African Studies Quarterly | Volume 19, Issues 3-4 | October 2020

Africa Cooperation: FDI, Informal Institutions, BRI, and *Guanxi*

ABDOULKADRE ADO

Abstract: China has become one of Africa's top financiers through significant foreign direct investments (FDI). While Chinese investments vary across sectors and countries, this article proceeds to a comparative analysis of major receiving sectors of Chinese FDI in the top ten African destinations. It elaborates on why some African countries that are labeled risky by major institutional rankings still receive significant Chinese investments. One finding is that China invested often and successfully in risky African countries. The article thereby underlines the importance of informal institutions for Chinese investors in successfully navigating the African environment. It uses secondary data from various national and international organizations to categorize receiving countries through an informal institutional analysis perspective of Chinese investments in Africa. The aim is to understand how Chinese FDI deviates from mainstream institutional theory's argument that stable and formal institutional settings are fundamental to attracting significant investments. Findings indicate substantial Chinese investments in places often labeled as risky based on international ranking standards. Some of the important FDI destinations are now considered strategic for China's Belt and Road Initiative (BRI). Hence, Chinese businesses appear prosperous in those destinations, not only gaining more contracts but also successfully navigating the local environment. To understand such Chinese risk-taking approach and success in Africa, this article offers an alternative explanation based on informal institutions, China's long-term agenda, and the goals behind BRI. Finally, this article suggests avenues whereby African countries can better redefine their partnerships with China.

Keywords

FDI, informal institution, *guanxi*, power, Belt and Road Initiative, Africa, China

Introduction

Every rational international business decision involves evaluating risks associated with doing business in a foreign country. Often, investors will assess the major potential risks of a location before engaging its market. Once an investor has come to an investment decision in a location, it often means that the investor is confident enough to deal with potential challenges ahead and

Abdoulkadre Ado is an international business professor, Telfer School of Management, University of Ottawa. His research focuses on cross-border business partnerships, particularly on Africa-China settings, studying links between FDI, internationalization, knowledge transfer, power, and informality. He was a visiting doctoral scholar at UN Headquarters in New York (Office of the Special Adviser on Africa), where he provided research inputs on African development and multilateral cooperation.

http://www.africa.ufl.edu/asq/v19/v19i3-4a5.pdf

ISSN: 2152-244

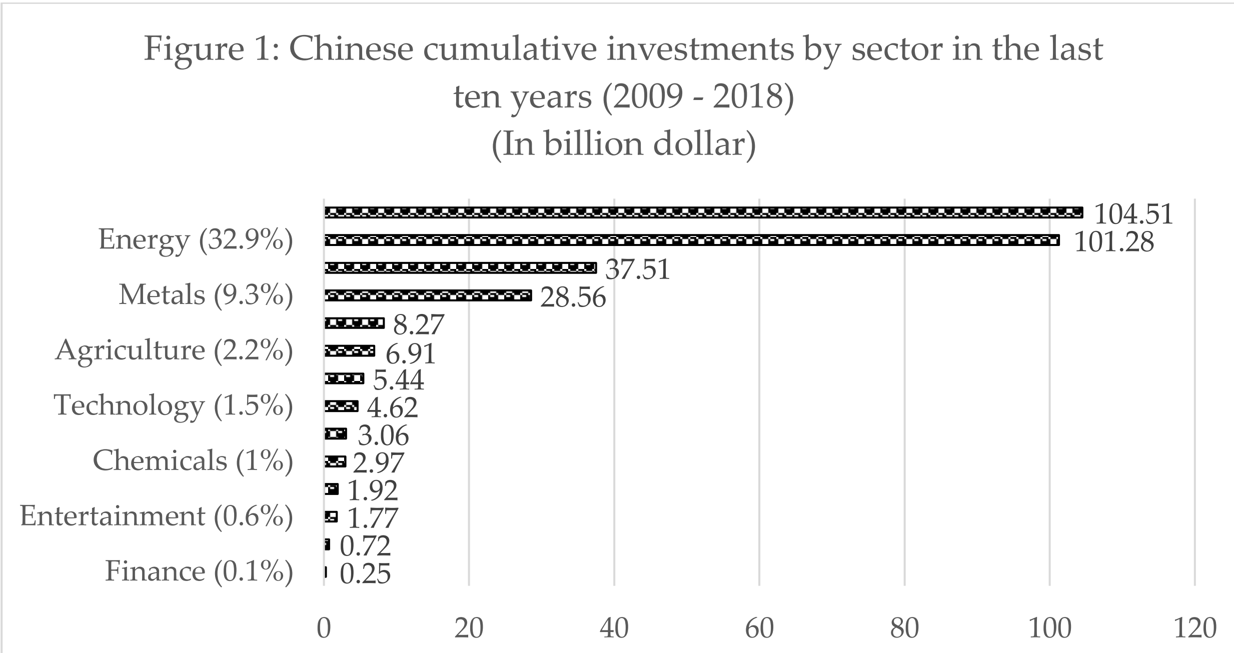
that risks are considered of minimal degree. This is one of the main reasons top FDI destinations are countries that have stable governments, relatively transparent policies, and reliable institutional settings, contrary to African countries which mostly are characterized by relatively risky business environments.

