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Chinese Private Enterprises in Africa: Current Situation and Implications

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Abstract: Chinese private enterprises into Africa have been increasing significantly in the past years and excite considerable attention, but they are often and easily misunderstood. This paper seeks to find out their realities to clarify the controversies on them and draw some implications for Chinese government and African host country governments. This paper provides three investigations on Chinese enterprises in several African countries from 2012 and 2015. The first examined their investment goals and conditions in Africa, the second targeted Chinese wholesalers and retailers in South Africa, and the third was about how they fulfill corporate social responsibility. This study found that Chinese enterprises in Africa have made many positive impact on African countries and suggests that such concerns as China in Africa are neocolonialism is exaggerated, on the other hand, the paper also found out that there is still ample room for them to improve. Both Chinese and host country need to think strategically about the challenges which Chinese private enterprises faced in Africa if the win-win potential of them is to be realized. Relevant authorities should step up efforts to collect and publicize information, more encourage and support Chinese private enterprises and pay greater attention to those enterprises who have already come. This paper improves our understanding of Chinese Enterprises in Africa, it is of use to academics and professionals interested in Chinese Enterprises investing in Africa and to Chinese or African governments and policy makers looking to maximize the potential of Chinese enterprises in Africa.

Key words: Chinese private enterprises; Africa; current situation; implications
JEL codes: O

1. Introduction

Currently, much attention is paid to the current situation, characteristics of Chinese outward investment, especially in developing Africa. From 2005 to 2013, China's direct investment in Africa increased from US$ 0.39 billion to US$ 3.37 billion, with an annual growth rate of 33.9 percent. Over the same period, China's cumulative direct investment in Africa increased from US $1.59 billion to US $26.19 billion, with an annual growth rate of 27 percent. Currently, over 3,000 Chinese enterprises are operating in 52 African countries and regions (MOFCOM, 2013). These enterprises have caught much of the world's attention. Press views and opinions are starkly polarized. At one end of the spectrum, one hears praise for their role in filling financial and technological gaps for Africa (Gugler & Shi, 2009; Bräutigam, 2009; Klaver & Trebilcock, 2011; Gu, 2011; Moyo, 2012; Yao, 2012), at the other end, they are subject to intense scrutiny and evoke strong criticism such as too concentration in mining, low labor condition, low product quality, less employment opportunities for local residents, too long work time,

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polluting the environment, even charges that China is new colonialist in Africa (Kaplinsky & Morris, 2009; Evenett, 2009; Adisu, Sharkey & Okoroafo, 2010; Economy, 2010; Zafar, 2007; Chan-Fishel, 2007).

Previous research on Chinese OFDI to Africa has often focused on a particular area, phenomenon or limited set of variables such as impact, motivation or determinants (Drogendijk & Blomkvist, 2013; Song, 2011; Adisu, Sharkey & Okoroafo, 2010; Xiao & Chen, 2008; Asiedu, 2006; Child & Rodrigues, 2005; Draper, Disenyana & Biacuana, 2010; Kragelund, 2009; Zafar, 2007), little is known about their realities at the aggregate level especially how they fulfill their CSR, data on employment are available only for a small number of cases. Do Chinese enterprises provide less employment opportunities for local residents? Do they ask the employees to work overtime? And what implications do they mean for Chinese and African host country governments? Reality of Chinese OFDI to Africa still remains unexplored. There has been relatively little so far, this paper underlying this paper helps to fill this knowledge-gap of international investment literature by analyzing the behavior of Chinese firms in Africa under the background of south-south economic cooperation.

The remainder of the paper contains 5 sections and is structured as follows. I will begin by a brief overview of features of Chinese enterprises in Africa. In Section 2 introduce the methods used in the study. Section 3 are three surveys and our findings, the main content of this paper, the main points are as follows, many analysis on Chinese investment in Africa are biased. This research tells a very different story. In section 4, we provide some conclusions. Finally, the implications for Chinese government and African host country governments are discussed.

