Industrial Parks and Globalization: Experience Sharing between China and Africa

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NexGen Global Forum
Tsinghua University
Beijing, China 100084

Email: nexgenforum@mail.tsinghua.edu.cn
Website: http://www.nexgenforum.org/
Morning Session 1: Keynote address - Dr. Justin Yifu Lin - "Is China’s Success Replicable in Africa?"
-Yera Park

China before the 1979 reform was stalled in poverty and hunger. China’s GDP per capita was at US$182 – only a third of Sub-Saharan Africa’s at the time. Fast-forward three decades, China is savoring soaring growth rates of 9%. In 2009, China surpassed Japan’s economy. A year later, China caught up with Germany as the largest exporting country in the world. How did China manage such unprecedented GDP and economic growth – all without a systematic crisis?

Justin Yifu Lin, counsellor of State Council at the National School of Development of Peking University, shared the success factors of China’s reform and what developing countries - including those in Africa - can learn from China’s experience.

During 1960-1970s, countries across Africa, Latin America and former Soviet Union went under reforms to bring structural change to boost its economy. These reforms around the globe brought disappointing results and, for some countries, growth rate reversed and witnessed outbreaks of economic crisis. China’s reform has a different story to tell. Then, how was China’s reform different and what made it successful?
Success Factor One: Late-comer advantage

Industrialization and innovation in technology are imperative to sustainable economic growth. With that said, many developing countries cannot afford to invest in the kinds of high-risk and high-return technological innovation that developed countries can. China also faced major roadblocks due to patent protection and lack of capital to develop advanced technology. What developing countries can do - and should do, according to Lin - is to utilize late-comer advantage. Simply tapping on technology already developed by the developed countries can allow developing countries to upgrade their industries with less risk and energy - all the while accumulating capital to build high-value added industries for its next step.

Success Factor Two: Government’s Role in the Reform

China reaped high-growth from its State-Owned Enterprises (SOEs) by injecting government subsidies. While admittedly, not all SOEs were successful in the end, China was at a developmental stage where if the government had not intervened many SOEs would have gone bankrupt and resulted in a negative impact on the economy. The government pushed the development of labor intensive industries to utilize China’s comparative advantage of its abundant labor force. It also made efforts to upgrade its industries and provided subsidies for high transaction costs incurred by deficiency in infrastructure. Through the reform, the government intervened to address challenges that enterprises alone cannot address.

Failure of Africa’s Reform

Africa had the same urge as China to upgrade its industries after the colonization period. Lin believes that the key difference in result of their reform comes from the difference in principle of development. Africa adopted “shock therapy” implemented by the World Bank during its reform in 1980s; the reform shaped by neoliberalism gave the private sector a greater role in the economy while stripping down government intervention in the market. This forbids the government from intervening in resource allocation or economic activity. What was overseen was its potential impact on premature industries -- removal of government intervention led its
industries to bankruptcy and unemployment. New industries struggle to come into shape without government subsidiaries and support.

Is China’s success replicable?
Africa can see more opportunities by learning from China’s experience. Lin shared some lessons-learned from China’s reform that can be replicated in Africa:

1) Government role and late-comer advantage: government to provide subsidies to keep strategic industries from going bankrupt; identify and pursue areas where they can benefit from late-comer advantage.
2) Shift to high-value added industries: focus on shifting to manufacturing and processing industry from agriculture industry.
3) Improve infrastructure and education to grow competitiveness.
4) Concentrate resources on SEZs: allocate resources in building successful SEZs to gain confidence of international investors and businesses; allow enterprises to enjoy lower transaction cost; invite enterprises from foreign countries, such as, China, South Korea and Singapore, to bring their existing network and expertise.

Africa is at a critical juncture to realize its dream of modernization and it may have a different story to tell this time.
Morning Session 2: If Africa builds nest, will the birds come? - A comparative study on Special Economic Zones between Africa and China
-Stephanie Ma 马瑞轩

Hanna Ryder, Head of Policy and Partnership Unit, UNDP China: UNDP Releases Study, “Africa-China Cooperation on Special Economic Zones: Vehicles for Africa’s Industrialization”

Following the opening of the conference, Hanna Ryder, head of UNDP China’s Policy and Partnership Unit, discussed her team’s research study on the effectiveness and challenges of special economic zones (SEZs) in Africa, entitled, “Africa-China Cooperation on Special Economic Zones: Vehicles for Africa’s industrialization.” As much as SEZs have become important vehicles for China’s development since the country launched them in the 1980s, SEZs were actually pioneered in Africa in the 1970s, although with minimal success until in recent years. Therefore, the study’s findings can infer implications for whether China’s development model can be transplanted into other countries and yield comparable economic impact.