Africa is nonetheless becoming an increasingly attractive destination for foreign investments. Many businesses from the West invested in and are still investing in African countries. Such investments are usually well thought through and carefully decided based on the risks, opportunities, and stability of the institutional environment and country's overall business appeal.[1] This rational approach to business decisions characterizes the West's way of doing business in Africa, mostly engaging in "good" African countries. However, in recent years, there has also been an interesting phenomenon of significant Chinese FDI into most African countries, especially in infrastructure, and now increasingly in the controversial form of aid.[2] This FDI trend raises scholars' interest to understand why Chinese FDI in Africa continues to grow when many African receiving countries are characterized by several business challenges, higher global country-risk, or unstable institutions.

Economic growth in Africa is expected to average four percent in 2020, higher than in other southern economies.[3] Many analysts argue that China contributed significantly to Africa's recent high economic growth. Chinese FDI in Africa increased in the last decade although the ease of doing business in most of the top receiving countries did not proportionally improve according to the World Bank's *Doing Business* index. One would think that increasing FDI should go alongside with an improving business environment, but Africa contradicts this expectation with regards to China. While certain sectors in Africa appear more friendly to Chinese investments than others, Africa is still not equally attracting significant Chinese FDI to its top development priority areas, even less so for agriculture. This article analyzes Chinese FDI and top recipient sectors to determine how agriculture, despite being a top priority in both national and pan-African policies, was left behind.

In 2015, the African Development Bank set five new development priorities called "The High 5s"—Feed Africa; Light up and Power Africa; Industrialize Africa; Integrate Africa; and Improve Africans' Quality of Life. Among these priorities, Feed Africa received significant attention, making agriculture a central component in African development policies. According to African Development Bank, agriculture employs over sixty percent of Africa's workforce, accounts for one third of its GDP, and the continent has more than sixty percent of world's uncultivated land.[4] This is a significant development opportunity area where Chinese FDI can be instrumental. After all, while Africa is not using its full potential in agriculture, China feeds more than one billion Chinese with only eight percent of its arable land.[5] Accordingly, not only should Africa welcome more Chinese investments in agriculture, it should chase China's expertise in the field.[6]

Figure 1 shows that, out of $US308 billion invested by China in Africa, more than 65 percent went into transportation and energy sectors alone. Although the data excludes statistics for Burkina Faso, Libya, Western Sahara, Central African Republic, Burundi, Somalia, Lesotho, Swaziland, and The Gambia, nonetheless, the numbers clearly show that Chinese investments in Africa were mostly channeled toward two major sectors: transport and energy. This investment trend is even more likely to continue since Chinese president stated in his 2019 Belt and Road Initiative keynote speech that "High-quality, sustainable, resilient, affordable, inclusive and accessible infrastructure projects can help countries fully leverage their resource endowment, better integrate into the global supply, industrial and value chains, and realize inter-connected development."[7]



Estimated data from China Global Investment Tracker[8]

Chinese investors and companies are now major business actors in Africa as well as in the China's globalization strategies, particularly with the new Belt and Road Initiative (BRI) context. Chinese FDI in Africa has increased significantly in the last decade to reach more than $US200 billion, representing 39 percent of total world FDI in Africa in 2016.[9] Although real estate represented forty percent of total Chinese FDI in Africa, China does not publish in detail the exact figures of that FDI and the data is not completely yet available from international sources either. Hence, the significant increase of Chinese FDI in Africa raises the need for more research to understand what drives Chinese FDI into Africa. Indeed, there are limited findings on the characteristics of China's FDI in its top African counterparts, and studies are also rare on the reasons why those countries attract more Chinese investments.

According to World Bank's *Doing Business* report, although many African countries improved their overall ranking in 2018, they still are classified as tough and risky places to do business. The question is then why are Chinese investors still increasingly attracted to those African countries? So far, the literature on the characteristics and motives of Chinese FDI in Africa is still limited, especially regarding the new BRI initiative. However, some scholars have found that the rule of law and control of corruption in Africa were not significantly correlated with Chinese FDI flow into 22 African countries.[10] Additionally, not much is known about why Chinese investments tend to divert from the institutional theory's standpoint of FDI theory which argues that countries with stable institutions should attract more FDI while those with unstable institutions should attract less.

Blanton & Blanton found that respect for human rights positively impacts FDI, therefore a good score goes hand in hand with more western foreign investment.[11] While African countries that score high with respect to human rights attract significant western investments, Chinese investors are more present in countries with low score in human rights and where informal institutions are dominant.[12] Hence, no research has explained this unusual internationalization trajectory of Chinese FDI and businesses toward Africa in the sense that Chinese invest in African countries where the West has often avoided due to their widely documented risks. This Chinese distinctive investment behavior becomes interesting for scholars, especially considering the possibility that many Chinese investors are often investing for the first time in Africa.

