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Heterogeneity and drivers of Chinese manufacturing FDI to Africa: Evidence from Angola and Ethiopia

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Abstract

This paper examines the heterogeneity and drivers of Chinese manufacturing FDI in Africa, focusing on Angola and Ethiopia. It addresses how diverse Chinese firms, differentiated by ownership structures, size, and market orientation, interact with the distinct contexts of African host countries to shape investment decisions and outcomes. We propose a typology distinguishing between 'Market-Embedded Firms' and 'GPN Integrated Firms,' providing a framework to analyze how firm characteristics and local environments intertwine. Our findings highlight significant variations in investor motivations and behaviors, driven by diverse forms of Chinese capital and host-country factors. By moving beyond oversimplified narratives, this study deepens the understanding of Chinese investment in Africa and contributes insights to global FDI patterns.

Keywords:

Chinese FDI, Manufacturing, Angola, Ethiopia, Firm heterogeneity, Investment drivers

Introduction

Over the past two decades, Chinese foreign direct investment (FDI) in Africa has surged, positioning China as an increasingly influential actor in Africa's economic landscape. These investments have expanded across sectors, including infrastructure, mining, construction, and manufacturing, contributing to the continent's economic growth and structural transformation. Yet, despite this growth, Africa remains a relatively small component of China's total overseas FDI. Despite this expansion, Africa represents a relatively small portion of China's total overseas FDI, accounting for only 1.48% of China's total outward FDI (OFDI) stock as of 2022, equating to US$40.90 billion (CARI 2024).[1] However, nearly 60% of China's OFDI is channelled through Hong Kong and other offshore financial centers, which distorts the geographic distribution of investment (CARI 2024; Brautigam 2015; Sharman 2010). Adjusting for for these intermediaries, Africa's share of China's direct OFDI stock increases to approximately 3.71%, providing a more accurate picture of its relative importance in China's global investment portfolio.

Several narratives attempt to explain the nature of Chinese FDI in Africa. One prevalent narrative is the "flying geese" model, where China, moving up the value chain, relocates manufacturing capacity to Africa, promoting industrialization and manufactured exports (Brautigam et al. 2018; Calabrese and Tang 2022). Another perspective underscores the strategic role of state-owned enterprises (SOEs) in large-scale infrastructure projects (Zhang 2023; Wolf and Cheng 2018; Gu 2011). A third viewpoint focuses on resource-seeking investments in sectors like mining, fuelled by China's need for natural resources (Schoneveld et al.2018; Wang et al.2021). Additionally, small and medium-sized private enterprises have become increasingly active, especially in manufacturing and services (Chen 2021a; Shen 2015). While these narratives capture crucial aspects of Chinese FDI, none fully encapsulates the diversity of Chinese firms in Africa or the distinct contexts of African host countries. This raises a central question: is Chinese FDI in Africa truly exceptional, or does it mirror broader global FDI trends?

This paper addresses this question by exploring the diversity of Chinese FDI in Africa, specifically in two important recipients like Ethiopia and Angola, with a particular focus on the manufacturing sector. It interrogates the motivations behind Chinese investments, firm heterogeneity, and the role of local contexts in shaping investment decisions. These issues are pertinent to Africa-China research, as they delve into the complexities of Chinese FDI, moving beyond monolithic explanations.

Our findings reveal the empirical plurality of Chinese firms, particularly the diverse nature of private capital across different African contexts. The drivers of investment vary significantly, shaped by the varieties of Chinese capital and the contextual factors

[1] Source: author calculated based on China Statistical Yearbook: "Oversea Direct Investment by Countries or Regions", various years, Statistical Bulletin of China's Outward Foreign Direct Investment, various years. http://fec.mofcom.gov.cn/article/tjsj/tjgb/) and CARI data (updated in March 2024).

within host African countries. This diversity is further articulated through a novel typology distinguishing “Market-Embedded Firms” and “GPN-Integrated Firms,” providing insights into how ownership structures and market orientations interact with local conditions. For example, Ethiopia’s proactive industrial policies contrast sharply with Angola’s oil-driven infrastructure expansion (Oqubay 2015; Oya and Schaefer, 2019).

