. Nevertheless, our recommendations to different key stakeholders from this point on are focused on their making either Option 2 or Option 3 (or both) a reality so that the implications become apparent and are well understood.

Recommendations for the AU and AfCFTA Secretariat

1 The AfCFTA has already established a Secretariat to govern the implementation process and has an office dedicated to rolling out the AU's AfCFTA communication strategy. This organ is responsible for communicating directly and transparently with African countries and customs unions, thereby providing direction in how to tackle continental challenges, such as trade barriers and infrastructure gaps, and how the AfCFTA will be implemented. This communication infrastructure could also be used to channel information to investors looking to invest on the continent – in this way helping to dismantle trade barriers and create conditions to drive stronger and more enduring economic growth on the continent.

2 A more concrete action plan needs to be formulated by the Chinese BRI Leading Group and the AU Secretariat to guide and effectively track BRI–AfCFTA cooperation. For example, the Chinese BRI Leading Group and the AfCFTA Secretariat could sign an MOU detailing the strategic focus areas of the two sides, the specific activities in which they would engage to achieve their respective developmental goals, and a process of regular assessment meetings between the Chinese Leading Group and its African counterparts to track project successes and shortcomings and to make necessary adjustments.

3 To bring in the private sector, the AU/AfCFTA Secretariat could take the lead in proposing to establish a joint BRI–AfCFTA cooperation promotion group, comprising both Chinese and African stakeholders, to hold regular, in-depth talks and exchange ideas on an ad hoc basis. The African participants could utilise the platform to propose to China the sectors and projects that they need the most help with, which in turn would be linked to African plans and frameworks, such as the Programme for Infrastructure Development in Africa (PIDA).

Recommendations for African governments

4 Each African country should proactively prepare an in-depth 'China plan' that explicitly sets out what its citizens want from a Chinese partnership. An option is to formulate an action plan with Chinese provincial- and city-level governments to ensure efficient cooperation between the BRI and AfCFTA. There are a total of 18 key provinces[39] in the BRI and almost all of them have their own BRI promotion teams. African countries should give careful consideration to the most advantageous sectors and proactively identify opportunities for concluding specific cooperation plans with the provinces. For example, Zhejiang province is 'a manufacturing hub' that could be linked with African countries through a strong manufacturing drive.

The launch of the Hainan Pilot Free Trade Zone,[40] focusing on trade and investment liberalisation, is intended to make Hainan China's largest SEZ and a key access point

39 See the full list of provinces here (in Chinese)..

40 Hainan Free Trade Port official website, n/d, http://www.hnftp.gov.cn.

into the global economic system, while also providing opportunities for African countries to cooperate with Hainan provinces in the areas of trade, logistics and investment. Furthermore, although it is not highlighted as a key province in the BRI, Hunan is playing an increasingly important role in advancing China–Africa relations by establishing a demonstration park for China–Africa economic trade cooperation. The 72 firms currently settled in the demonstration park are expected to bring $2 billion-worth of trade between China and Africa in 2021.[41]

5 Better communication platforms are needed among African countries. African countries should find or create forums where they could meet informally or formally to discuss and exchange experiences of negotiating lending and investment instruments. These forums could be organised under the auspices of the AU (such as during meetings of African finance ministers) or coordinated by the UN or even academic institutions. For instance, in October 2019, Dr Folashadé Soulé of the Blatnavik School of Governance at Oxford University in the UK launched an Africa–China negotiation workshop series (closed-door) on comparative negotiation strategies and practices that African governments could adopt when dealing with China. The first workshop attracted 15 senior policymakers.[42] There is scope for scaling up and formalising such programmes.

6 Finally, there are 'deal rooms' that exist for the purpose of promoting specific investment projects to UK investors.[43] Such projects could be adapted and tailored to Chinese investor needs. African countries with SEZs or African SEZ operators could look for support in reaching out to their Chinese counterparts and other foreign companies and negotiating ways to participate more effectively in these zones. African stakeholders could use this platform to present SEZ and other operational costs and advantages (beyond simple tax breaks or other investment incentives) to Chinese investors, comparing them to the costs and advantages of investing in Chinese operations.

Recommendations for African civil society organisations and think tanks

7 African civil society organisations and think tanks will undoubtedly play important roles in promoting further cooperation between the BRI and AfCFTA. For example, NGOs could work closely with local governments in monitoring and reviewing China's activities. They could also serve as a bridge between the government and local communities to communicate the facts about the AfCFTA and to regularly gather information from the public relating to concerns about environmental performance, social security and labour standards. Think tanks could use their contacts and collective expertise to conduct

41 Changsha News, 'Hunan's trade with Africa to grow by 18.3% in 2020; AfCFTA will give new impetus to China–Africa cooperation,' January 27, 2021, https://hunan.voc.com.cn/article/202101/20210127101701205.html.

