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Current Situation and Challenges of Chinese Enterprises Investing in African Manufacturing Industry

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Abstract: Under the background of China's "One Belt, One Road" initiative and China-Africa building a "comprehensive strategic partnership", Chinese private enterprises' cluster investment in Africa has broad prospects and great potential, which will contribute to mutual benefit and win-win results for both China and Africa. The article expounds the progress of Chinese private enterprises' cluster investment in Africa, analyzes the self-challenges faced by enterprises in cluster investment in Africa, and the Forum on China-Africa Cooperation and the "Belt and Road" initiative provide government support for private enterprises to invest in Africa. At the same time, it discusses the challenges faced by Chinese private enterprises in investing in Africa in terms of politics and administration, economy, labor quality, international competition, and the quality of enterprises themselves. Finally, related suggestions are put forward from the government level and enterprise level.

Keywords: Current Situation, Chinese Enterprises, African Manufacturing Industry

1. INTRODUCTION

In 2015, the African Union released the "Agenda 2063" and its first ten-year plan, clearly proposing a strategic vision for accelerating industrialization, and taking the realization of infrastructure interconnection and African industrialization as the strategic goal of the region's development in the next few decades. In this context, the clustered investment of Chinese private enterprises in Africa has gradually become a new model to boost Africa's industrialization. How to firmly grasp the opportunity, condense Chinese wisdom and African wisdom, calmly deal with various challenges, and make the pace of Chinese private enterprises' cluster investment in Africa more solid has become the focus of academic circles. The clustered investment of Chinese private enterprises in Africa conforms to the law of international industrial transfer and is conducive to the deep integration of China-Africa industrial chains.

From the perspective of strategic value, it can not only strengthen the effective cooperation between Chinese and African enterprises, give full play to the effect of resource sharing, and enhance the industrial competitiveness, but also plays a role in the smooth implementation of the "going out" strategy of Chinese enterprises under the new situation and the promotion of my country's economic upgrading and upgrading. important and far-reaching significance. In the report of the 18th National Congress of the Communist Party of China that just passed, it was proposed to "comprehensively improve the level of open economy, accelerate the pace of going out, and implement a more proactive opening strategy", which indicates that in the new era, China will still vigorously promote and deepen the "going out" strategy.

Subsequently, notices such as "regulations on regulating competitive behavior in foreign investment and cooperation fields" and "guidelines for environmental protection of foreign investment" were issued successively. We are in an unprecedented period of opportunity. Infrastructure construction is the biggest highlight of China's investment and financing in Africa, and China has become an important source of investment and financing for infrastructure construction in Africa. By the end of 2017, China had financed and built at least 6,200 kilometers of railways, 6,500 kilometers of roads, 20 ports and 20 bridges, more than 80 power stations, 200 schools and 80 stadiums in Africa.

Chinese enterprises investing in African manufacturing industries have basically experienced three growth processes: starting from the development of trade in manufactured products, to the localization of production and manufacturing, and then to enterprise cooperation and the construction of industrial parks. Since the cost and risk of an enterprise investing in Africa alone are too high, the enterprise often joins with another or more enterprises to jointly invest in African manufacturing. The way of cooperation between enterprises has become an important way for Chinese enterprises to invest in African manufacturing. Due to the cluster effect generated by the clustering of enterprises, industrial parks have emerged as the times require, and it will be a new trend for Chinese enterprises to invest in African manufacturing in the future. In the early practice of private enterprises investing in Africa, the participation of local enterprises in the African host country was ignored, that is, the bilateral alliance between Chinese private enterprises and local African enterprises was insufficient.

It is difficult to integrate into the local regional economic network of Africa only relying on the unilateral cluster investment model. In this context, the bilateral alliance model of strategic alliance between Chinese private enterprises and African local enterprises is gradually emerging. Africans call it "cooperative marriage" model. This approach can effectively improve the technological progress and overall growth of local African companies and promote the independent growth of local regional economies in Africa. This is also the biggest difference between the Chinese model and the Western European and American predatory models. This model of aid to Africa is a distant echo of hope and ideals between Asian and African countries for the future, and it is a kind of mutual assistance with a simple goal and a common heart.

2. THE PROPOSED METHODOLOGY

2.1 The Progress of Chinese Private Enterprises' Cluster Investment in Africa

The Chinese government should unite with African countries, stand on the same front, and jointly resist the damage to the image of China's investment in Africa by Western developed countries. On the one hand, the two governments should refute and criticize the inappropriate remarks made by Western countries through the media and based on facts; on the other hand, they should increase publicity efforts and establish a good image. At the same time, problems encountered are negotiated and resolved to avoid expansion. at a certain risk. Local conflicts and terrorism still exist. In many countries, riots often occur during the process of government change. With the change of government, relevant policies will also change, which may cause huge losses to investment projects.

In addition, according to reports from many employees of enterprises in Africa, some government officials in Africa have low efficiency and serious corruption, and they extort bribes from Chinese enterprises and employees. In some countries, the legal system is not perfect, or the law is not followed, and the social security is relatively poor, which restricts the long-term development of Chinese private enterprises in Africa. Africa is rich in oil, gas, and mineral resources, which are the main source of foreign exchange earnings for most African countries. China is the world's largest importer and consumer of commodities. China's investment in African oil and mineral resources will help drive the production and export of bulk commodities in African countries and promote the economic development of both sides.