Research has often argued that China is attracted to Africa mostly because of the continent's abundant resources.[13] Thus, Chinese FDI in Africa has mostly been positively linked to mineral and natural resource availability in top receiving countries and those nations are also often the ones receiving more Chinese aid.[14] Dong, Li, and Zhang state that Chinese investors care less about institutional risks in making investment decisions and that excellent infrastructure facilities in target destination are far more important for Chinese investors.[15] Many African economies are still suffering from poor infrastructure facilities which normally should discourage Chinese investments if Dong et al. findings were generalizable to all Africa. Current research findings on the positive relationship between host country's quality of institutions or infrastructure facilities on one side and increasing FDI on the other side are challenged by the pattern of Chinese investments in Africa.[16] Although informal institutions as unconventional structures have been marginalized in the study of FDI, they may alternatively play a significant role in explaining why Chinese FDI deviates from the mainstream prediction on receiving country's attractiveness.[17] Indeed, according to Douglass North, formal institutions only provide part of the picture especially in the context of developing and emerging markets like Africa and China.[18] Such locations may be characterized by their higher use of informal mechanisms in their business cultures.[19]

Some authors such as Serge Michel have speculated that Chinese businesses seem more comfortable operating in countries that are less democratic than China itself.[20] For intuitive people, this may explain why countries like South Sudan, Angola, Congo, or Zimbabwe often receive significant Chinese FDI during these past years. Indeed, these countries, just like China, are seen by many as undemocratic and have had their autocratic regimes on power for decades. Moreover, at times when the West listed them as risky and even boycotted them, China and its companies appeared to only have increased engagement to those very African countries. The rational scholar, however, must not fall into this simplistic and intuitive explanation trap, but should rather look for coherent, structured, and rigorous answers to this interesting deviation from existing classical FDI theories explanation.

Research Question

This research aims at answering the following question: how do Chinese investments in Africa deviate from the dominant FDI predictive institutional logic? The objective is to understand the specificities of Chinese investors' approach to Africa and to offer an alternative explanation of

FDI characteristics based on the notions of informal institution and *guanxi* while contextualizing the analysis within BRI and China's global ambitions.[21]

Study Approach

To investigate why Chinese FDI into Africa deviates from mainstream explanations, the author gathered secondary data from major international institutions including indexes and longitudinal statistics from the World Bank (WB), IMF, UNCTAD, Transparency International, African Union, African Development Bank, OECD, World Economic Forum, International Institute for Management Development (IMD), Chinese and African Governments (mostly Commerce and Foreign affairs), and the Heritage Foundation. The author also used the content of various annual reports, panel data, and databases on investments, trade, and rankings from those institutions particularly data from *Doing Business Report*, *Corruption Perceptions Index*, *Index of Economic Freedom*, *Competitiveness Index*, *Mo Ibrahim Index*, and *IMF Data* amongst others. The author compared the historical patterns of those indicators vis-à-vis the evolution of Chinese FDI into Africa. Despite the significant quantitative data consulted, this research approach is predominantly qualitative as it analyzed the FDI phenomenon.

To analyze the data (both quantitative and qualitative), the author first identified the top ten countries that received the most FDI from China over fifteen years (2003 to 2017). Then, the author gathered the most recent performance indicators of those countries from various standpoints (corruption, ease of doing business, competitiveness, etc.) and then compared Chinese FDI inflows and FDI stocks in each country against the change in its individual performance ranking to determine whether there is a consistent pattern similar to what mainstream FDI theories predict. Indeed, FDI logic supports that countries which perform well on those indicators will attract more FDI into their economies.

The findings and analysis contradict the mainstream idea and offer alternative explanations to this deviation. This extended the perspective by presenting a view on why the China-Africa context appears to follow a different logic and also explained how Africa, despite its risk disadvantage, can shape the nature and structure of its inbound Chinese FDI in light of the new BRI to better serve its development priorities, thus optimizing the use of its comparative and absolute advantages.

Analysis

The data suggests that Chinese FDI in Africa is driven more by opportunities and long-term agenda than risks. An institution-based view of FDI supports that positive investment decisions are positively correlated with destination's stable institutional environment and lower business risks. Therefore, the positive correlation translates into higher FDI in a stable and lower risk host country. However, China's investment decisions in Africa seem to follow a different pattern. What characterizes Chinese FDI in African countries is that the trend is not consistent with the traditional and widely documented logic that explains why certain countries are more attractive than others to foreign investors and multinationals. When looking at African countries which have China as their major partner, investments appear to keep increasing despite the evident turbulent contexts of those countries and the degradation of their rankings by major international institutions.

China and African Governance Challenges

Transparency International's Corruption Perceptions Index (CPI) shows that many African countries are still suffering from corrupt institutions and environments. CPI is calculated based on cases of bribery, corruption instances, and lack of rule of law among others. African countries do not score well on CPI. Hence, Chinese investments in Africa are increasing significantly, with countries that score low on CPI receiving even higher investments from China. According to data from FDI Markets, the top ten African destinations for Chinese FDI (2003-17) are Egypt with $US24 billion, then Nigeria, Algeria, South Africa, Mozambique, Ethiopia, Angola, Niger, Zambia, and lastly Morocco with nearly $US3 billion.[22]

Meanwhile, according to the 2017 CPI ranking, only South Africa is amongst the top ten less corrupt African countries. The other nine countries are lagging at the middle to bottom of the CPI ranking. Moreover, according to the *Mo Ibrahim Index of African Governance* calculated based on four components (safety and rule of law, participation and human rights, sustainable economic opportunity, and human development), Mozambique and Zambia are amongst the top ten most deteriorated countries in terms of overall governance from 2012-16.[23] Meanwhile, according to that same report, South Africa is among the top ten most deteriorated countries over 2007-16. Hence, Chinese investments in those countries kept increasing over these past few years as indicated in Table 1.