Ryder’s team conducted interviews and other analyses of one Chinese and one non-Chinese SEZ within three countries, Ethiopia, Nigeria, and Zambia, to gather results for recommendations on SEZ management from a total of six case studies. At each of these industrial parks, UNDP conducted interviews with government officials, developers of the SEZ, and managers of the companies operating within the parks.

In summary, the UNDP study listed the following key factors that Ryder’s team found were critical to the success of an SEZ:

- Unified political commitment and support from local and federal governments
- Policy and institutional frameworks
- Existing infrastructure in place before SEZ development (or funding for infrastructure secured before SEZ development)
• Linkages with local economy
• Human resources development initiatives between business managers and local workers

The report concluded with recommended actions to implement or to avoid for African governments and the Chinese government. To view the report, published in both English and Chinese, visit www.undp.org.

Remarks of Douglas Zeng, Senior Economist, World Bank

Continuing the conversation on what makes SEZs successful or not successful across the African continent generally, Douglas Zeng, a World Bank senior economic outlined what he found to be key success factors:

• Infrastructure: power, water
• Skills training
• Equity-based growth: Instead of focusing on attracting multinational enterprises, SEZs should work to incorporate local businesses to growth with the park.
• Coordination of government agencies in support of the zone

Zeng emphasized that he has not yet found a successful model of a cross border zone. Cross border zones are difficult to develop logistically, and experience difficulty fostering regional integration due to factors including the inability to coordinate sovereign government administrations. He notes that, even in China, SEZs are not shared by multiple provincial administrations.

Zeng also discussed at length the role of governments to retain the focus of SEZs in yielding meaningful economic impact. A common theme at this conference seemed to be that while SEZs are intended to experiment with a controlled liberalization of select markets, the government’s role is still critical to the long-term success of SEZs in terms of their general logistics management and abilities to nurture pathways to profitable growth and operational efficiency for its client enterprises.
Remarks of Robert Banda, Manager of MFEZ at Zambia Development Agency

Banda noted that, in Zambia, the purpose of SEZs is primarily to catalyze the country’s manufacturing sector. When Zambia first began opening its markets to foreign investors, it experienced an influx of foreign manufactured goods that led to lost jobs. The zone Banda manages today has so far attracted 1.4 billion USD in investments and employs “thousands” of Zambian employees. For additional information on his remarks later in the conference, please refer to later reports in this series.

Remarks of Solomon Abay Abebe, Ethiopia Development Corporation

Abebe noted that work to improve SEZs should support how local companies can export instead of how local companies can be supply chains for foreign experts within SEZs. For additional information on his remarks later in the conference, please refer to later reports in this series.
Session 1: How can industrial parks facilitate the Cooperation on Capacity?
-Kyle Kessler

Wang Xiandong - Jiangsu Trade Promotion Organization

Mr. Wang started his presentation with his idea as to why Chinese businesses are expanding to Arica. The reason, according to him, is that many Chinese firms, besides an untapped market, are currently suffering from over capacity. He then described three stories which detail the Chinese and African enthusiasm for striking deals.

These three stories illuminated the need for cooperation when striking deals in Africa. For example, various Chinese actors and think tanks should work together with their African counterparts to help local legal systems. Additionally, while the market is huge, government, industry, and academia must cooperate in training activities in order to tap into the potential of the continent.
At the end of his presentation, Mr. Wang was asked a question regarding, “Why Chinese firms want to go to Ethiopia?” He responded that the favorable policies and large market, as well as Ethiopia’s stability and environment, are the primary reasons Chinese firms are looking to expand into this market.