2. Overview of FDI in Africa

Africa is one of the few regions to enjoy year-on-year growth in FDI inflows since 2010. FDI inflows to Africa rose by 4 per cent in 2013 to $57 billion, up from $50 billion in 2012, $48 billion in 2011, its Share of inward FDI flows in the global rise up to 3.9 percent in 2013 from 3.7 percent in 2012, 2.8 percent in 2011 (UNCTAD, 2014, p. 36, Tables 1-2). In 2012, Rich natural resources countries such as Nigeria, Mozambique, South Africa, Congo-Kinshasa, Ghana lie in the top 5 host economies in FDI flows (UNCTAD, 2013, p. 39). While in 2013, South Africa, Mozambique, Nigeria, Egypt and Morocco became the top 5 host economies (UNCTAD, 2014, p. 37). Investment in exploration and exploitation of natural resources in 2012, While international market-seeking and infrastructure FDI especially market-seeking FDI into consumer-oriented industries in 2013 contributed to the level of inward flows. More generally, the continent’s good economic performance — GDP grew at an estimated 5 percent in 2012 underpinned the rise in investment, including in manufacturing and services (UNCTAD, 2013, p. 40). In term of sub region, international FDI rose in northern, eastern and central Africa, while decreased in western and southern Africa.

China’s outward foreign direct investment has increased substantially in recent years since Chinese government made the “Going Global” strategy in 2000 (Zhao & Wang, 2008; Shen, 2013). Chinese OFDI net flows in 2013 reached increased $107.84 billion, increased by 22.8% compared to the previous year, and 15.3 thousand Chinese domestic investors had established 25,400 enterprises in 184 countries (regions) globally (MOFCOM, 2013).

Table 1 Inward FDI Flows to Africa ($ million)

year	2008	2009	2010	2011	2012	2013
inflows	59 276	56 043	47 034	48 021	55 180	57 239

Source: UNCTAD, FDI-TNC-GVC Information System, FDI database (www.unctad.org/fdistatistics), based on data from the IMF Balance of Payments database.

Table 2 Share of Inward FDI Flows to Africa in the Global, 2006-2013 (Percent)

year	2006	2007	2008	2009	2010	2011	2012	2013
percent	2.5	2.6	3.2	4.4	3.1	2.8	4.1	3.9

Source: UNCTAD, FDI-TNC-GVC Information System, FDI database (www.unctad.org/fdistatistics), based on data from the IMF Balance of Payments database.

Table 3 Inward FDI Stocks in Africa ($ million)

year	1990	2000	2013
Stocks	60 675	153 742	686 962

Source: UNCTAD, FDI-TNC-GVC Information System, FDI database (www.unctad.org/fdistatistics), based on data from the IMF Balance of Payments database.

China’s OFDI to Africa has increased exponentially recently. In 2003, China’s OFDI to Africa stood at US$74.8 million. By 2013, this figure had grown to US$3.37 billion. With a year-on-year increase of 33.9%. The flows were mainly distributed in Zimbabwe, Zambia, Kenya, Angola, Nigeria, Algeria, Tanzania and Sudan. The actual stock of Chinese FDI in Africa grew from US$0.47 billion in 2003 to US$26.19 billion in 2013, which had been mainly concentrated in South Africa, Zambia, Nigeria, Angola, Zimbabwe, Sudan, Algeria, Democratic Republic of the Congo, Mauritius, Ghana, Ethiopia, Tanzania, the Republic of the Congo, Kenya etc. On the other hand, Chinese investment scale in Africa is still small. In 2013, Chinese investment inflow to Africa only occupies 3.2 percent of the total China’s OFDI, 4.0 percent of China’s OFDI stock[1]. In the twenty countries that received the highest values of Chinese OFDI inflows in 2013, only Zimbabwe lies among them in all African countries, while stocks by the end of 2013, only South Africa lies among them.

Table 4 Chinese FDI Flows to Africa 2006-2013 ($ billion)

year	2006	2007	2008	2009	2010	2011	2012	2013
inflow	0.52	1.57	5.49	1.44	2.11	3.17	2.52	3.37

Source: Chinese Ministry of Commerce, Chinese Bureau of statistics, Chinese Administration of Foreign Exchange: Statistical Bulletin of China’s Outward Foreign Direct Investment in 2013.

Table 5 China’s FDI Stocks in Africa 2006-2013 ($ billion)

year	2006	2007	2008	2009	2010	2011	2012	2013
stocks	2.56	4.46	7.80	9.33	13.04	16.24	21.73	26.19

Source: Chinese Ministry of Commerce, Chinese Bureau of statistics, Chinese Administration of Foreign Exchange: Statistical Bulletin of China’s Outward Foreign Direct Investment in 2013.