Table 1: Stock of Chinese FDI and its evolution in Africa (Millions of USD)

	FDI Stock								**Investments**
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013-2017**[24]
Egypt	40	100	132	131	285	337	403	459	11,350
Nigeria	94	216	630	796	1 026	1 211	1 416	1 950	26,810
Algeria	171	247	394	509	751	937	1 059	1 305	8,240
South Africa	112	168	702	3 049	2 307	4 153	4 060	4 775	3,350
Mozambique	15	15	34	43	75	75	98	337	7,680
Ethiopia	30	96	109	126	283	368	427	607	13,320
Angola	9	37	78	69	196	352	401	1 245	11,290
Niger	20	33	135	137	184	379	430	125	N/A
Zambia	160	268	429	651	844	944	1 200	1 998	7,580
Morocco	21	27	30	28	49	56	89	95	N/A
Total	518	863	1 882	4 584	4 640	7 208	7 674	10 392	89,620
Yearly increase		67%	118%	144%	1%	55%	6%	35%	--

Source: IMF data warehouse and American Enterprise Institute (Investment Tracker)

The fact that FDI increased while indexes worsened appears to contradict the notion that bad governance and corruption scare businesses and reduce FDI in the target country. Clearly, this seems not to be the case of Chinese FDI in those African countries as many of those top receiving nations are still struggling with increased risks and poor if not poorer institutional environments throughout recent years. Indeed, Table 2 shows that eight of the top ten receiving countries have higher corruption rate at the time when Chinese investments increase.

Table 2: Global competitiveness of top receiving countries (in percent)

									Rank
Corruption	9.8	12.4	12.8	**14.3**	14.7	**15.9**	13.6	**15.1**	1
Access to financing	7.8	13	11.8	5.7	**18.1**	11.1	**20.3**	11.4	2
Bureaucracy	9	9.3	**18.9**	7	11.5	10.3	5.2	13.8	3
Policy instability	15.2	9.2	9.4	5.3	7	3.2	6.9	2	4
Tax rates	7.7	1.8	6.1	7.4	4.3	4.3	13.4	10.8	5
Inadequate infrastructure	4.3	**20.2**	3.8	3	6.3	6.8	5.2	5.4	6
Currency regulations	6	13.9	4.4	2.2	3.7	17.4	4.3	2.9	7
Inflation	**14.2**	4.8	7.7	5.9	5.7	6.8	6.9	1.2	8
Inadequately workforce	7.9	3.8	3.9	6.1	8.2	4.5	3.2	10.3	9
Poor work ethic in labor	5	1.8	4.3	6.6	4	6.2	7.7	5	10
Tough labor regulations	3.3	0	4.5	6.3	5.7	3	2.1	4.5	11
Government instability	3.5	4.4	1.7	10.2	3.5	2.4	2.2	0.9	12
Low capacity to innovate	1.8	1.2	5	2.8	1.3	1.7	3.6	8.1	13
Tax regulations	3	2	5.3	2.8	0.5	3.1	2.4	5.9	14
Crime and theft	0.7	1.9	0.2	12.1	4	1.8	2.3	1.2	15
Poor public health	0.8	0.3	0.2	2.3	1.5	1.5	0.7	1.5	16
Total	100	100	100	100	100	100	100	100	

Source: Extracted from World Economic Forum's survey data of 2017.

Although, the aggregated ranking of the most problematic factors for doing business in these top Chinese FDI recipients shows that corruption has the overall lead, some individual countries have a country-specific most problematic factor. Indeed, Table 2 indicates that in Egypt, inflation represents investors' top challenge; for Nigeria, it is inadequate supply of infrastructure; for Algeria, inefficient government bureaucracy; and for Mozambique and Zambia, access to financing is the toughest challenge. Also, although Angola and Niger were not included in the World Economic Forum's survey data, all the problematic factors are likely to be the same as the two countries suffer from similar challenges and have the same if not lower scores on other global ranking indexes compared to all the eight other countries. Also, IMD's 2017 World Ranking shows that none of the African countries rank well in terms of competitiveness. Indeed, only South Africa is even listed in the entire ranking at the fifty-third position out of sixty-three countries, indicating either a lack of reliable data in other countries or a complete mess which, in both cases, rhymes with bad uncertainties, and therefore risks, for investors.[25]

China and Business Risks in Africa

Some scholars may suggest that China is simply looking to access Africa's natural resources regardless of the risks of doing business in those countries and that it desperately needs those resources. Amongst the top ten recipients of Chinese FDI in Africa, seven are not even in top one hundred of the World Bank's easiest places to do business in 2018. Indeed, only Morocco, South Africa and Zambia are relatively well ranked in the top ten places in Africa for ease of doing business. Although Morocco and Zambia are the best ranked among the top ten Chinese FDI recipients in Africa, they are however at the bottom of the ranking, occupying the ninth and tenth places. These statistics in Table 3 show that Chinese FDI in Africa mainly go to countries where it is not easy to do business, especially considering that, on some of the components of the Ease of Doing Business (EDB), certain countries rank last on items like dealing with construction permits or getting electricity.