Liu Jin Xing – NDRC

Countries of the world, according to Mr. Jiu, are divided into two blocks - consuming countries and manufacturing countries. In the traditional model, Southern countries (manufacturing) have relied on Northern countries (consuming) to drive their development. Because of China’s unique position between these two blocks, China will serve as a very important engine in the development of other Southern countries.
The US Trade Regime, as currently constituted, has created polices and regulations that are not particularly applicable to developing countries. For instance, African countries pin their hopes on China because they want to learn from China and believe the Chinese institutional framework can be copied. In his opinion, it is better for developing countries to follow and listen to China.

A new set of rules and policies, such as One Belt One Road, is better adapted to the unique challenges faced by these countries. OBOR is beneficial from the Chinese perspective in that it facilitates Chinese firms attempts to go global.

Mr. Jiu then closed his presentation by pointing to the Chinese experience in Zimbabwe as a model which can be copied.

**Miao Lu - Research Group**

Ms. Miao started her presentation by giving the audience and introduction to SEZs and the globalization of SEZ use, specially focused within Africa. However, the initial foray of SEZs into Africa were fairly unsuccessful in attracting Chinese companies.
Her research group has several recommendations for firms looking to move into these SEZS. The first, and perhaps most important, recommendation is to promote greater cultural awareness and cooperation between individuals in Africa and China. She recommended encouraging Chinese students to go abroad to Africa, continue to educate future leaders of Africa in China, and send technical experts to Africa to help fill skills gap and improve the talent pool in Africa.

Another key recommendation deals with engagement with stakeholders in Africa. Chinese stakeholders should work with NGOs in Africa and towards joint construction projects, which would avoid the government and eliminate some corruption. Furthermore, China should focus on engaging many areas across Africa and within countries, as some in the African public would be uneasy about too much of a Chinese influence and presence in one place. These recommendations will hopefully help to establish Africa as a worldwide manufacturing base, with China as the leader.

Mr. Qu Jian – China Development Institute

According to Mr. Qiu, there have been three shifts in industrial manufacturing - Europe/USA to Japan, Japan to Asian Tigers, and the Asian Tigers to China. During each of these shifts, the recipient of the industrial manufacturing experienced rapid 8-10% GDP growth. As the world
prepares for the 4th shift of industrial manufacturing, Mr. Qiu believes that China is a better model for these newly developing economies, in that early China was similar to present-day India, Vietnam, and Africa. In his opinion, and through the use of a plane analogy, these developing countries cannot use Western polices to take off but only when the economies reach cruising altitude.

The 4th round of industrial transfer, in his opinion, will move the manufacturing sector to Central and Western China, SE Asia, and Africa, but only 5% of companies will move out of the country. Furthermore, the transfer of industry will be vastly different over time. Five years ago, the reason industries moved was because the cost of labor became too high; however, 5 years from now, more capital intensive industries will move. In the future, expanding the market for the companies’ goods will be the primary reason for industrial transfer.

Figure: All SEZs need to do 211 projects

Source: China Development Institute
Mr. Qiu outlined the 4 phases of SEZ Development and the 5 factors that delineate the SEZ phase. While Africa is a favorable environment for SEZs, according to Mr. Qiu, Africa is not currently ready for science and technology parks. Successful plans in the future should follow the 2+1+1, meaning 2 plans, 1 study, and 1 scheme.

Salimou Bamba - African Union Commission

Mr. Bamba began his presentation with the number one objective of industrial parks (IPs) in Africa - the creation of spillover for domestic industry. When examining industrial parks in Africa, he first pointed to the incredible amount of opportunities, more specifically, the potential technology and skills transfers, forward and backward linkages, and the fact that 6 out of 10 of the fastest growing countries in the world are located in Africa.
While the opportunities are vast, there are still several potential challenges for industrial parks in Africa, most notably, the lack of current success of IPs in Africa is limited. Furthermore, there is a weakness in the domestic experience will only make this upgrade more difficult. Because of the deficiency, domestic enterprises, as well as other foreign enterprises, must be included in new IPs.

Besides these challenges, Mr. Bamba outlined the current difficulties of IPs in Africa. Infrastructure upgrading is slower than required, land acquisition and compensation rules are unclear, a lack of policy stability, high indirect costs because of a poor business environment, and poor strategic and operational planning have all contributed to the unsuccessful IPs in Africa.