In 2013, China’s OFDI flows to Africa were widely distributed in 17 industry categories, which top 5 industries is Construction (36.8%), Mining (24.7%), Manufacturing (15.1%), Scientific Research and Technical Services (13.3%), Agriculture/forestry/animal husbandry and fishery (5.0%). This is different from China’s total OFDI flows, which top 5 industries is Leasing and Business Services (25.1%), Mining (23%), Finance (14%), Wholesale and Retail (13.6%), Manufacturing (6.7%).

By the end of 2013, Top 5 industries of China’s OFDI stock in Africa is Mining (26.4%), Construction (26.1%), Manufacturing (13.4%), Finance (14.0%), Scientific Research and Technical Services (5.1%), it is different from in 2011, which top 5 industries is Mining (30.6%), Finance (19.5%), Construction (16.4%), Manufacturing (15.3%), Leasing and Business Services (5.0%) (MOFCOM, 2011). It is also different from

[1] UNCTAD, *World Investment Report 2013*, p. 68.

China's total OFDI stock, which Top 5 industries is Leasing and Business Services (29.6%), Finance (17.7%), Mining (16.1%), Wholesale and Retail (13.3%), Manufacturing (6.4%).

Table 6 Top 5 Industries of China's OFDI Stock in Africa by the End of 2013 (Billions of dollars)

Industry	Stock	Share (%)
Mining	6.92	26.4
Construction	6.84	26.1
Finance	3.66	14.0
Manufacturing	3.51	13.4
Scientific Research and Technical Services	1.34	5.1
Subtotal	22.27	85.0

It is noticeable that Chinese FDI flows to the continent are more widespread than that of traditional investors, since traditional investors tend to focus on a handful of African economies (Loots, 2009), while China clearly invested in the majority of African countries. Chinese investment in Africa was also distributed across different regions than those more traditionally targeted. The clear interest in oil exporting countries, coupled with diversified and stable growth achievers, however, follow a more traditional pattern of FDI. The 2013 Statistical Bulletin of China's Outward Foreign Direct Investment shows that China invested in 52 of the 60 African countries or regions, country coverage is 86.7 percent, only lower than 97.9 percent of Asia. Examining Chinese FDI to various African regions, it can be seen that China is steering away from the mainstream investment destinations and focusing more on non-traditional investment destinations. For example, in 2013, Chinese investment is mainly concentrated in Zimbabwe, Zambia , Kenya , Angola, Nigeria, Algeria, Tanzania and Sudan, and in 2012, concentrated in Angola, Congo-Kinshasa, Nigeria, Zambia, Zimbabwe, Algeria, Mozambique and Ghana, while more and more widely in industry distribution. In term of sub region, China's OFDI rose in central and western Africa, while decreased in northern, eastern and southern Africa in 2012, which is very different from international investment as pointed out above.

3. Methodology and Finding

Currently, data regarding the exact picture of Chinese enterprises in Africa are fragmented and anecdotal, it is difficult to verify precisely the nature of Chinese investment in Africa. It is, however, possible to gain a clearer picture of China's FDI and make some preliminary conclusions through examining some Chinese enterprises in African countries. There are different statistics on Chinese investment in Africa. The Statistical Bulletin from Chinese MOFCOM only includes disaggregated data on China's OFDI in Africa, while data obtained from each African countries is limited in comparability, further restricting the use of more sophisticated proxies. Having reviewed all the published sources, the UN Commission on Trade and Development concluded that none are reliable. The problems "are fundamental. The figures given, in absolute terms, are not reliable, and, anyway, they are not sufficiently disaggregated by sector" (UNCTAD, 2006). Therefore, some researchers turn to case studies (e.g., Taylor, 2009; Pegg, 2012), others turn to survey. In this paper, we try to know about the realities of Chinese private enterprises in Africa through three surveys. It was qualitative fieldwork undertaken cooperatively by researchers from China-Africa international Business school, Zhejiang Normal University, with assistance from Chinese Associations in China and Africa. It must be remembered that the sample, period covered and methods used in the relevant studies again differ substantially, and these factors influence the outcomes.

