TOWARDS A BETTER UNDERSTANDING OF THE CHINESE INVESTMENTS IN AFRICA

Dr. Alexis Abodohoui & **Professor Dr. Zhan Su**
Stephen-A.-Jarislowsky Chair in International Business
Faculty of Business Administration
Laval University, Quebec (Quebec), Canada

Key words:

Chinese investments in Africa, impacts, motivations, mode of entry, actors and management issues, systematic review, research directions

Abstract:

Chinese investments in Africa has been influenced by China's "step-out" strategy adopted in the early 20s, which focused on encouraging investment in the overseas market to sustain its economic development and economic reforms (Brautigam & Tang, 2009; Veeck & Diop, 2012; Zafar, 2007). China has been fostering intergovernmental cooperation with African countries through bilateral and regional investment treaties since many years. The principles and scopes of the Chinese African policy are elucidated in its comprehensive policy statement of 2006. Between 1990 and 2015, China has achieved 9.5% annual economic growth (Kaplinsky, 2006). Chinese FDI in Africa has increased exponentially from US$ 4940 million in 2005 to US$ 45090 million in 2013. China, as the largest trading partner of Africa since 2009, aims to reach US$ 100 billion of investments in 2020 (FOCAC, 2015).

The issue of the rise of China as global economic leader and its relation with African countries has recently begun to attract increased global interest since China has become a key component of the international economic system as well as the major lever of South−South Cooperation, a new paradigm of development (Amanor & Chichava, 2016).
In fact, since the 1990s, the impacts of Chinese investments on different sectors in Africa have become a prominent topic. For instance, Asiedu (2006), Asongu and Aminkeng (2013) and (Mohan & Power, 2009) have contradictory views about the China's investments in Africa because of the difficulties in comprehensively assessing its impacts on Africa's poverty reduction efforts. A variety of literature streams including international development (Alden, 2005; Davies, 2008), political science (Bräutigam, 2009; Michel, 2008), and international business (Kaplinsky, 2013; Mohan & Power, 2008) have been complementary in some aspects and contradictory in others, about Chinese investments in Africa. Different types of studies involving quantitative, qualitative, and mixed methods as well as internet blogs and news articles have focused on examining the nature of the China−Africa relationship (Kopinski & Sun, 2014; Strauss, 2009). The earlier investigations on this issue have typically assumed that China's foreign investment does not follow the popular theories underpinning the way of doing business abroad (Buckley et al., 2007). Among the numerous patterns, there are eclectic paradigm, Uppsala model, institutional perspective, social network, etc. Our study is inspired by these various theories to decipher the Chinese investments impacts, motivations, mode of entry, actors and management issues in Africa.

Since no systematic review has been conducted on this subject so far as noted by Jackson (2014) and Cooke (2014), we therefore conduct a systematic review to examine the mentioned research question of China's investments in Africa. Jones and Gatrell (2014) suggested that critical review is essential for understanding the existing scholarship as well as to identify new research directions.

This study provides an overview of multiple analyses of Chinese impacts, motivations, mode of entry, actors and management challenges in Africa. It would be difficult to explore Chinese investments through a single theoretical basis, especially as each theory has its strengths and limitations. The intersections of multiples theories to address the modes of entry of Chinese firms in Africa give the ability to highlight the features of Chinese enterprises in terms of presence in emerging markets.

Our study indicates that there is no doubt that the China–Africa relation has changed substantially not only in economic terms but also in social and political fields. China exerts a great impact on African economies (Strange et al., 2013) through its expansion in Africa (Kaplinsky, McCormick, & Morris, 2007). China's impacts on African development are multi-faceted. Although, our findings indicated that there is no accepted consensus over the impacts of Chinese investments in Africa, it remains important that the presence of well skilled Chinese workers could facilitate international knowledge spillovers in Africa which could exploit different benefits of foreign investments. The achievement of these advantages depends on whether African countries have minimal level of absorptive capacity. China also needs Africa to satisfy its domestic industry and for market seeking. There are opportunities for both sides to get benefits from this relationship. This research highlights several avenues which could help African countries to maximize the opportunities open to them by their natural resources (Kaplinsky & Morris, 2009; Zafar, 2007), protect their activities and businesses by law (Melber, 2013), and encourage good practices among African leaders and elites (Melber, 2008). It also helps researchers to better focus on the impacts in studying the phenomenon.

By analyzing the Chinese investments in Africa, our study shows that they do not match with different international business theories that we have used in this study. It is obvious that some of Chinese firms in the host countries, lack international experience supported by psychological and cultural distances as well as networking with local African companies.

Although the place of the institutional environment, its conception and its importance varies according to the research fields of the researchers, ones should be noted that the institutional constraints are ubiquitous and vary according to the African countries. These constraints affect all the activities of Chinese enterprises in their internationalization strategies (timing and mode of entry, motivations, scale of investment, licensing for new companies, payment of taxes, Etc.) (Lu, Liu, & Wang, 2011). Indeed, the rules, laws, social values and cognitive structure of African society add uncertainties to the international operations of Chinese enterprises. To pursue the plan of industrial development and upmarket, internationalization for Chinese companies is a necessity. The past experiences of some Chinese enterprises in Asian countries would positively influence their ability to cope with the institutional environment of African countries. Thus, having penetrated several developing countries in Asia, most Chinese companies have acquired experiential knowledge in the markets of the emerging countries. Better yet, Chinese culture and that of African countries intersect in places. According to some recent studies, there is a cultural similarity between China and Africa in terms of Ubuntu Vs Confucius (Xing, Liu, Tarba, & Cooper, 2016) and power distance (Badraoui, Lalaouna, & Belarouci, 2014). In addition, there is a strong connection between Chinese enterprises and the governments of African countries. All this explains how Chinese companies face institutional difficulties in African countries. Chinese companies should not underestimate institutional constraints when deciding to operate in African markets On the other hand, in developed countries, companies in emerging countries (China, for example) gain their legitimacy by respecting regulatory, normative and cognitive institutions. Logically, researchers call for more research on how institutional factors matter when determining the strategy of emerging market companies in developed countries (Peng, Wang, & Jiang, 2008).

Although this systematic review was conducted in a disciplined manner, potential limitations must be acknowledged. The research strategy process was done according to the database system with peer-reviewed published articles written in French and English. There are probably more empirical studies published in other languages that would complement or contradict some findings drawn from this review. The lack of transparency and the quality of Chinese FDI in Africa are also obstacles to a real assessment of the Sino-African cooperation. For this reasons, our results could not abusively be generalized.

This study also helps scholars in the field to identify the areas and contexts that are relatively unexplored in this cooperation and is then ripe for further investigations. While qualitative research on China and Africa has begun to show its limits, empirical analysis or mixed analyses are needed to place this field of research on the auspices of less subjective analysis (Jackson, 2014). This is because most of the literature in the field are philosophical, anecdotal, controversial, or polemical, with significant gaps in evidence of impact analysis of China–Africa cooperation.