



The Role of Unilateral Tax Incentives in Africa in the Context of 'One Belt, One Road' As A Driver of Quality Development

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Abstract. This paper examines the impact of China's unilateral tax incentives for African countries on their high-quality development in the context of the Belt and Road Initiative. By analyzing the policy background, objectives and current situation, the paper discusses the role of tax incentives in promoting infrastructure construction, industrial upgrading, employment improvement and regional economic connectivity in African countries. The study shows that tax incentives provide important development opportunities for African countries, promoting their economic diversification and technological progress, while upgrading the level of local human capital. However, there are some challenges in the implementation of the policies, such as the weakness of infrastructure and institutional environment in African countries, imbalance in trade structure and potential friction caused by international competition. To address these problems, the paper proposes countermeasures such as optimizing policy design, enhancing policy transparency, promoting two-way investment and technological cooperation between China and Africa, and promoting regional integration.

Keywords: tax incentives; high-quality development; China-Africa cooperation; Belt and Road; regional economy

1 Introduction

Since its introduction in 2013, the Belt and Road Initiative has become an important framework for global economic cooperation, covering such areas as infrastructure construction, financial cooperation, economic and trade exchanges and humanistic exchanges. As a key region along the route, Africa is a strategic focus of China's foreign economic cooperation. In recent years, China has deepened its economic cooperation with Africa through the implementation of unilateral tax incentives, helping African countries to enhance their economic vitality, improve infrastructure and promote regional economic integration.

Although Africa faces challenges such as backward infrastructure, single industry, and lack of technology and capital, China's tax incentives have created a more dynamic economic environment for Africa by reducing trade costs and attracting investment,

which has helped industrial upgrading, technology transfer and sustainable development. High-quality development has become a core issue in global economic governance, which is particularly important for Africa in the context of the Belt and Road Initiative.

This study examines how China's unilateral tax incentives have contributed to high-quality development in Africa. The article focuses on three issues: the background and objectives of the policy, its role in infrastructure and economic development, and the challenges and optimization paths of the policy. Through literature analysis and case studies, we systematically analyze the effects and limitations of the policy, and put forward optimization suggestions to provide theoretical and practical support for China-Africa cooperation and the high-quality development of the Belt and Road Initiative.

2 Theoretical Foundations and Literature Review

2.1 Theory of Quality Development

The theory of high-quality development stems from the transition of the global economy from high-speed growth to more sustainable and balanced development, emphasizing the priority of quality over the mere pursuit of quantitative growth [1]. The 19th CPC National Congress clearly put forward that China's economy has shifted from the stage of high-speed growth to the stage of high-quality development. According to Ren Baoping (2018), high-quality development aims to meet the people's demand for a better life [2]. Liu Zhibiao (2018) pointed out that its core includes innovation-driven, green, coordinated and shared development, with the goal of achieving inclusive and sustainable growth [3].

The criteria for evaluating high-quality development mainly focus on the transformation of development mode, structure and power. According to Jin (2018), the key lies in meeting the real needs of the people [4]; Wang Chunxin (2018) emphasizes the improvement of production efficiency, optimization of economic structure, industrial upgrading, technological innovation, efficient use of resources and the construction of an environmentally friendly economic model [5]. This theory provides a basis for exploring China-Africa economic and trade cooperation under the framework of the "Belt and Road", and helps to build a more sustainable economic growth path.

2.2 Theoretical Basis of Tax Incentives

Tax incentives are an important means for governments to reduce the tax burden of enterprises in order to encourage cross-border investment and international trade by reducing tariffs, lowering corporate income tax or providing export tax rebates [6]. Its theoretical basis includes the fields of international trade theory, supply-side economics, fiscal policy and global tax competition, aiming to promote economic development, regional equilibrium and cope with external economic fluctuations through tax incentives[7].

According to international trade theory, tax incentives can reduce costs and enhance the international competitiveness of enterprises[8]. Ricardo's theory of comparative advantage supports the promotion of export-oriented economic growth through tax policy [9][10]. Supply-side economics argues that tax reductions can incentivize corporate investment and innovation and improve productivity [11][12]. In the context of globalization, countries attract cross-border investment through tax incentives, such as the establishment of special economic zones and free trade zones [13][14].