42 Global Economic Governance Programme, 'Africa-China negotiation workshop series launches in Benin,' n/d, https://www.geg.ox.ac.uk/news/africa-china-negotiation-workshop-series-launches-benin.

43 For example, see Asoko Insight, 'Focus less on research and more on deal making,' n/d, https://www.asokoinsight.com/content/user-explainers/investors.

research and support policy advocacy by regularly examining China's policies and opportunities in African markets.

8 Civil society and think tanks could also look for more opportunities to strengthen knowledge and networks by exploring sector-based, multilateral cooperation initiatives and platforms under the BRI, such as the Belt and Road Studies Network and the International Academy of Science of the Silk Road.

Annex I

Economic corridors and projects highlighted in the 2nd Belt and Road Forum for International Cooperation

1. Addis Ababa–Djibouti economic corridor, including the development of industrial parks along the economic corridor
2. Agua Negra Pass International Tunnel
3. Baku–Tbilisi-Kars new railway line and Alyat free economic zone in Baku
4. Brunei–Guangxi economic corridor
5. China–Central Asia–West Asia economic corridor
6. China–Europe Land-Sea Express Line
7. China–Indochina Peninsula economic corridor, including Laos–China economic corridor
8. China–Kyrgyzstan–Uzbekistan International Highway
9. China–Laos–Thailand Railway Cooperation
10. China–Malaysia Qinzhou Industrial Park
11. China–Mongolia–Russia economic corridor
12. China–Myanmar economic corridor
13. China–Pakistan economic corridor
14. Eastern Economic Corridor in Thailand
15. Economic corridor in Greater Mekong Subregion
16. EU Trans–European Transport Networks
17. Europe–Caucasus–Asia International Transport corridor and TransCaspian International Transport Route
18. Industrial Park 'Great Stone'
19. International North–South Transport Corridor (INSTC)
20. Lake Victoria–Mediterranean Sea Navigation Line–Linkage Project (VICMED)
21. Lamu Port–South Sudan–Ethiopia Transport corridor
22. Malaysia–China Kuantan Industrial Park
23. Nepal–China Trans-Himalayan Multi-dimensional Connectivity Network, including Nepal–China cross-border railway

24 New Eurasian Land Bridge

25 New International Land–Sea Trade Corridor of the China–Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity

26 Northern Corridor Trade Route in Africa linking the maritime port of Mombasa to countries of the Great Lakes region of Africa and Trans-Africa Highway

27 North–South Passage Cairo–Cape Town Pass–way

28 Port of Piraeus

29 Port Sudan–Ethiopia Railway Connectivity

30 Regional Comprehensive economic corridors in Indonesia

31 Suez Canal Economic Zone

32 Transcontinental shipment of cargo using the capacities of the Northern Sea Route

33 Transoceanic fibre optic cable*

34 'Two Corridors and One Belt' Framework

35 Uzbekistan–Tajikistan–China International Highway

* This is set to extend to some African countries, especially in East Africa

Annex II

Results of the Gravity Model

Dependent Variable – Log of Total Exports	Coefficients	Standards Errors
MODEL 1: CHINA		
Log of African Country GDP	0.095***	-0.01
Log of China GDP	0.670***	-0.17
Log of Exchange Rate	-0.002	0
Log of China Population	-8.287**	-2.84
Log of African Country Population	-0.079***	-0.01
Log of FDI	-0.033	-0.06
Log of Distance	0.01	-0.01
Constant	156.042**	-54.77
R-squared	***0.598***	
CONGO, DR		
Log of African Country GDP	-3.516	-12.78
Log of China GDP	8.315	-6.13
Log of Exchange Rate	-7.765***	-1.45
Log of China Population	237.043*	-120.87
Log of African Country Population	-66.374*	-30.47
Log of FDI	0.196	-0.25
Constant	-4216.882	-2188.54
R-squared	***0.876***	
EGYPT		
Log of African Country GDP	0.818*	-0.36
Log of China GDP	-0.779	-0.58
Log of Exchange Rate	-0.079	-0.07
Log of China Population	30.000*	-13.65
Log of African Country Population	-4.980**	-1.79
Log of FDI	-0.039**	-0.02
Constant	-534.459*	-250.19
R-squared	***0.835***	