Table 3: Ranking of top Chinese FDI receivers with index (in 2017)

	FDI Rank (in Africa)[1]	EDB (190 ranked)[2]	EDB: (in Africa)[3]	Corruption (180 ranked)[4]	Risk (1=min; 7= max)[5]	Economic freedom (180 ranked)[6]	Global competitiveness (137 ranked)[7]	IIAG 5-yr. avg. score[8]
Egypt	1	128	13	117	6	139	100	+0.55
Nigeria	2	145	21	148	6	104	125	+0.83
Algeria	3	166	16	112	4	172	86	+0.08
South Africa	4	82	5	71	4	77	61	+0.15
Mozambique	5	138	16	153	7	170	136	-0.45
Ethiopia	6	161	31	107	7	142	108	+0.45
Angola	7	175	40	167	6	164	N/A	-0.3
Niger	8	144	20	112	7	160	N/A	+0.13
Zambia	9	85	6	96	6	132	118	-0.35
Morocco	10	69	3	81	3	86	71	+1.23

Source: Compiled from the most recent institutional rankings.
([1]http://data.imf.org/regular.aspx?key=61013712; [2] http://www.doingbusiness.org/rankings; [3]http://www.doingbusiness.org/rankings; [4]https://www.transparency.org/research/cpi/overview; [5]http://www.oecd.org/tad/xcred/crc.htm; [6]https://www.heritage.org/index/ranking; [7]http://reports.weforum.org/global-competitiveness-index-2017-2018/; [8]http://mo.ibrahim.foundation/iiag/downloads/)

All these rankings indicate that the top receiving African countries do no stand well on institutional rankings. The countries particularly suffer from difficulties of doing business, high level of corruption, low degree of economic freedom, uncompetitive environment, and poor governance. This shows that countries where China has been investing massively are not necessarily Africa's best or easiest places to in which do business. This apparent Chinese irrationality in terms of investment questions the dominant logic of FDI at least from its classical western perspective. The fact is that, instead of being retractive to investing into those countries, China rather pours money into those locations. This suggests that China may be attracted to risky countries or at least cares less about such risks. However, the reasons behind China's increasing FDI in Africa are still to be figured out.

China-Africa Cultural Distance and Political Considerations

Often in international business, investors consider cultural and language risk as one of the biggest challenges an investor may face in a foreign country. It is often expected, when doing business in a foreign location, that foreign expats know about the country's culture and understand the local language because this will help the business prosper. In recent years, however, numerous Chinese investments in Africa did prosper with Chinese employees who did not understand local languages.[26] Indeed, some projects in countries like Cameroon, Niger and Chad have involved mostly Chinese employees who, according to their African collaborators, did not speak any local language. Communication was therefore only through sign language.

Regardless of linguistic challenges, Chinese investors and employees somehow managed to work successfully in Africa despite such apparent cultural differences.[27] This is even more interesting when some Chinese learn local languages only after they have become already successful in Africa. In fact, in China, the author met several Chinese businesspeople in Guangzhou and Shanghai who understand certain African languages and, when asked how they learned, they stated that they did so during their last years of stay in Africa so that they can do business with Africans once they went back to China. This is an interesting reverse perspective of Chinese motivation to learn a language. Overall, it seems that not speaking a local language (both the country's official and national languages) does not stop Chinese from investing, working, and succeeding on the continent.

A country's political instability (also known as political risk) and the region's overall turmoil (also known as global country-risk) are traditionally considered as major red flags for foreign investments because those risks discourage investors from doing business in that country or region. Many western investors, particularly from the UK, US, Canada, France, or Germany, have either pulled out or refused to invest in unstable African countries or regions especially when those places suffer from conflicts, unstable regimes, investor-related xenophobia, or unstable policies. Chinese investors seem to navigate such instabilities and uncertainties quite well. China even seems to enjoy Africa's turbulent times, instability, and risky locations. Such a pattern was evident in the aftermath of the 2008 financial crisis followed by political instability in many African countries. During that period, Chinese investments, contrary to western investments, in Africa skyrocketed, with China even cancelling 168 African debts.[28] These instances raise questions about why China defies classical logic of FDI patterns, as in the Chinese choice of investing in high-risk countries like Sudan, Zimbabwe, Angola, or D.R. Congo. This was despite many indicators highlighting the serious risks for foreign investments and while many western investors have restrained from significant business engagement in those unstable nations.

Alternative Theoretical Perspectives

For such massive Chinese FDI into Africa to make sense, the thesis is that China must have more meaningful reasons and more significant stakes to have kept investing in risky countries. Chinese investments in Africa cannot be seen as only for-profit-business nor as only helping Africans, but rather as a systematic approach that includes not just a quest for natural resources but also a desire to achieve the bigger goal of strategically sustained global influence through closer economic ties with African countries. Chinese therefore use various means, mostly through informal institutions, to achieve such global influence.

China in Search of Global Influence through BRI

In this analysis, Chinese FDI increase is not necessarily aimed at increasing traditionally-considered short-term or medium-term financial gains for China. Rather, China, through its consistent FDI increase pattern, aims at building a long-term advantage in Africa and with Africans, to achieve not only the BRI goals but also to secure a diplomatic, cultural, and political superpower status with a significant influence on world's governance and a global leadership role. Therefore, that China invests significantly in risky African countries and maybe even more so in coming years with the BRI will support its desire to become globally relevant by increasing international influence through unparalleled economic and soft power.[29] Classical FDI theories miss this alternative explanation.