The paper is structured as follows: Section Two reviews the trends in Chinese FDI in Africa and outlines the methodological challenges of studying this phenomenon. Section Three presents the theoretical frameworks guiding the analysis. Section Four details the methodology and data sources. Section Five presents the empirical findings, focusing on why Chinese firms invest in Angola and Ethiopia, with sectoral and firm typologies. The paper concludes with a discussion of policy implications and potential avenues for future research.

The rapid rise of Chinese FDI to Africa

Chinese FDI in Africa has grown significantly since the early 2000s. Beginning with just US$75 million in 2003, FDI flows peaked at US$5 billion in 2021 before dropping to US$1.8 billion in 2022, a decline partially attributed to the impact of the COVID-19 pandemic (CARI 2024; Haowang Guancha 2024). Since 2013, Chinese investments in Africa have surpassed those of the United States, reflecting a broader shift in global FDI patterns as U.S. investments in the region have diminished since 2010. Chinese investments are geographically dispersed across the continent, extending to regions often overlooked by Western investors historically. Between 2003 and 2021, the leading African recipients of Chinese FDI were South Africa, the Democratic Republic of Congo (DRC), Zambia, Nigeria, Angola, and Ethiopia (see Table 1). However, by 2022, Egypt and Côte d'Ivoire emerged among the top five recipients, replacing Angola and Ethiopia (CARI 2024). While the top five recipients account for nearly half of China’s total FDI stock in Africa. The sectoral distribution of Chinese FDI highlights a clear division between SOEs and private enterprises (PEs). SOEs have historically concentrated on capital-intensive sectors like mining and construction, while PEs have focused more on manufacturing and services (Xia and Liu 2021; Shen 2015; Gu 2011). This trend has remained consistent, although recent years have seen increasing Chinese investment in non-extractive sectors such as manufacturing and services, particularly in Ethiopia, Nigeria, and Ghana. This shift suggests that Chinese investments are playing a growing role in broader economic development beyond resource extraction.

Table 1 Top recipient countries of Chinese OFDI

Rank	Country	Cumulative Chinese FDI Stock (2003-2021) (US$ mn)	% of SSA total
1	South Africa	71,870	18.3%
2	Congo, Dem. Rep.	34,913	8.9%
3	Zambia	31,682	8.0%
4	Nigeria	29,406	7.5%
5	Angola	20,988	5.3%
6	Ethiopia	19,782	5.0%
7	Sudan	18,197	4.6%
8	Zimbabwe	17,611	4.5%
9	Kenya	14,374	3.7%
10	Ghana	14,297	3.6%
	Top 5	188,858	48%
	Top 10	273,119	69%

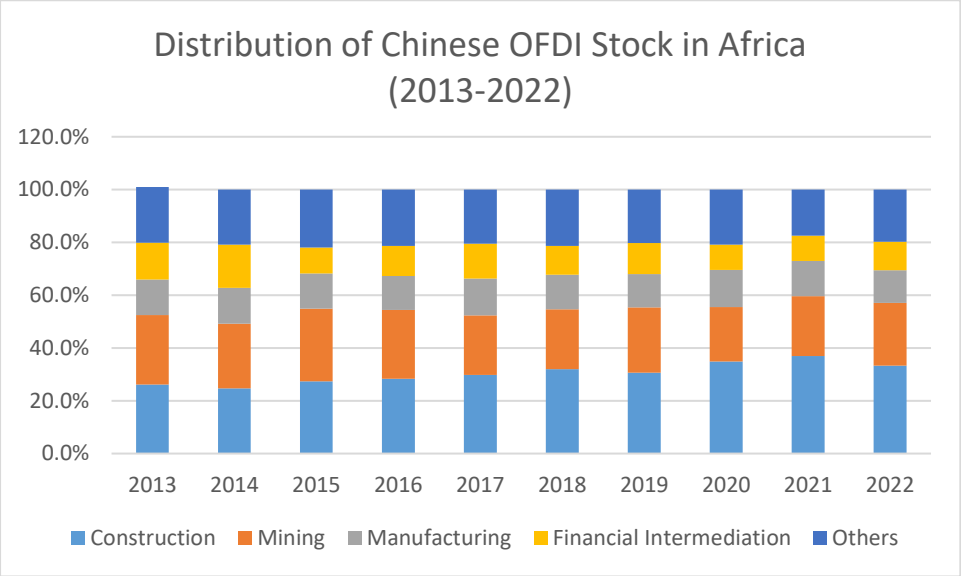
(Source: Author compiled and calculated based on GCI data, 2024, https://www.bu.edu/gdp/research/gci/) and the Statistical Bulletin of China's OFDI published by MOFCOM).