The key for future success, according to Mr. Bamba, will center on cooperation. Cooperation with local governments and communities, partnerships with local communities, and technology and knowledge transfers to domestic partners are necessary to creating a win-win partnership.

Session 2: What is the role of industrial zones for a country’s development?
-Emily Conrad

This question was the central focus of a panel discussion moderated by Douglas Zeng, a senior economist with the World Bank, on Friday, December 18th. The panelists included an impressive list of both Chinese and African experts with extensive experience working in or studying about industrial zones. They provided insightful analysis of both the successes and challenges of industrial zones in Africa, as well as a broader perspective of how these zones contribute to the overall development of the region.

The first panelist was Pan Li, who shared his experience with the Made in Africa and the Made in Ethiopia initiatives. He noted that one of the greatest challenges that Africa faced in
attracting Chinese investment through industrial zones was a lack of policy framework to protect investors, which would thereby spur further investment. Delving into his experience in Ethiopia, he shared the enthusiasm of the Ethiopian government to utilize industrial zones to further develop its manufacturing sector, as exemplified through the GPT2 model. He also urged Chinese businesses with an export emphasis and a labor intensive model to consider relocating their manufacturing to Ethiopia.

The second panelist was Wang Yong, director of the Economics Institute at Tsinghua University, who focused on the economic benefits of industrial zones, as well as the land policy challenges that industrial parks entail. He believed that we can view industrial parks as a form of platform economy, which we can study through industrial economics and overlapping externalities. By introducing some industries into an industrial zone, a country can attract other, corresponding industries to further develop the area. For these subsidiary industries, they can then charge higher prices. This non-neutrality concept of pricing strategy is ultimately the cornerstone of multi market theory. Thus, land pricing takes on utmost importance.

Figure: tri-party cooperation in SEZ platform

Source: Wang Yong, Yang Congsheng Land policies of SEZs in China under a platform economy perspective
The third panelist was Robert Banda, who delved into his work at the Zambian Development Agency. Zambia, which is known for its raw materials, wants to transition to value-added products. Thus, the country is following its revised 6th national development plan (2013 to 2016) and is focusing on the development of the manufacturing sector in Zambia. Robert Banda shared the incentives which the Zambian government has put into place to protect industrial zones, as well as the benefits for investors. Putting industrial zones into a broader context, he emphasized what industrial parks truly meant for his country: the production of value-added goods to bring more wealth into his country; the creation of jobs; and the ultimate goal of poverty reduction in Zambia.

The fourth panelist was Aleander Demisse, a Chinese-Africa relations expert, who sought to provide a broader context of what the development of industrial zones meant for Chinese-African relations. China has only been supporting industrial zones in Africa since 2006 and every year, cooperation between China and African industrial zones increased as illustrated through the Beijing Action Plan (2007-2009), Sharam El-Sheikh Action Plan (2010-2013), and
Beijing Action Plan (2013-2015). He described the industrial zones as a places of exploration; providing a new type of business culture and management for development in Africa.

The fifth panelist was Yang Dayong, a director of China Nonferrous Metal Mining Group, which has significant presence in Zambia, including its own industrial park. The industrial park is divided into two sections, one of which is set up to utilize the metals and materials originating from Zambia, as well as the Democratic Republic of the Congo. The other section is of strategic importance, as it focuses on manufacturing and is located next to capital's airport. He shared his opinion that industrial parks served three main functions: 1.) consolidating the friendship between two countries; 2.) contributing to a country’s economic development; and 3.) developing a platform for capacity.

**Session 3: Financial Support for Zone Development**

-Gibson Haynes & Judy Yang

In session 3, Financial Support for Zone Development, moderator Zhang Yan, programme manager for UNDP China, presented a number of speakers sharing their strategies for funding and otherwise supporting the development of industrial zones in Africa.

Li Yong, the assistant general manager of CADFund, spoke on the work the fund has been supporting in Africa. Founded in 2007 following the China-Africa Cooperation Summit in Beijing, the fund - China's first equity fund for investment in Africa - has invested in 83 projects in 35 countries since. By providing financial, research, and technical support, CADFund acts as a platform to match African companies with Chinese investors and also helps China’s national development bank mobilize funds for loans in multiple African industries. By applying its institutional expertise to the problems facing investment in Africa, the CADFund helps Chinese investors make use of favorable conditions in Africa while simultaneously promoting the development of industry in the investment recipient areas. Of particular note here is the Lekki Free Trade Zone in Nigeria; its positioning both in the region...
and within Nigeria’s geography give it high potential for future expansion. He suggested that alongside financial support, support from government policy and external policies can help ensure zones are profitable, productive centers.