Survey 1: A survey to 63 private Enterprises in Africa from Zhejiang Province

As you may know, the biggest share of Chinese enterprises to Africa comes from coastal China. Most Chinese investors come from the coastal provinces such as Zhejiang, Guangdong, Fujian, Jiangsu and Shandong. Among them, Zhejiang, a coastal province, leads China's OFDI in Africa (Shen, 1990, 2013; Gu, 2011). It has the advantage of a large overseas diaspora, estimated to number over a million people. The Zhejiang Foreign Trade and Economic Cooperation Bureau reported that, by November 2007, it had given approvals to 219 Zhejiang firms to invest US$167 million in Africa. However, this is likely to be a conservative figure as many firms did not register with the Government. This mirrors well the role of the private sector in the domestic economy in those provinces, especially regarding the manufacturing and export-oriented industries. Thus, We conducted a survey targeted at middle or upper management personnel of private Enterprises (mostly attendees of a training course for enterprises with operations in Africa in the China-Africa International Business School, Zhejiang Normal University) in Jinhua City, Zhejiang Province in December 2012 in order to gain a basic knowledge of the investment intentions and condition of Chinese enterprises in Africa. The survey was conducted through distributing questionnaires. Of the 72 questionnaires distributed, 63 valid ones were collected. The following is an analysis of the survey outcomes.

The share of enterprises (which have no investment in Africa yet) with intentions to invest in Africa: 92% enterprises have intentions to do so and 8% have no intentions.

If enterprises want to invest in Africa, which industries would be preferable (to whom have no investment in Africa yet)? Manufacturing industry (45%) (which means 45% of surveyed enterprises would like to invest in this industry, the same as follows), followed by Property market (17%), Agriculture (12%), Healthcare (3%), Education (3%), Finance industry (3%), Entertainment industry (2%)，Catering industry (0), and others (including Household, Electric devices, Hydropower and Resource extraction) (15%).

Which industries are enterprises (to whom have invested in Africa) actually investing in? Out of the enterprises have invested in Africa, 33% invest in manufacturing industry, 41% in catering industry, 13% in household and infrastructure combined, 10% in healthcare, 3% in property market, and none in education, agriculture, finance or entertainment.

How do these enterprises perform economically in Africa? 6% of these enterprises perform very well with strong profitability; 56% perform well; 38% perform satisfyingly. No enterprises are at a loss.

Ways to gain information on the African market: 39% of these enterprises gain such information through domestic websites; 18% on television, 11% through African websites and 16% through other media (such as exhibitions, seminars and clients).

What kind of support do enterprises most expect to get. 26% of these enterprises expect to get policy support from the government, 17% expect there are laws to protect investment, 17% financial support, 13% talents with expertise in African market, 25% relevant information support, 2% others (like orientation/guidance).

Survey 2: A survey to 100 private enterprises investing in the wholesaling and retailing industry in South Africa

Wholesale and retail investment represents a significant part of Chinese investments in Africa. Many Chinese private enterprises begin their investment in wholesaling and retailing industry before they expand to other industries (Gu, 2011). In this sense, survey on the operation and problems of wholesalers and retailers face are of great value.

South Africa is one of China's most important investing destination. Johannesburg, as South Africa's largest city and its commercial center, serves as an important gateway to Africa and southern Africa in particular. Many Chinese people engage in wholesale and retail investments in it. In light of this, we conducted a survey on 100 Chinese enterprises which invest in the wholesaling and retailing industry in Johannesburg, South Africa in December, 2011 to February, 2012. The outcomes are as follows.

Firstly, the state of operation:

These enterprises have certain economic strengths, but they are not high-end businesses targeting sophisticated customers. Of all the respondents, 24 import directly from China, a share of 24%, indicating that quite a few Chinese enterprises (especially those in Zhejiang) have certain economic strengths. The downside is that Chinese wholesalers and retailers mainly sell low-end products targeted at the black people who usually have limited purchasing power. Only a few businesses have the ambition of entering the white market, indicating a lack of sophistication.

Better performance than domestic counterparts but there is a loss of momentum. Feedback shows that Chinese wholesalers and retailers in Africa enjoy a 12% or 13% profit, slightly beating their domestic counterparts. However, pressure is on the increase. One businessman, for instance, have more products imported in 2010 than in 2009 but the turnover remained the same.