Numerous studies confirm the prominence of Chinese investments in Africa's manufacturing sector (Brautigam et al. 2018; Chen et al. 2015, 2016, 2018; Eom 2018; Gu 2009; Landry and Chen 2021; Lee 2017; Rotunno et al. 2013; Shen 2015; Wolf and Cheng 2018). However, manufacturing is not the sole focus of these investments. Chinese firms are also active in sectors such as services (Chen et al. 2018), construction (Wolf and Cheng 2018), extractives (Schoneveld et al. 2018), and emerging areas like telecommunications, e-commerce, and mobile app development (Agbebi 2019; Tugendhat 2021). These sectors are generally associated with high productivity and are significant contributors to structural transformation in African economies (Calabrese and Tang 2022, 49).

As shown in Figure 1, manufacturing has consistently accounted for 13-14% of Chinese FDI in Africa, and its absolute value nearly doubled between 2013 and 2022. This increase underscores the strategic importance China places on manufacturing in Africa compared to other foreign investors, who have traditionally prioritized extractive industries. Furthermore, in terms of project count, over 30% of Chinese investments in Africa are in manufacturing, with Sun et al. (2017) reporting this figure from a sample of 10,000 firms and Shen (2015) noting a similar percentage for private investments, reflecting the labor-intensive, smaller-scale nature of this sector compared to capital-intensive sectors like mining and construction. Although disaggregated FDI data by sector and country are limited, aggregate data from the CARI database indicate that manufacturing has remained central to Chinese investment, despite periodic fluctuations. As illustrated in Figure 1, construction led Chinese investments in 2022 at one third, followed by mining and manufacturing. While infrastructure-driven construction projects have expanded, manufacturing remains critical to China's long-

term investment strategy in Africa.Methodological challenges in researching Chinese OFDI in Africa

Figure 1 Sectoral distribution of Chinese OFDI in Africa



(Source: Author compiled and calculated based on GCI data, 2024, https://www.bu.edu/gdp/research/gci/).

Researching Chinese FDI in Africa presents several methodological challenges, particularly regarding the accuracy of secondary data. Many existing studies rely on databases such as FDIMarkets and FDI Intelligence (Owusu et al. 2024; Wang and Chen 2014; Zhang and Wang 2011), which tend to overestimate investments by treating initial agreements as finalized, even though many projects fail to materialize (CARI 2024). Official data from sources like the Annual Statistical Bulletin of China's OFDI (MOFCOM et al., 2007–2022) offer insights into approved projects in countries such as Angola and Ethiopia (Xia and Liu 2021), but these too often overstate investment figures by treating preliminary agreements as binding even when actual capital inflows never occur.

A major challenge is underreporting due to the use of offshore financial centers. Tax havens like the British Virgin Islands (BVI), Cayman Islands, and Hong Kong account for nearly 60% of China's OFDI (CARI 2024), obscuring the true geographic and sectoral distribution of investments. Sharman (2010) highlights that tax havens have become the second-largest destination for Chinese investments, reflecting a broader trend of financialization in global FDI flows. These financial hubs often serve as intermediaries before funds are redirected to their final destinations, complicating efforts to track Chinese OFDI accurately.

In addition, databases like the China Global Investment Tracker (CGIT)[2] frequently conflate contractual agreements with actual investments, resulting in further distortions (Brautigam 2015). For example, Wang (2013) found that 70% of Chinese OFDI between 2003 and 2011 passed through tax havens before being deployed

[2] See: China Global Investment Tracker | American Enterprise Institute - AEI

elsewhere. Our research in Ethiopia and Angola showed that firms often route investments through offshore centers, complicating their classification as Chinese OFDI.