Zhang Xiaofeng, associate professor at the China-Africa Business School, Zhejiang Normal University, gave an account of the continuing internationalization of the renminbi (RMB) in Africa, which he asserts is the core of financial cooperation between China and Africa. In addition to rapid growth in cross-border RMB payments, which grew from $7.5 billion in 2011 to $57 billion in 2012, RMB has become a significant foreign exchange currency in Africa, being held in Nigeria, South Africa, Kenya, Ghana, Tanzania, and Angola, among others. Banks have also made strides in cooperation on the continent, where many provincial banks in China and Africa are building joint platforms. Challenges persist, though they are solvable: lack of robust financial infrastructure, foreign exchange regulation and ensuing rapid fluctuations of exchange rates, and a slow overall pace of Chinese banks entering African markets all act to constrain the internationalization of the RMB. Meetings like the China-Africa Summit can provide an important platform to help alleviate these problems, and indeed plans to initiate a currency swap, talks about the joint development of a pricing mechanism, and other encouragement for Chinese financial institutions to provide services in Africa are already taking place. As the RMB becomes a more international currency in Africa, Chinese investment can be more effective there.

Ren Zhongxin, director of a special financing unit in the Industrial and Commercial Bank of China, described his company’s role in promoting projects, primarily infrastructure projects, in Africa. Since 2008, ICBC has funded over 100 projects, and they see high potential in the future of investment on the continent. With a particular connection to South Africa’s banking sector, ICBC cooperates with South African banks to direct Chinese investors towards projects in that nation and in Africa more generally; this model of cooperation has been shaped by previous experience doing similar work with Chinese investors in Pakistan. ICBC’s role in industrial parks, meanwhile, takes four consecutive shapes: 1) to help governments conduct feasibility studies for proposed parks, 2) to serve as an information hub, 3)
coordination and support for financing across borders, encouraging favorable policies, and 4) providing comprehensive financial services within a given industrial park.

Zheng Jun, the general manager of China-Africa Lekki Investment, Ltd., shared on-the-ground experience of the Lekki Free Trade Zone in Nigeria. Located in the state of Lagos, it covers an area of 30 square kilometers, roughly the size of Macau, and is one of only thirteen "national-level free trade zones" established by China. As mentioned previously in Li Yong's talk, financing comes in large part from CADFund, and many shareholders in the zone contribute years of overseas investment experience. In addition to this experience, the zone has been able to draw from the expertise of each company that invests in Lekki, and with a 50 year operation right from the Lagos state government should generate plenty more experience on its own. Challenges within the zone include safety concerns, lack of wider infrastructure, and a gap between the language of official agreements and their implementation. However, continued efforts to employ locals and improve working relations with state and national governments promise to overcome these challenges in the long term.

Xu Bin, CEO of the Guangdong Silk Road Equity Fund Management Co., provided perspectives of small and medium enterprises' (SMEs) experiences in providing financial support for industrial parks. Guangdong Silk Road Equity Fund sponsors small businesses in the true sense, supported by the Far Eastern Group, Wenzhou Chamber of Commerce in Guangdong Province, Wenzhou Chamber of Commerce in Hong Kong, and China Leather Industry Association, as well as other enterprises and institutions. With approximately 800,000 members and a focus on leather goods, clothing, and three other sectors of equity investment, these SMEs, particularly those that are able to "go out" into zones in Africa, have many advantages. As a representative and coordinator of SMEs, Guangdong Silk Road Equity Fund puts its attention toward making business partnerships happen in Africa, where he believes the manufacturing industry will be key to creating new jobs. The fund's role, then is to connect "going out" enterprises with fellow institutions in Africa charged with national development; in doing so, they can be an effective channel for capital flows into the private sector.
Lastly, Nigeria’s economic consul Ubelejit Renner Ikuru spoke on the investment opportunities and challenges facing special economic zones in his country. He stressed that Nigeria is open to Chinese investment in all industries, including power and energy, oil and gas, extractive, aviation, real estate development, marine shipping and port development, banking and financial services, tourism, education, manufacturing, technology, and more. The end goal, however, is to move away from Nigeria’s overreliance on oil and natural resources, and achieve fuller industrialization, creating a wide range of productive jobs. SEZs in Nigeria are a major tool in this policy agenda, and the government has put business-friendly laws and investment regulations into place to promote their success. Mr. Ikuru sounded a note of caution, however; in order to reduce frictions between governments and investors, SEZs must take the forms they promise in their feasibility studies, and on the flip side, Nigeria’s own policies need further clarification and specificity. Recent innovations in SEZ membership processing, including streamlining of bureaucracy and improved application turn-around times speak to the seriousness with which Nigeria’s current administration views its commitment to development and fighting poverty.