Chinese businessmen in Africa are hard-working but rarely engage with local community. Most of them do not intend to live there for a prolonged period of time. Generally speaking, the respondents are very hard-working. They only take 8 days off a year, so they have little tome for leisure and entertainment activities. They seldom break away from their routine except when they go to the Chinese town to buy necessities after their shops are closed in the late afternoon or when they occasionally have a family gathering in a Chinese restaurant. Furthermore, they usually have no intentions of living in Africa for a long period of time. They won’t buy or build a house abroad, away from home.

Secondly, the problems Chinese enterprises face:

Vicious competition. There is vicious competition among Chinese businessmen in South Africa. Take a woolen blanket as an example, its wholesale profit was 200% in early years, but that has shrunk to 3 to 4 RMB due to price wars, destroying the profitability of the entire market.

Language barriers. When asked “what are the most serious obstacles in doing business”, 40 respondents out of 100 pointed to “language”. Language incompetency can hurt profitability due to the corresponding difficulty in marketing. Language barriers may also deter businessmen from opening bank accounts, as a result they have to carry with them large amount of money, which is both inconvenient and risky.

Rising customs clearance fees and difficulty in visa application. According to the survey, customs clearance fees in Africa are rising dramatically. It may cost 160 to 170 thousand RMB to complete customs clearance for a container. Ineffectiveness slows the process of visa application, which delays company registration, bank account opening and customs clearance.

Public insecurity. Quite a few Chinese in Africans have been robbed, sometimes even by policemen. Some have even been robbed more than once.

Survey 3: A survey to 33 Chinese enterprises in Africa and 100 Africans on Corporate social responsibility (CSR)

How Chinese enterprises fulfill their CSR in Africa has caught much of the world’s attention, Many of the critics have relation with Corporate Social Responsibility (CSR). But the available data on it is very limited. In this paper, we try to collect the data about Chinese’ CSR through survey. From November 2011 to July 2012, We interviewed the senior managers of 33 Chinese enterprises in Africa on CSR (22 were private enterprises, 11 were stated-owned enterprises (SOEs) investing in 8 African countries which 9 companies in Senegal, 16 in Nigeria, 2 in Uganda, 1 in Zambia, 1 in Botswana, 2 in Namibia, 1 in Angola, 1 in Democratic Republic of the Congo), in which 11 companies in trade industry, 9 in construction industry, 1 in mining, 1 in oil exploration, 4 manufacturing, 3 in communication , 3 in service, 1 in fishery.

Besides these, we also investigated 100 Africans on Chinese' CSR in Africa. In the survey, Africans from 29 African countries were asked to complete the questionnaire, and these interviewees include government officials, scholars, college students, doctors, journalists and self-employed person. They consist of 34 women and 66 men aged from 16 to 78. Most of them were interviewed during the China-Africa Think Tank Forum, the Training Program for the Cadre of African Parties and Women's Organizations, Seminar for the Presidents of African French-speaking Universities, Chinese Bridge-Summer Camp for Cameroonian College Students and High School Students held in China, some of them were interviewed in street by random in Africa.

Table 7 The Basic Situation of the Surveyed Enterprises (N = 33)

Ownership	number	Percent(%)
private	22	67
State-owned	11	33

Table 8 Industrial Distribution of the Surveyed Enterprises

manufacture	4	12
Wholesale and retail	11	33
mining	1	3
exploration	1	3
communication	3	9
services	3	9
Agricultural and fishing	1	3
Construction	9	28

Table 9 Number of Employee of the Surveyed Enterprises

Below 10 person	5	15
10-100 person	15	46
100-1000 person	10	30
1000 person or above	3	9

Table 10 List of Host Countries Represented in the Study

Host country name	Number	Percent of obs. (%)
Benin	2	2.63
Botswana	2	2.63
Burundi	1	1.32
Cameroun	29	38.16
Central African Republic	2	2.63
Chad	2	2.63
Congo DR	2	2.63
Cote D'ivoire	1	1.32
Djibouti	1	1.32
Egypt	1	1.32
Eritrea	1	1.32

Ghana	4	5.26
Guinea	2	2.63
Kenya	2	2.63
Lesotho	1	1.32
Liberia	3	3.95
Mauritania	1	1.32
Namibia	1	1.32
Niger	1	1.32
Nigeria	3	3.95
Sierra Leone	1	1.32
Tanzania	4	5.26
Uganda	2	2.63
Zambia	3	3.95
Zimbabwe	2	2.63
Total	76	100.00

Source: Calculated according to the survey.