In his 2019 Belt and Road Initiative keynote speech, Chinese president Xi Jinping stated that the BRI is a blueprint for cooperation to enhance policy, infrastructure, trade, financial, and people-to-people connectivity. It is therefore a general connectivity framework consisting of six corridors, six connectivity routes, and multiple countries and ports in Africa. So far, the Chinese government has indicated that more than one hundred and fifty countries and international organizations have agreed to take part in belt and road cooperation with China. The BRI is therefore expected to play an important role in Africa as well, especially at a time when the continent needs to achieve infrastructure integration, increase intra-African trade, and connect more cities in Africa.[30] Thus, Africa can support its ambition by channeling more Chinese FDI into those goals through the BRI framework, especially by negotiating more new roads, advanced railways, international airports, and quality ports.

These contradictions of China investing in apparently risky countries may even become bigger as China pursues its BRI projects across the African continent, particularly in East Africa which currently seems to attract higher Chinese FDI since the announcement of BRI, with Ethiopia becoming one the major recipients. Indeed, to become effective from the Chinese standing point, the BRI may need to deal with some risky African countries by developing ports, railways, and other infrastructure needed by Chinese businesses. When products being manufactured in Africa by China for African or foreign markets are to be shipped overseas, there will certainly be a need for more sophisticated African logistical infrastructures. This is where the BRI becomes instrumental for African development, because it can be a catalyst to boost continental trade and integration.

The apparently irrational increase of Chinese investments in Africa may be seen as an expression of China's powerful ambition and prime goal to achieve global influence through stronger economic ties with Africa. Although African resources, particularly mineral and natural, are important for China, Chinese FDI in Africa is also driven by China's goal for ultimate global influence. Indeed, in his 2019 keynote Speech, President Xi affirmed:

> The Belt and Road cooperation embraces and responds to the call for improving the global governance system. From the Eurasian continent to Africa, the Americas and Oceania, Belt and Road cooperation has opened up new space for global

> economic growth, produced new platforms for international trade and investment and offered new ways for improving global economic governance.[31]

Although China already enjoys supports from several African nations in the international arena such as at the United Nations—where Africa's positions on world affairs and votes are now more often aligned with China's—it is nonetheless important to point out that China would be delighted to enjoy even greater support in all matters that require major alliances or majority votes at various international institutions. In fact, such need for cooperation was recently highlighted by President Xi's speech titled —"Working Together to Deliver a Brighter Future for Belt and Road Cooperation"—in which he emphasized that:

> The complementarity between the BRI and the development plans or cooperation initiatives of international and regional organizations such as the United Nations, the Association of Southeast Asian Nations, the African Union, the European Union, the Eurasian Economic Union and between the BRI and the development strategies of the participating countries will be enhanced.[32]

Moreover, as China is always expecting its partners to respect and abide by its principles, including the one China principle, some risky African countries may continue to receive significant Chinese investments if they accept to meet China's demand. Indeed, the most recent example is Burkina Faso, which announced on May 24, 2018 that it was cutting its diplomatic ties with Taiwan and that it planned to develop its rapprochement with Beijing.[33] Indeed, only three days later Ouagadougou and Beijing sealed the deal of re-establishing bilateral diplomatic ties. This change in Burkina Faso's foreign policy towards China certainly came with expectations of more "rewards" from China in the form of new investments particularly at a time when the country is trying to rebuild itself on the aftermath of its political revolution that led to a new regime in need of financial support. Burkina Faso's foreign affairs minister, Alpha Barry, officially and unequivocally stated why his country was aligning itself with Beijing's position: "The changing world and the current socio-economic challenges of our country and region recommend that we reconsider our position."[34] Furthermore, Burkina Faso intends to fully benefit from the strength and expertise of China, seeking its support on many social and economic development projects in our own country."[35] Once again, this example shows that economic capabilities and financial incentives are becoming China's persuasion instrument for foreign diplomacy and global influence, particularly in Africa.

Guanxi as Informal Institution, Chinese Investments, and the BRI

James Anderson indicates that strong formal institutions are not always in every investor's interest and that informal institutions such as guanxi may serve certain investors' interests better.[36] Informal institutions are socially shared rules, usually unwritten, that are created, communicated, and enforced outside of official channels.[37] Informal institutions within a country play a significant role in investment pattern and the way businesses operate within a country.[38] In Chinese culture, guanxi is seen as a major social capital that may often serve as lubricant to develop rewarding business relationships with people as well as with governments. Such social capital can now cross borders and Chinese investors in Africa tend to mobilize it during their business operations with Africans.

Meanwhile, many western companies find it difficult to operate in certain African countries partly because of the institutional unfavorable ratings (both from global ranking indexes and grades from agencies such as Moody's, Standard & Poor's, etc.) of those countries regarding stability of environment, credibility of institutions, transparency of decisions, accountability of governments, and efficiency of bureaucracies. Informal institutions such as guanxi, corruption, clientelism, bribery, and specific cultural traditions, often discourage disciplined and responsible investors from running a business in a country. This mainstream red light that often discourages normal investors seems irrelevant to Chinese investors as they continue pouring big money into Africa and often in its risky places. Indeed, Chinese appear to have understood how to navigate Africa's differences and business cultures.