Another issue is the underreporting of small and medium-sized enterprises (SMEs). Official statistics tend to focus on large-scale projects, overlooking smaller investments, particularly those by SMEs in manufacturing, retail, and hospitality (Shen 2015; Chen 2021a). SMEs often bypass MOFCOM registration due to the lengthy approval process (Huang, 2013 cited in Chen, 2021a), leading to underreported private OFDI. For example, Sun et al. (2017) identified a significant discrepancy between MOFCOM data, local investment authorities, and their own fieldwork, with MOFCOM providing the lowest estimate of active Chinese firms in operation.

These methodological challenges underscore the need for a nuanced approach to studying Chinese OFDI in Africa. Sole reliance on secondary data risks creating polarized narratives that fail to capture the true complexity of investment flows. To address these challenges, our research integrates macro (national), meso (sectoral), and micro (firm-level) data to provide a more comprehensive understanding of the diversity and motivations behind Chinese investments in Africa. By employing firm-level surveys and fieldwork data, we mitigate the limitations of existing secondary sources, offering more accurate insights into the scale and scope of Chinese FDI in Africa.

Understanding and conceptualising the rise of Chinese FDI in Africa

The literature on the drivers and logics of FDI is vast and especially voluminous since the latest globalization period from the 1980s. There are competing perspectives, drawn from a variety of disciplines. Classic work from the economics and business disciplines on pressures driving FDI and the appeal of destination countries produced a vast conceptual and empirical literature on 'push' and 'pull' factors to explain FDI flows, mostly on Organisation for Economic Co-operation and Development (OECD) countries and about transnational corporations (TNCs) headquartered in them (Dunning and Lundan 2008; Porter 1998; Hymer 1976). The literature on global value chains (GVCs) and global production networks (GPNs), partly informed by economic geography, has added conceptual and empirical ammunition to the study of FDI, especially from high-income countries (HICs)to Low- and Middle-Income Countries (LMICs) (Dicken 2015; Gereffi 2018; see below).

One influential perspective on this kind of FDI is the 'flying geese' thesis, first coined by Akamatsu (1962) and increasingly relevant for flows of FDI between LMICs, e.g. between Asia and Africa (Brautigam et al 2018; Calabrese and Tang 2022; Lin 2018a, 2018b). This thesis refers to the phenomenon of delocalisation with entire lines of production shifting location on the basis of cost and market expansion considerations, with textile and apparel being a frequent example (Whitfield 2023). Other critical political economy approaches have emphasised the global context of FDI flows, and especially the New International Division of Labour (NIDL) framework developed by Frobel, Kreye, and Herichs (1980) with a NIDL reflecting the establishment of overseas

production bases by TNCs from HICs (Coe 2013; Lo 2018), which has produced the phenomenon of 'compressed development' as experienced by China (Whittaker et al. 2020). These processes are contemporaneous to the so-called 'spatial fix' (Harvey 2001), another popular concept, whereby overaccumulation in the 'centre', thus surplus capital, finds an escape valve through FDI and M&A with an increasing role of the 'periphery' in the distribution of surplus capital.

However, critics argue that NIDL and 'spatial fixes' mostly apply to sectors under intense competitive pressure, such as light manufacturing or electronics (Jenkins 1984). Yet, Nolan (2014) on the 'global business revolution' shows that growing concentration happens across different layers of multiple GVCs, in a sort of 'cascade effect' with a few big companies acting as lead firms or "system integrators" mostly headquartered in HICs controlling vast market shares from final to intermediate goods, leaving mostly low-margin highly competitive segments to LMICs, including China until relatively recently (Hauge 2023). The question is also whether the NIDL thesis applies across different eras, organization-technology paradigms and indeed across different sectors (Whittaker et al. 2020).

NIDL and 'spatial fix' perspectives may suffer from functionalism and reductionist logic by focusing primarily on broad structural tendencies. The variation in how different LMICs integrate into GPNs, as well as the dynamics of expansion and delocalisation across different sectors, suggests that a more disaggregated approach, articulating various sets of factors, is needed. These frameworks may also overlook the diversity of experiences among different LMICs. While the NIDL framework provides a useful structuralist perspective for understanding aspects of global industrial relocation and FDI drivers, its emphasis on cheap labour as a primary factor is increasingly challenged by more dynamic, market-oriented perspectives that consider the varied forms of capital moving across borders.