Session 4, Design of Zones and Innovations in Infrastructure Construction

-Gibson Haynes
In session 4, Design of Zones and Innovations in Infrastructure Construction, moderator Liu Xiaohua presented a number of speakers sharing their innovative paths and cutting-edge designs for the SEZs of the future, many based on lessons learned in current African SEZ efforts.

For Liu Aimin and the China-Africa TEDA Investment Company, the key to success has been a careful, experience-driven process of determining where the core of TEDA's business lies. Rather than promoting an investment-driven model, where the zone-maker's profits are largely returned to investors, limiting reinvestment and expansion of the zone, TEDA is turning to a more holistic, capital light model. From their flagship location near Suez, Egypt, what once was a contested battlefield has been transformed over eight painstaking years into a model of a modern, industrialized city. It is this what differentiates the TEDA model: rather than a location for factories or beneficial exemptions from local tax laws, they offer a fully functional city. Investors are eager to bring their business because the city not only offers infrastructure capability and a conducive environment for business, but also modern living spaces and an environment of community. As TEDA produces more value on its land, it is precisely this finished city and access to its developing community that the company hopes to export globally, alongside its partners.

To He Jijiang of Tsinghua University's Energy and Internet Innovation Institute Policy Research Office, opportunities abound in the coordinated development of low-carbon energy among developing countries. This particular variety of South-South cooperation would one day result in a "global energy internet" that could see abundant solar energy from one area's daylight hours powering night-time electricity needs halfway across the world. Development of this type of energy infrastructure, particularly in the long-distance power transfer capacity of ultra-high-voltage (UHV) lines, can be transferred from China to other developing countries. Experiments in Kazakhstan could provide a model of transfer for other
developing countries, allowing them to take a low-carbon development model, promoting environmental sustainability hand in hand with national development. In addition, international support coalesced around renewable energy development in Africa at the recent climate talks in Paris. The $20 billion South-South Development Fund and the Asian Development Fund, meanwhile, could help fund this ambitious, forward-looking policy agenda.

Vice President Lin of Zhongguancun Xinhua New Energy gave an overview of the potential for renewable energy in the developing world, via the example of Tonga. In Tonga, power transmission loss is 18% and the cost of production is quite expensive. However, if the country is able to reach 100% renewable energy in its power supply, prices are projected to drop to .3-.4 kilowatts per hour, not to mention obtaining a much more stable source of power. In Africa, these technologies could be put to work, provided citizens could be able to afford the power without massive government subsidies. A system must be in place that ensures viable payment flows from non-government sources to renewable energy companies in developing countries, otherwise investment in renewable energy will not be viable.
However, if the cost and transmission problems can be solved, renewable energy stands to greatly benefit developing countries.

Dr. Jason Han, executive director of the Ogun-Guangdong Park managed by , offered his experiences running the first state-level China-Africa cooperative zone. He emphasized the importance of supply chains in achieving profitability: when a product can be produced from materials to export within the park, companies are supporting one another. This unitary structure is a lynchpin of the Ogun-Guangdong Park in other ways as well. The zone attracts investors because of a one-stop shop service structure; within the park, a company can bank, navigate customs, and conduct local government and security business all at once. These reliable services, alongside reliable resources like round the clock electricity, office access, and security presence, all boost company productivity. Although labor organization is not allowed, management at Ogun-Guangdong Park works in conjunction with the local population to employ as many as possible and to respect their wishes about desirable tenants in the park.