Chinese enterprises give full play to their overall advantages in oil and gas investment, engineering services, equipment manufacturing and international trade, implement a "whole industry" investment and operation model integrating upstream and downstream, and provide countries such as Sudan, South Sudan, Chad and Niger with oil and gas exploration services The "package solution" helps these countries establish an oil industry system. The investment flow of Chinese enterprises to Africa has grown rapidly, and the investment fields are relatively concentrated. The 2018 Statistical Bulletin of China's Foreign Investment pointed out that China's direct investment flow in Africa reached US$5.39 billion, an increase of 31.5% over the previous year, accounting for 3.8% of China's total foreign direct investment flow in 2018. An annual increase of 1.2%, mainly into Congo, South Africa, Mozambique, Zambia, Ethiopia, Angola, Kenya, and other countries. It involves many fields such as agriculture, construction industry, mineral natural resources, manufacturing industry and infrastructure.

As of the end of 2018, the stock of China's direct investment in Africa has exceeded US$46.1 billion, and the stock of direct investment in South Africa has reached US$6.53 billion, ranking first among African countries. In the early practice of private enterprises investing in Africa, they mainly focused on low-end value chain fields such as local production lines, raw material procurement, and product manufacturing in Africa. Due to the imperfect market economy in Africa and the lack of industrial supporting facilities, the profit margin of products is low. Take the Wenzhou shoe industry cluster investing in Africa as an example. Shoemaking is a traditional industry in Wenzhou with a history of more than 800 years.

At present, the Wenzhou shoe industry is facing a series of problems, such as rising raw material costs, rising labor costs, the impact of foreign competitors, and the migration of consumers' preferences to high-end products. In this context, some shoe-making companies have begun to implement the strategy of going out, among which cluster investment in Africa is more typical. Chinese enterprises should enhance their social responsibilities, adjust their business strategies, abide by local laws and regulations, standardize investment behavior, respect local social customs, and refrain from acts that damage the country's image because of short-term interests. Enterprises should absorb more local people for employment, strengthen environmental protection awareness, improve local infrastructure, benefit local people, help them improve their independent development capabilities, and drive common development.

2.2 The Challenges Faced by Chinese Enterprises Investing in African Manufacturing Industry

The financial support and security system is not perfect. This has led to a very limited scale of investment by private enterprises in Africa. Domestic banks and other financial institutions do not have the power to supervise the overseas assets of enterprises. As a result, banks cannot fully understand the operating conditions of enterprises investing in Africa, so they are unwilling to provide funds or guarantees for these enterprises. The African financial market is also cautious about the financing needs of Chinese private enterprises. At the same time, the financial market system in Africa is not perfect, and it is difficult to effectively meet the financing needs of Chinese private enterprises. In addition to undertaking many supporting construction projects in major infrastructure projects, Chinese companies also invest extensively in development projects such as commercial real estate, residential complexes, trade cities and hotels in Africa. Chinese-funded enterprises have very successful investment and construction projects in Angola, Rwanda, Kenya, Guinea, Nigeria, and Egypt.

As the African economy continues to develop and the size of the middle class continues to expand, more and more Chinese-funded enterprises will invest in real estate projects such as housing, hotels, and urban development. International investment has high requirements for the financial strength of enterprises, and 90% of Chinese enterprises investing in African manufacturing industries are private enterprises. Insufficient financial strength is a common problem of private enterprises. Overseas manufacturing investment mainly involves enterprises leasing factories, warehouses, establishing production lines, logistics systems, sales channels, and sales networks, etc., and also involves research and development of production technologies. All these economic activities require financial support, and enterprises with insufficient financial strength will not be able to support these cost expenditures, which will affect the production, operation, and investment of enterprises.

With the continuous improvement of the African economy, the investment fields of Chinese private enterprises have gradually expanded to emerging fields such as modern service industry, new energy development, and green manufacturing. Take Star Times Group as an example, it is an excellent system integrator, technology provider, network operator and content provider in the radio and television industry. At present, Star Times Group has cooperated with other institutions to register and establish companies in more than

30 African countries such as Nigeria and Tanzania and has become a private enterprise in China's overseas radio and television field that covers the most countries, has the fastest user growth, and transmits the most content.

Star Times Group, as an experienced system integrator, technology provider and network operator, has driven more Chinese private enterprises to invest in Africa and ensured the orderly operation of clustered African film and television bases. In the early stage of entering the African market, enterprises do not understand the local customs and cultural differences between the two sides. If the market research is not deep and accurate enough, it is easy to cause mistakes in decision-making, which is not conducive to future development. To avoid such a situation, enterprises can first choose to cooperate with more influential local enterprises to jointly develop the local market, so as to understand the local market conditions more quickly. This requires enterprises to achieve localization in terms of talents, management, and market channels, integrate with local culture, understand the living habits, and needs of local consumers, focus on producing and providing products and services that meet the special needs of local consumers, and enhance the quality of local consumers. sense of identity. Of course, enterprises should choose the most suitable way to enter the African market according to their own conditions and must not follow the rules step by step.

3. CONCLUSION

In the new era, China-Africa production capacity cooperation is an important era proposition for China-Africa to build a comprehensive strategic partnership. As an important part of China-Africa production capacity cooperation, the cluster-type investment of Chinese private enterprises in Africa has achieved initial results, and there is a trend of accelerated expansion and development. Looking forward to the future, adhere to the correct concept of righteousness and profit to regulate and guide enterprises to invest in Africa, actively promote mutual benefit and win-win cooperation between China and Africa, and demonstrate the image of China as a responsible major country, so that Africa is more willing to carry out investment cooperation with China. In addition, China's investment in Africa must strictly abide by the principle of protecting the ecological environment, so that China-Africa investment cooperation and the construction of a community with a shared future for mankind will go far and steadily and benefit all mankind.

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