To address these limitations, a more nuanced approach is needed—one that integrates structuralist perspectives like NIDL with a focus on the specific dynamics of Chinese FDI. The rise of Chinese FDI in Africa offers an opportunity to apply and expand these theories, particularly in understanding the drivers behind these investments and the role of local contexts in shaping outcomes. This paper aims to bridge these theoretical gaps by adopting a more disaggregated approach, taking into account the varied motivations of Chinese firms, the sectors in which they operate, and the conditions of the host countries. The next section reviews some of the emerging literature on Chinese capital going global and specifically moving to Africa, focusing on the drivers and dynamics.

Understanding Chinese FDI overseas through push-pull lenses

The literature on Chinese overseas FDI specifically in Africa has also been growing, especially in the past ten years (Large 2021). Much of this literature frames the FDI dynamics in terms of push and pull factors, with the former receiving much attention. Other studies tend to focus more on the impact on host countries, especially the broader contributions to economic development (Calabrese and Tang 2022). There are a number of themes that emerge in this literature, which are important to frame the study of Chinese FDI presented in this article. First, we have studies that partly align

with ‘spatial fix’ narratives and world systems theory. The focus of these studies tends to be on ‘push’ factors, i.e. how changes in China’s economic trajectory and development model, drive firms to readdress their domestic struggles and seek opportunities in alternative locations, all within a broader ‘going out’ strategic direction provided by the central state (Lee 2017; Hung 2008). While admitting the remarkable success of China’s economic development and industrialization, Hung (2008), partly in line with Arrighi (2009) and world systems theory, shows that China’s Reform since 1978 has provided a ‘spatial fix’ for the global capitalist crisis of overaccumulation but also brought China into that global dynamic of accumulation. ‘It is exactly such crises and imbalances in the domestic and global economies that drive Chinese investment to Africa and elsewhere’ (Lee 2017,8). This is then broadly framed in terms Chinese manufacturers relocating their production bases or excess production capacity to countries with cheaper operational costs due to increasing production and wage costs (Eom 2018, 4; Knoerich, et al. 2021). The dynamics will differ between firms normally operating in the domestic market (building materials like steel or cement) and those that are GPN-integrated and depend on global markets. Excess capacity may be the leading struggle for the former and rising production costs the leading factor for the latter.

Second, to understand drivers of specific flows from China to Africa or other regions, studies focus on ‘pull’ factors, which are the conditions in host countries that make them more attractive for different kinds of investment. The kinds of conditions that matter depend on the nature of economic activity moving across borders. Different studies have tried to explore such factors through cross-country analyses. Some studies emphasise political risk, cultural proximity, policy liberalization, exchange rate, host inflation, market (exports and imports), and geographical distance to China (Buckley et al. 2017; Du and Zhang 2017), institutions, taxation and resources (Wang, Du, and Wang, 2015), expansion into new markets and access to resources (Brautigam et al. 2018), and market access linked to trading quotas (Whitfield 2023; Calabrese and Tang 2022; Brautigam et al. 2018). Geda et al. (2024) and Calabrese and Tang (2022) suggest different motivations, depending on the host sectors like manufacturing, agriculture, and services. Calabrese and Tang (2022, 49) and Wolf (2024) connect the rapid infrastructure boom happening in Africa during the period 2005-16 with some targeted investments in the building materials industry, especially in countries like Ethiopia and Angola, as this article will document.

Third, there is evidence that suggests both deep connections between Chinese FDI, BRI initiatives, development finance, and provincial-level integrated initiatives (e.g. Jiangsu) on the one hand (Calabrese et.al. 2021; Fu and Eguegu 2021), and Chinese private investors operating well outside the radar of government linkages on the other hand (Chen 2021a). Whether Chinese FDI comes on the back of deep government-led Africa-China ties or not is an empirical question that requires more context-specific analysis.

This literature has provided valuable evidence on broad patterns and sets of push and pull factors, but more granular analysis is needed to effectively distinguish between the varied motivations of different types of Chinese firms investing or with some motivations to invest in Africa (Chen 2021a). There may be quite unique drivers for each type of firm, be they state-owned enterprises, large private corporations, or small and medium-sized enterprises, and each type of firm may be more suitable to a narrow

range of specific locations. The analytical challenge lies in combining aspects that shape FDI trajectories in global capitalism more generally (as those described above) and those that are more specific to the particular circumstances of China's development path and its current globalization agenda.