Informal institutions play a role in how China engages African countries and the BRI may also be impacted. Indeed, BRI has the potential of bringing more Chinese investors into Africa, but those investors could still operate using more informal institutions, especially guanxi which is a major informal institution in China because it plays a significant role on how Chinese interact or conduct their business overseas.[39] Common informal institutions such as guanxi and lobbying seem to work for China and its companies in Africa as China continues to successfully invest massive amounts of money in those apparently risky countries. China also appears to master the maneuvering of those informal institutions in Africa as Chinese leaders both public and private tend to get along with several African leaders. Indeed, scholars like Aidoo suggested that some Chinese mining businesses in countries like Ghana operate in unregistered and unregulated formats (known locally as *galamsey*) and that the pervasiveness of Chinese nationals in such informal activity partly defines China-Ghana relations and that Ghanaian politicians and chiefs could be partly blamed.[40] In fact, sometimes, best friends do get along and trust each other even in controversial and risky settings. China and Africa often see themselves in the same boat, as like-minded allies, and former colonies (Hong Kong having been under British occupation) and therefore support each other no matter the circumstances, at least for now.

Redefining African Priorities vis-à-vis China

Foreign investments are often considered good, particularly for the receiving country. As Africa is becoming China's important FDI destination and an ally for BRI, this opportunity requires African countries to figure out how they can better handle those investments and channel them where they are most needed. Through this increasing rapprochement with China and BRI, Africa must realize that its major interests reside in the ability to shape its ties with China based on its own development needs rather than simply receiving random Chinese FDI that are driven by China's own BRI priorities.

China's journey to achieve BRI goals and global influence will require Africa's massive support and cooperation, mineral and natural resources, and solidarity in global affairs amongst others. Current global ambitions such as BRI put Africa in a strong negotiation position vis-à-vis China. Thus, now is the time to shape these Africa-China ties not around a short-term agenda that is around non-value-adding businesses such as aid in building stadiums and medical missions in Africa. Rather, Africa must shape its relationship with China around sustainable African development and industrialization priorities, an agenda that will, for instance, channel those Chinese investments into more strategic areas for building long-term competitive advantages for African economies.

So, instead of building more Confucius Institutes in Africa, sending Africans to China to learn Chinese seems more effective, as this allows a more meaningful experience and a genuine immersion into Chinese culture. In the current global context, culture plays a significant role not only in international business success, but also in international relations achievements.[41] This reality becomes even more relevant to the Africa-China context as cultural diplomacy is taking an increasingly important place. One of the best ways to understand a culture as well as learn a language is by living in it. At the current pace of China-Africa rapprochement, a deeper cultural understanding is needed to take the cooperation to its full potential. Africa should strategize to further develop its cultural advantage with regards to understanding and negotiating with Chinese. For instance, Africa should convince China that Africans staying four years in China and studying Mandarin is more effective for learning the language than spending those four years at a Confucius Institute in Africa.

The logic above also applies to Chinese investments through their medical missions in Africa. These are less meaningful experiences compared to sending Africans to study medicine in China. Often the Chinese doctors and nurses sent to Africa have difficulty transmitting knowledge to Africans due to language barriers and other significant cultural differences. Meanwhile, Africans who train to be doctors in China smoothly go back to Africa not only to practice but also to share their acquired knowledge more easily. Although those Chinese missions are sometimes adequate for short term emergencies such as the Ebola crisis in West Africa where Chinese were amongst the first dedicated teams to assist Africans, those should be exceptions not the rule. Therefore, these two programs can coexist, but Africans should be able to negotiate when and where such investments in medical missions in Africa can be more beneficial than long term training in China.

Finally, assistance such as offering stadiums as gifts is not what Africa needs at this point as sport is still marginalized and is not an urgent priority for African development and industrialization. Rather, Chinese money for stadiums would have served better in building quality infrastructures such as efficient solar energy, good roads, and bridges. This trade-off must however be initiated by Africans (through for instance FOCAC with customized deals and accompanying adequate policies) so that the Chinese orient their investments, especially those in the form of aid, towards Africa's core and urgent development needs rather than friendship investments in what is sometimes referred to as China's "stadium or sport diplomacy."[42]

While evidence indicates that factors such as good electricity supply remain central to any country's development, Africa as a developing region still struggles with energy shortages.[43] Meanwhile, China, as the rising leader in solar energy production has the potential to support Africa by aligning its investments with African priorities and comparative and absolute advantages.[44] With regards to solar energy, Africans can take advantage of this industry-specific Chinese leadership when negotiating the BRI, by channeling FDI towards crucial African sectors especially when those sectors also present high potential benefits for China as well.

When taking into consideration these implications, Africans must bear in mind that China's FDI long-term target remains global influence. Therefore, Africans should expect to be indebted, at least morally, to China for future decades as Chinese patiently and sometimes irrationally agree to redirect their FDI towards areas where Africans may benefit the most, thus generously supporting continent's industrialization.