Table 11 Age Distribution of the Interviewees

Age range	Percent (%)
[16, 24]	9
[25, 64]	87
[65, 78]	4

Source: Calculated according to the survey.

Table 12 The industry Distribution of Chinese MNCs in Africa Commented by the Interviewee

Industry	Percent (%)
Finance	7.89
Resource-based industry	10.5
Infrastructure	89.5
Agriculture	11.8
Other	6.58

Source: Calculated according to the survey.

Table 13 General Review about Chinese MNCs' CSR Fulfillment in Africa

Comment	Percent (%)
Good	38.2
very good	17.1
Bad	13.2
very bad	5.3
just so-so	13.2
know nothing	13.2

Source: Calculated according to the survey.

The outcomes are as follows:

Localization rate. The average localization rate of employees of 35 Chinese enterprises is 75%. It is worth being mentioned that private enterprises is 85%, the same as Gu (2011), and SOEs is 55%, far lower than private enterprises, this is also in accordance with Gu (2011). We also find that the longer a company stays in Africa, the larger a company is, the higher its localization rate is, this is in accordance with Bräutigam (2009).

Salary. The average salary of local employees is not very high, but still higher or even substantially higher in some cases than local minimum wage. Only a handful of companies paied their employees lower than the minimum wage at first, but they raise wages when asked to do so by local labor authorities.

Working hours. In 73% of these enterprises, employees work no more than 50 hours a week. In the rest, working hours per week are longer than 50 hours.

Product quality. 90% of Chinese enterprises believe their products and services are reasonably priced; 28% of Africans, however, think products supplied by Chinese manufactures are poor in quality, versus only 1% who think Chinese products are quality.

Working conditions. 51% Africans voted for "good working conditions", while 17% voted for "bad working conditions".

Environment protection. 37% Africans think Chinese enterprises do a good job of protecting the environment, while 27% believe they don't.

Training of employees. 85% enterprises provide employment training, while only 12% offer regular training to their employees. Fewer can provide continuous funding for training at the institutional level.

The idea about CSR. 82% SOE have Clear and perfect idea about CSR, *but* to private enterprises, it is only 47%. Many enterprises are not fully motivated and engaged in this regard and assume that fulfilling CSR is the same as donating and doing pubic good. On the other hand, 89% of them think that they have made progress in fulfilling CSR in that they have begun to recruit more local people and raise wages and employee benefits.

42% of the enterprises establish specialized management institutions social responsibility and formulate the relevant system. To SOE, this percentage is 73%, while private enterprises is 12.5%.

Based on evaluation given by African respondents, Chinese enterprises scored 60.10 points (out of a full score of 100 points) in the fulfillment of CSR, compared to 56.38 points of western companies. 96% of respondents welcome Chinese investment in their countries, and 95% deem China as a better development partner than western countries.

4. Conclusion

From above surveys, we can draw some conclusion about characteristics of Chinese private enterprises in Africa.

This study provides strong evidence that Chinese private enterprises have made active impact in many aspects in Africa especially in creating local job, training local workers, diversifying local industries, growing entrepreneurial spirits, found no evidence of excessive importation of Chinese workers.

Most Chinese enterprises are interested in investing in Africa, and it is worthwhile and promising to invest in Africa (in that 62% of surveyed enterprises perform well or very well in terms of profitability). On the other hand, there is a huge gap between the industries that enterprises intend to invest in and those they have actually invested in. The gap is most remarkable when it comes to the catering industry. No enterprise intended to invest in this industry but it has actually attracted most investment. In contrast, most enterprises showed intention to invest in agriculture but no one has actually done so. In the case of the property market, 17% of enterprises intended to invest but only 3% did so. And the same is true for the manufacturing industry as well as education, finance and entertainment industry.

With regard to ways to gain information on African market for Chinese enterprises, 39% of them collect information by browsing website which is the most commonly used way. At the same time, there are still 16% gaining information through exhibitions, seminars and clients, indicating that information is critical to African investment decision-making.

Policy support is the kind of support that enterprises most need. In addition, financial support is also what many enterprises would prefer to get. However, on contrary to what many studies suggest, financial support is not the most needed support. Our research shows that financial support comes third after policy and information support. Apart from that, talents with expertise in African market are also needed, only slightly less than financial support.