Dependent Variable – Log of Total Exports	Coefficients	Standards Errors
EQUITORIAL GUINEA		
Log of African Country GDP	0.087	-0.09
Log of China GDP	-0.774	-0.7
Log of Exchange Rate	-0.221	-0.15
Log of China Population	-1.589	-8.78
Log of African Country Population	1.772	-2.2
Log of FDI	0.002	-0.02
Constant	33.727	-170.9
R-squared	***0.571***	
GHANA		
Log of African Country GDP	1.433***	-0.25
Log of China GDP	-0.204	-0.38
Log of Exchange Rate	0.201***	-0.06
Log of China Population	21.672*	-8.45
Log of African Country Population	-7.929**	-2.48
Log of FDI	0.034	-0.03
Constant	-347.491*	-141.67
R-squared	***0.978***	
GUINEA		
Log of African Country GDP	1.798	-2.16
Log of China GDP	-0.922	-1.36
Log of Exchange Rate	0.261	-0.39
Log of China Population	72.131	-77.39
Log of African Country Population	-15.119	-14.41
Log of FDI	-0.008	-0.01
Constant	-1285.318	-1390.74
R-squared	***0.612***	
MAURITANIA		
Log of African Country GDP	-0.757***	-0.17
Log of China GDP	2.200***	-0.12
Log of Exchange Rate	0.032	-0.08
Log of China Population	10.453*	-5.01
Log of African Country Population	-6.476***	-0.64
Log of FDI	0.003	-0.01
Constant	-167.413	-92.45
R-squared	***0.994***	

Dependent Variable – Log of Total Exports	Coefficients	Standards Errors
MOROCCO		
Log of African Country GDP	0.415	-0.4
Log of China GDP	0.11	-0.19
Log of Exchange Rate	-0.053	-0.06
Log of China Population	0.72	-2.55
Log of African Country Population	-1.609	-1.02
Log of FDI	0.016	-0.01
Constant	1.233	-38.99
R-squared	***0.963***	
MOZAMBIQUE		
Log of African Country GDP	-1.892***	-0.5
Log of China GDP	0.072	-0.26
Log of Exchange Rate	-0.201**	-0.06
Log of China Population	86.550***	-17.5
Log of African Country Population	-10.785***	-2.1
Log of FDI	0.044	-0.03
Constant	-1591.867***	-321.86
R-squared	***0.929***	
NAMIBIA		
Log of African Country GDP	-0.963*	-0.38
Log of China GDP	-0.044	-0.38
Log of Exchange Rate	-0.088	-0.09
Log of China Population	35.535***	-10.42
Log of African Country Population	-6.699*	-3.07
Log of FDI	0.055*	-0.02
Constant	-624.006***	-179.98
R-squared	***0.905***	
NIGERIA		
Log of African Country GDP	-0.443	-0.68
Log of China GDP	3.537*	-1.53
Log of Exchange Rate	0.269	-0.19
Log of China Population	-81.414*	-36.52
Log of African Country Population	5.126	-4.4
Log of FDI	-0.001	-0.05
Constant	1523.074*	-669.8
R-squared	***0.721***	

Dependent Variable – Log of Total Exports	Coefficients	Standards Errors
SOUTH AFRICA		
Log of African Country GDP	-0.134	-0.11
Log of China GDP	0.593***	-0.07
Log of Exchange Rate	-0.065***	-0.01
Log of China Population	-3.029*	-1.33
Log of African Country Population	-1.375**	-0.43
Log of FDI	0.001	0.00
Constant	77.067***	-21.14
R-squared	***0.994***	
ZAMBIA		
Log of African Country GDP	1.593*	-0.78
Log of China GDP	-2.333*	-1.16
Log of Exchange Rate	0.013	-0.08
Log of China Population	85.846***	-20.17
Log of African Country Population	-10.756***	-2.02
Log of FDI	0.053	-0.03
Constant	-1594.926***	-379.83
R-squared	***0.947***	

*** 1%
** 5%
* 10% Significance level

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Cover image

A worker at Kinross Clothing manufacturers in Maitland sews men's trousers on October 19, 2017, in Cape Town. South Africa is fighting to revive its frayed clothing industry, once a crucial provider of jobs in a country suffering from high levels of unemployment. Once the economic lifeblood of many small regional towns, the abundance of cheaper products from China has led to the loss of nearly two-thirds of the sector's jobs over the past two decades (Rodger Bosch/AFP via Getty Images)

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