To summarize, it appears that mainstream theories argue that key FDI drivers gravitate around the stability and quality of local institutions to the geographical, institutional, and cultural distance between home and host countries. Our research found that African countries' reality is far from what an investor would ideally expect to have in a host country. In fact, most international institutional rankings consider African countries, particularly those where China has been investing significantly and that are key to BRI, as risky places for business because they suffer from weak institutions and challenging national characteristics. These two dynamics should not result normally into increasing FDI. So then why do Chinese investors seem to navigate all these risks more successful than other investors in Africa? This article offers the alternative explanation that Chinese FDI in Africa is growing not because those top receiving countries present low risks but rather because Chinese FDI is more driven by the opportunity to achieve BRI goals and a global influence through close economic rapprochement with African allies. China does this successfully by mobilizing its arsenal of informal soft assets and by informally navigating cultural risks with unconventional diplomatic and often controversial approaches.

Since this approach appears to work for China, then Africa too needs to win in the relationship. But for Africans to benefit more from China through its FDI they need to rethink their engagement to China and its BRI by renegotiating the framework, setting meaningful goals, and understanding Chinese culture and business philosophy. This will enable Africa to make sure that Chinese FDI into the continent supports African integration and industrialization. Table 4 summarizes this perspective towards understanding Chinese FDI approach in Africa as well as the opportunity to set a wining agenda, including with BRI, vis-à-vis China.

Table 4: FDI mainstream logic and China's approaches

Mainstream institution-based drivers of FDI	African countries' reality	Drivers of Chinese FDI in Africa	Chinese FDI approach in Africa	Recommendation to Africans
▪ Strong institutions Country stability Good governance Transparency Clear policies ▪ Resources availability ▪ Market size ▪ Profit ▪ Low distance	Weak institutions Unstable environment Poor governance High corruption Cultural complexity	Global influence and BRI Reward Africa Like-minded countries Political attractiveness Historical ties	Informal mechanisms Cultural diplomacy Guanxi assets Lobbying and corruption Culture and soft power	Set long-term goals Negotiate for better BRI terms Capitalize on comparative advantages Channel FDI to strategic sectors Culturally understand China

Conclusion

This article explains how Chinese investments in Africa deviate from mainstream explanations of FDI theories that have, up to now, justified investment decisions based on regular FDI driving factors such as the pursuit of immediate financial gains and host country's good governance. The study finds that Chinese FDI goes to African countries that are officially ranked (at least by global institutions) as risky business places with weak institutions, poor infrastructure, high political instability, cultural challenges, and major global country-risks. Despite these apparent business challenges, Chinese are successfully navigating Africa's cultures, instabilities, and risks. Chinese investments are even increasing in many of those risky African countries over recent years in part because of BRI. This offers alternative explanations as to why China is taking such risks by investing significantly in Africa's toughest places for business.

China deals with the risks in Africa by using informal institutions and mechanisms such as guanxi, culture, and political marketing to cope with the challenges they face. Informal institutions such as guanxi are indeed playing a crucial role in China's success in Africa as more Africans are studying, living, and working in China, therefore learning Chinese ways of doing business and becoming a bridge for Chinese companies' internationalization. China's BRI and its long-term goal of achieving global influence while rewarding African allies means that China goes to African countries, despite the risks, to pursue a long-term agenda that includes the search for influence, the globalization of its companies, and a quest for a worldwide leadership position. For instance, in organizations such as the United Nations, having the support of the fifty-four African countries is a significant asset. China therefore may use its cooperation with Africa to secure such global allies.

This analysis also depicts the Chinese FDI pattern in Africa as an interesting phenomenon that clearly shows the limits of traditional explanations of FDI theory, particularly in the way the model has been applied to western FDI in Africa. Indeed, this study shows the need for a new contextualization of assumed FDI key drivers, particularly from an institutional viewpoint, in the case of China-Africa relations. This can be achieved by integrating historical, political, and informal dimensions in the analysis framework. It is therefore crucial to further investigate the particularities of China-Africa FDI settings to revive and extend FDI mainstream theories as they are yet to fully explain this unique case.

This study does not claim that all Chinese investments and practices fall under the alternative explanation, but rather, is a call to revisit FDI mainstream predictive models. Also, this acknowledges that risk evaluation is often subjective, and that where a western investor or institution may see business risks, Chinese may not necessarily assess it the same way. This means a country ranked highly risky by international institutions may have a positive assessment by Chinese institutions with different criteria. Therefore, the FDI theories' assumptions and characterization need to be contextualized.

Finally, further studies are needed in this area to improve understanding on how such deviations from FDI theories inform the reality of Chinese investments in Africa and what insights scholars and practitioners can draw from such singularity. Indeed, the fact that Chinese FDI in Africa deviates from mainstream theories did not stop China from being successful on the continent. This indicates that China's involvement in Africa is not as risky as global institutional rankings predict.

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Notes

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21 Guanxi is a concept in Chinese culture that refers to an advantageous relationship a person or an organization enjoys vis-à-vis another. It is based upon the ownership of a friendly and beneficial social network by a person or an organization and can be used to advance its owner's interests, be it at the individual, organizational, national, or international level.

Although there are scholarly and social debates on the frontier between Guanxi, conflict of interest, and corruption (especially in the Western understanding of the concept), there is a common acceptance that Guanxi is a type of informal institution that shares similar characteristics with soft power, lobbying as well as social connections.

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