Localization rate is one of the focuses in most attention. We find average localization rate is 75% among Chinese enterprises in Africa and private enterprises are higher than SOEs. We find that it differs according to its industry and time a company stay in Africa. To new enterprises or technology-intensed industry, it may be low, but the longer a company stays in Africa and the larger it becomes, the higher its localization rate is.

As to scale and industry, as most research shows, there exists a big difference between Chinese SOE and private enterprises in Africa. SOE are mostly large scale and distribute in mining and construction industry, while private enterprises are mostly small or medium-sized enterprises and are mainly found in trade, service and manufacturing industries with a few players in the communications, manufacturing and mining industry. Generally, large scale private enterprises have operations in both China and Africa, while small enterprises usually only have businesses in Africa. The majority of their capital rely on self-financing, basically with no government support and rely on family or hometown network to make deals, and only a few big private companies can get a certain amount of funds from Chinese government.

Although they differ from one another in many measures, Chinese private enterprises in Africa have a lot in common on the whole. For example, Most (mainly small and medium-sized private enterprises) operate “outside the system”, beyond the control of the Chinese government and without financial support from Chinese government (enterprises in certain areas such as Zhejiang Province can get support from local governments, but only limited small amount of subsidy of exhibition fees). In fact, most of these private enterprises are not familiar with the government’s policies toward Africa. They are adventurous and innovative, and can endure hardship, accept lower profits and poor infrastructure. In most cases, they would first engage in commercial activities by setting up small stalls to get familiar with the local situation before they decided to invest in building factories there. In the past, they often be disorganized and spontaneous, but more and more of them are increasingly rational. In contrast to SOEs in Africa, private enterprises mainly rely on local work force in their operations.

On the other hand, as is presented in the survey, investment in agriculture, education, finance and entertainment industry in Africa may face many unexpected challenges, therefore these areas, with a few exceptions, are probably not reasonable investment targets. Investors need to be cautious if they plan to invest in the real estate industry, while manufacturing investment should be a viable option.

On the whole, Chinese enterprises often face many challenges. The most challenging part is that they don’t have sufficient knowledge of the local language, culture and market information, which makes it difficult to spot market opportunities. The second challenge is that they don’t have enough comprehensive talents to help run their business. The third is they are not fully aware of the importance of fulfilling CSR, many assume that it is the same as donating and doing pubic and not fully motivated and engaged in this. To private enterprises often face many challenges such as lack enough capital. Although in the 2009 Forum on China-Africa Cooperation held in Sharm el-Sheikh in Ethiopia, Premier Wen Jiabao pledged $1 billion in loans to support Chinese SMEs in Africa, so far most of the private enterprises haven't received any loan.

Overall, Chinese enterprises do not register a good image (barely adequate, but SOE fulfill their SCR better than private enterprises), but neither do they look too bad in the eyes of Africans. And Chinese enterprises perform much better than their western counterparts. All these indicate that although Chinese enterprises have their deficiencies, they bring benefits to African countries and local communities. This makes a strong case against "neocolonialism" and points to a bright future of China-African cooperation.

Of course, there is ample room for Chinese companies to improve the working condition and provide more training to local worker and better understand and respect local cultures and religions. But, when analysis their impact, one must keep in mind that China is still a developing country, and its enterprises especially private sector is a relatively new player in the OFDI field. Given the limited time and scale of this experience, the overall impact of private Chinese OFDI in Africa should be regarded from a dynamic view.

5. Implications

Firstly, implications for Chinese government:

Relevant authorities should step up efforts to collect and publicize information. Information is critical to investment in Africa. Chinese enterprises still lack reliable information and detailed feasibility analysis concerning investment in Africa. Many enterprises that do have intentions or visions of investing in Africa often find themselves have difficulty in adapting to the actual situation in Africa. However, if information was to be collected by enterprises in a separate manner, the cost would be enormous, and thus most enterprises could not afford it. Also, as enterprises are assumed to be rational "economic man", in that if they have collect some valuable information, they will not share it in the public domain. Obviously, it is neither practical nor economical for each enterprise to collect information separately. Thus, it is necessary for relevant authorities to provide information by holding (or encouraging enterprises to hold) exhibitions and seminars.

More encourage and support private enterprises such as providing them with more financial and information support, making relevant regulatory procedures simple and efficient. Compared with SOE, They are more diversify, it is a way to counter the skepticism and restrictions that China's State-owned enterprises often encounter (overseas).