Zhou Jianbang, chief expert with Zhongkai Huakang Consulting Company, worked with Ethiopia to bring ideas from China’s successful industrial zones to forming plans for industrial development in Ethiopia. The resulting three reports laid out research and a development plan for Dire Dawa, an industrial center and Ethiopia’s second largest city. The "China model"
that Ethiopia will benefit from features comprehensive and, crucially, highly-placed institutional support; having the consistent, strong backing of national leaders allows for the creation of the stable, high-level environment required to reap the benefits of an industrial zone. Once this commitment is confirmed, Chinese consultants like Mr. Zhou provide expert advice in the more detailed work of planning zone necessities like electricity, transportation, and logistics.

Tom Yang Bing, executive vice president and secretary-general of the Sino-African Progression Economic and Trading Association, spoke briefly on the continuing improvement of relations with South Africa. In the five years since South Africa and China upgraded their relationship to a comprehensive strategic partnership, South Africa has been China’s largest trading partner on the continent. In addition to these increasingly close trade relations, South Africa’s economic reform agenda has included the introduction of ten special economic zones. China’s leadership in SEZs has been a boon for South African planners looking to replicate similar successes.

Challenging as the situation on the ground may be, Solomon Abay Abebe, a senior promotion expert with the Ethiopian Industrial Parks Development Corporation (IPDC), sees a clear path ahead for the country. Shoring up infrastructure and service sectors and inadequate rule of law, the production from industrial parks can make a significant impact on Ethiopia’s GDP. Investment and construction can help move current production from agricultural to industrial foci, and with government backing typical restrictions such as difficulty procuring land can be eased. In a more industrialized setting, foreign direct investment will be easier to acquire, creating a virtuous cycle. This cycle underlies Mr. Abebe’s lofty goals of constructing 18 parks in the next ten to twenty years, and with the government of Ethiopia providing more than $1.3 billion in investment, it seems that substantial institutional support is also riding high for Ethiopia.
On December 17th, four Tsinghua Students including myself accompanied three experts from Africa who were here for the following day’s conference on Sino-African partnership on special economic zone development on a tour of Tianjin. The students included three from the Tsinghua-SAIS Dual Degree Masters Program as well as a fourth who is a doctoral student of Prof. Tang Xiaoyang. The African experts included Salimou Bamba of the African Union Commission, Alexander Demissie of China Africa Advisory, and Robert Banda of the Zambia Development Agency.

Our delegation’s visit was coordinated by TEDA, the SOE that runs the Tianjin Economic-Technological Area in the Binhai district of Tianjin municipality. We began our tour with a visit to an exhibition hall where we watched a video about the Binhai New Area and then spent
some time with a guide showing us the structure of the area using a highly detailed 1:75 scale model. Everyone in our delegation came away from this visit impressed by the scale of the project as well as the scientific manner in which Binhai has been developed in the past few decades.

After a quick driving tour of TEDA and a lunch of traditional Tianjin delicacies, we proceeded to the headquarters of the China-Africa TEDA Investment Co. and the related China-Africa Development Fund. Among other responsibilities, this division of TEDA is focused on opportunities to develop SEZs in Africa using lessons learned from China’s own SEZ development, including in TEDA itself. Our hosts were Executive General Manager Li Daixin and Assistant to the General Manager Yuan Jiying.

During our visit, our delegation learned about both TEDA’s existing project in Egypt and future opportunities to develop SEZs in the locations around Africa. The opportunity to
discuss China’s role in African SEZs with leaders of one of China’s SOEs that is heavily involved in this initiative was invaluable for our delegations African experts and students alike. While our conversation touched on many areas of economic development, a particular focus was the need to develop basic manufacturing first before more complex industry can effectively be established. Progressing up the value chain may be an important long term goal for developing nations in Africa but skipping links on this chain is not going to be an effective means of achieving this goal.

Before heading back to Beijing, our group made a quick stop at the Tianjin National Supercomputing Center, one of the crown jewels of TEDA and one of the fastest computers in the world. When we got back to Beijing we all had dinner together and reflected on the day’s visits. Overall, our group came away from our day in Tianjin with the impression that special economic zones have a lot of potential to further African industrialization but this can only be realized after infrastructure has been modernized.