Studies have shown that tax preferences promote trade growth, technology transfer and international competitiveness. Li Anshan (2006) pointed out that China's policy towards Africa focuses on mutual benefit and win-win situation. Through unilateral tax preferences, China not only expands its trade with Africa, but also promotes Africa's industrial upgrading and technological innovation, helping it to enhance its position in the global value chain [15].

2.3 Research Review

Existing literature generally agrees that China's tax incentives have played a significant role in promoting trade with Africa and enhancing the competitiveness of African countries' economies, while their impact on attracting foreign investment, promoting infrastructure development, industrial upgrading and technology transfer has also been much discussed.

However, there are still shortcomings in the current research. Most of the literature focuses on the short-term effects of policies, with fewer analyses of long-term impacts and sustainability. In addition, the studies mainly focus on the macroeconomic level, but lack empirical analysis on how the policies specifically affect the industry development and industrial structure of African countries.

This study aims to systematically explore the impact of China's unilateral tax incentives on the high-quality development of African countries under the framework of the Belt and Road Initiative, with a focus on analyzing the mechanism of their effects in the areas of infrastructure construction, industrial upgrading and technology transfer.

3 Background and Implications of China's Unilateral Tax Preferences for African Countries

3.1 Policy Context

China-Africa economic and trade cooperation has a long history. As early as the 1960s, China established close ties with African countries through assistance and support for African independence movements. With the acceleration of globalization, China-Africa economic and trade relations have been deepening, and bilateral trade and investment have grown significantly since the establishment of the Forum on China-Africa Cooperation (FOCAC) in 2000. In recent years, China's influence in Africa has continued to grow, and it has promoted Africa's economic development in various ways through investment, trade, tariff reduction and debt relief. Entering a new phase of

cooperation, China has implemented more active tax incentives. In 2018, at the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC), China announced that it would grant zero-tariff treatment for 97 percent of tariff lines to African least developed countries (LDCs), aiming to reduce tariff barriers, enhance the competitiveness of African exports, deepen China-Africa economic and trade cooperation, and help Africa achieve sustainable development and economic transformation.

This unilateral tax incentive policy is also an important part of the Belt and Road Initiative. Through tax concessions, China hopes to promote infrastructure construction and economic integration in Africa, help Africa better integrate into the global value chain, and build a more stable and long-term China-Africa cooperative partnership.

3.2 Policy Objectives

The core objective of tax incentives is to promote China-Africa bilateral trade and, in particular, to enhance the export capacity of African countries to the Chinese market. By reducing tariff barriers, African goods can enter the Chinese market more competitively and drive export growth. In addition, the policy aims to promote economic restructuring in Africa. By attracting investment from Chinese enterprises and promoting the development of manufacturing and infrastructure, it helps African countries get rid of their dependence on the export of primary products, diversify their industries and enhance their economic competitiveness. At the same time, the tax incentives not only focus on economic benefits, but are also committed to promoting sustainable development in Africa. The policy supports Africa's long-term development by attracting capital and technology and promoting local employment, education and infrastructure improvement.

3.3 Impact of Unilateral Tax Incentives in the Context of the Belt and Road Initiative on Quality Development in African Countries

Promotion of local infrastructure. Infrastructure development was the key to high-quality development and was particularly important for developing countries. Within the framework of the Belt and Road Initiative, China has lowered the cost of investment by Chinese enterprises in Africa through unilateral tax incentives, which have stimulated their participation in the construction of roads, railroads, ports and energy facilities. For example, the Monnet Railway in Kenya, which was built by Chinese enterprises, benefited from preferential policies to reduce costs and accelerate the project. This has not only improved infrastructure conditions in Africa, but also created a favorable environment for economic development.

Promoting economic connectivity in China and Africa. High-quality development relies on economic connectivity, including inter-country and intraregional trade and investment networks. China's tax incentives promote bilateral trade between China and Africa and regional economic linkages in Africa, such as cross-border road and rail projects, to enhance regional connectivity. Through the Belt and Road Initiative and tax incentives, Africa is accelerating regional integration and integration into global value

chains. The African Continental Free Trade Area (AfCFTA) and the Belt and Road Initiative are mutually reinforcing and contribute to sustainable development.