Help enterprises to improve the ability to fulfill CSR by providing investment information services and training courses on local culture, language, law and social responsibility, to increase support small and medium enterprises to fulfill their CSR.

Establish relevant information disclosure and reward and punishment mechanism, improve the laws and regulations of corporate social responsibility to legalize and standardize the fulfillment of CSR. Strengthen corporate ethical culture, collect and disseminate best practices of different enterprises, especially SMEs to create an enabling environment to fulfill CSR.

Further improve the dialogue mechanism between China and Africa, the main channels of dialogue to facilitate communication and understanding. Strengthening cooperation with other countries and organizations, collecting and disseminating best practices of different enterprises For example, a database of successful cases can be created to share experience among China, India, Brazil, Russia, the European Union, and the United States; Joint training programs targeted at the management personnel of Chinese enterprises in Africa.

Secondly, implications for African host governments:

Now, China is struggled to upgrade its industries at home and sending “sunset” ones overseas, many coastal labor-intensive producers need to move somewhere else. This give African countries opportunities. How can the host governments seize these opportunities?

Give more support to Chinese private investment. Most Chinese private enterprise in Africa are labor-intensive and relatively low technology, Low technology is easy for less developed host countries to absorb and adopt. The positive impact of this investment can be traced to the so-called “flying geese” model, which has received a lot of attention for the last several decades.[2] Labor-intensity industries can provide a lot of employment and make *learn by doing* effect. It is really very important for African development and industrialization. The rapid growth of Chinese private investment is indicative of Africa’s development potential and investment appeal and also points to the mutually beneficial nature of China-Africa cooperation. This trend offers a good opportunity for Africa in that it can make use of these labor-intensive FDI as an effective vehicle to realize its comparative advantage and help it compete in the export market.

Make more efforts to reform its domestic economic system, improve its investment policy and legal framework such as improving the overall infrastructure, social stability and security, creating special economic zones or industrial parks as China had done in 1980s-1990s to make countries attractive to investors and make them well-integrated into the domestic industrialization process.

Pay greater attention to those enterprises who have already come. The strong “word of mouth” effect among Chinese private firms (because they often come from same hometown or are relatives) means one satisfied private investor may bring many future investors and an unhappy firm could prevent many more from coming, then, it is much better for host government make those enterprises who have already come satisfied with local invest environment, such as providing them with simplified procedures and uniform treatment, consistent and transparent procedures, investment facilitation and servicing. It is probably the most economic and effective way to attract potential investors.

Not too blame Chinese private enterprise relatively low labor standards, temporary low localization rate and Wholesale and retail investment. Without doubt, working conditions in Chinese private enterprises in general really are not very good, but if one considers that this condition are improving and the owners themselves tend to rough it and tough it and often invest in places where other countries enterprises are unwilling to enter, it becomes reasonable not to blame them. To localization rate, as the survey shows, the longer a company stays in Africa and the larger it becomes, the higher its localization rate is, it is obviously more reasonable to be more patience. To Wholesale and retail investment, as many Chinese private investors in African start out with this industry before they expand to other industries in order to know about local environment, local government may wait some time before taking some measure to them.

Thirdly, implications for Chinese enterprises in Africa:

In the end, we can also get some inspiration for Chinese enterprises in Africa. Firstly, they can continue to invest in Africa, it is often worthwhile and promising, but they had better make a comprehensive analysis of the local social, cultural and legal environment before investment. Secondly, they should adhere to local laws and rules, integrate CSR awareness into operation in Africa at the early stage, recruit as many local employees as

[2] For example, the industrialization of Latin America and Asia in the 1960s-1970s and China in the 1980s-1990s benefited tremendously during their economic take-off by attracting many aggressive and risk-taking small and medium sized investors from Hong Kong, Taiwan and other Asian Tiger.

possible and improve working conditions. Thirdly, they should extend the industrial chain, enhance technology transfer and provide more training to employees, take initiatives to reach out to local communities, the media, NGOs and international organizations, encourage and support employees to participate in community activities, public service activities, and directly engage in community services (such as training young people in the community, providing micro loans and technical training to local residents). Finally, develop products tailored to the African market. Since Africa is a market where income per capita is relatively low, companies can develop products that are with simple and basic functions and are easy to use. Such durable and inexpensive products and services can generate benefits and contribute to CSR.

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