Promoting the integration of African countries into world value chains. Against the backdrop of the trade war between China and the United States, high tariff policies are forcing enterprises to adjust their global supply chain layout to reduce costs and maintain competitiveness. Africa has become an important destination for industrial relocation due to its abundant resources, low labor costs and improving infrastructure. China's unilateral tax incentives for Africa and the promotion of the Belt and Road Initiative (BRI) have supported foreign companies in setting up factories in Africa. This not only helps companies avoid high tariffs and optimize global value chains, but also reduces production and export costs while enjoying tariff preferences in regional markets. The establishment of the African Continental Free Trade Area (AfCFTA) has further expanded market coverage. For manufacturing companies, especially those affected by trade frictions, Africa has become an ideal choice to undertake the transfer of labor-intensive industries.

4 Difficulties and Suggestions for Countermeasures

4.1 Challenges and Limitations

Challenges in policy implementation. Although China's unilateral tax incentives have boosted Africa's economic development, their practical effects are still limited by Africa's weak infrastructure and institutional environment. Outdated domestic transportation, port facilities and communication networks have led to higher costs of cross-border trade, slowing the growth of China-Africa trade. Meanwhile, political instability and corruption in some African countries have affected the stability of the investment environment. Some Chinese-funded enterprises in Africa have faced sudden policy changes and administrative inefficiencies, which have weakened the sustainability of policies. There is also an imbalance in the structure of China-Africa trade, with China exporting manufactured goods and Africa exporting mostly primary products. Although tariff preferences have boosted trade, African countries still face difficulties in increasing the value added of their exports, limiting the development of economic autonomy.

Harmonization of regional integration policies. China's tax incentives and the objectives of the African Continental Free Trade Area (AfCFTA) present coordination challenges in some respects. The AfCFTA's commitment to eliminating intra-regional tariff barriers and China's unilateral policy of targeting least developed countries to provide relief are in some conflict with each other in promoting intra-regional trade and external cooperation. The AfCFTA's objectives are to promote intra-regional trade and external cooperation, and to promote intra-regional trade and external cooperation. In addition, due to the large differences in the economic structures of African countries, it is difficult to advance policy coordination, which restricts the overall effect of policies.

Potential risks of international trade friction. As China's influence in Africa increases, unilateral tax preferences may trigger international trade frictions. Dissatisfaction with China-Africa cooperation in Europe and the United States may lead to

interventions that restrict the activities of Chinese companies in Africa. In the future, China needs to maintain the legitimacy of China-Africa cooperation within the framework of international rules, defuse external interference and ensure the long-term effectiveness of its policies.

4.2 Countermeasures and Recommendations

In China-Africa cooperation, it is crucial to optimize the sustainability of tax incentives. First of all, differentiated policies should be implemented in accordance with the stage of economic development of African countries: resource-based countries should support manufacturing and high value-added industries, while industrialized countries should focus on supporting technological upgrading and innovation. At the same time, a dynamic adjustment mechanism should be established to regularly assess the effectiveness of the policies and ensure that their flexibility is consistent with the objectives of the Belt and Road Initiative.

Tax policy should encourage a green economy and sustainable development, and provide greater support for clean energy and green agriculture, so as to synchronize economic growth with environmental protection. Enhancing policy transparency is key. Strengthening communication through the Forum on China-Africa Cooperation (FOCAC) and setting up a monitoring mechanism will ensure that policies are fair, transparent and reduce friction.

In terms of two-way investment, China should encourage enterprises to invest in Africa, while at the same time attracting African enterprises to the Chinese market, promoting technology transfer and localization, and focusing on supporting African SMEs to integrate into global value chains. For trade structure, policies should promote diversification of Africa's exports and facilitate the transition from resource-based economies to high value-added industries.

By promoting regional cooperation and cross-border infrastructure construction, it should promote regional economic integration in Africa. At the same time, Chinese enterprises should fulfill their social responsibilities and focus on green project investment and renewable energy cooperation to ensure the long-term and sustainable development of China-Africa cooperation.

5 Conclusion

This study analyzes China's unilateral tax incentives for African countries, especially under the Belt and Road Initiative, and their impact on high-quality development. The findings show that by reducing tariffs and investment costs, these incentives boost infrastructure, industrial upgrading, employment, and regional economic connectivity, strengthening China-Africa trade and supporting Africa's economic diversification and sustainability.

However, challenges remain. Weak infrastructure and institutions in some African countries limit policy effectiveness, while trade imbalances persist, with Africa largely

exporting raw materials. Additionally, global competition and external factors, such as the U.S.-China trade war, may impact the policy's long-term effectiveness.

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