In this regard, a useful analytical lens is provided by the Global China field and associated framework, which helps us consider simultaneous forces and processes that drive state and private capital going out of China and the outcomes of their different encounters overseas (Lee, 2022). According to Lee (2022), 'Global China' can be defined in different ways depending on the focus of analysis: as a policy framework; as a power project consisting of a combination of economic statecraft, patron-client relations and symbolic domination; as a method of analysis to understand China's globalization and its various manifestations. Different types of firms, whether large SOEs in infrastructure or private SMEs in manufacturing and services, play quite different roles in the context of Global China, as they are driven by different and encompassing logics and forces, even if profitability and relocating excess capacity may be common traits. One of the main advantages of this framework is its ability to bring together broader global structural dynamics, processes of globalization 'with Chinese characteristics', and agency (from investors, policymakers and social forces) into an analytical and empirical dialogue.

Lee (2017) is therefore right in proposing the concept of 'varieties of capital' to understand this variation of accumulation paths, management ethos, and labour bargains in host contexts that are also quite diverse and leading to different investment experiences and drivers. Her distinctions between different varieties of Chinese and global private capital illustrate the combinations of factors differentiating forms of capital by sector, ownership (state vs private), size, origins, type of market target, resulting accumulation logics, relations with host actors, and management ethos. Exploring the differences and commonalities between these varieties of capital thus becomes an important step in better understanding the drivers and dynamics of Chinese FDI in Africa.

Emerging literature on Chinese firms overseas underscores the need for more granularity in the analysis. Differences between large Chinese MNCs and SMEs matter a lot, but there is also a lot of heterogeneity among large Chinese MNCs, as a direct reflection of China's unique political and economic landscape (Zhang and Dai 2013, 566). There are distinctive internationalization paths shaped by China-specific competitive advantages such as network-based advantages (Buckley et al. 2007; Morck et al. 2008) and home country benefits (Rugman and Li 2007; Rui and Yip 2008 cited in Song 2011, 110), all quite sector-specific. Even SOEs, while crucial in China's rise as a global power, often operate with considerable autonomy, enabling them to adapt their strategies across different African contexts leading to varied experiences and drivers (Jones and Zou 2017; Huang and Lesutis 2023). Meanwhile, in the case of private firms, their internationalisation especially in Africa, is more reflective of China's domestic struggles and the disadvantages these firms face in the new domestic and global configurations rather than an exhibition of China's economic power (Child and Rodrigues 2005; Nolan 2012; 2014 cited in Chen, 2021). Their overseas adventures often hinge on their informal networks (*guanxi)* to access markets, particular entrepreneurial drives, (Song 2011; Chen 2021; Ado 2020, 86). However, whether

intrinsic motivations or cultural connections translate into effective investments eventually hinges on contingencies. [3] Government agency and meso and macro context matter, as the example of Huajian shoemaker as a 'prime mover' exporter in Ethiopia suggests.[4] While Chinese 'flying geese' are not the norm, they may be relevant in specific African contexts and they should not be ignored (Calabrese and Tang 2022). These particularities can lead to multiple classification schemes, focused on firm size, export vs domestic market orientation, and raw material vs market-seeking motivations (Brautigam et al. 2018), an effort towards which this article contributes. The fact that Chinese firms can be found across multiple economic activities and some operate as diversified business groups (DBGs) demonstrates a remarkable degree of adaptation to host country conditions and underscores the need for fine-grained classifications and avoidance of over-simplification (Brautigam et al. 2018; Wang and Zhang 2024; Huang and Lesutis 2023; and Xia and Liu 2021).

Based on these considerations, our analysis attempts to produce a more granular and context-specific classification and analysis of Chinese FDI drivers, within a framework of multiple 'varieties of capital', differentiated combinations of push/pull factors, and more attention to the firm and host country agency in driving investment trajectories across diverse sectors and market targets.

Methodology and data

This article draws on evidence collected over eight years (2015–2023) from two research projects conducted in Angola and Ethiopia. The first project, IDCEA (www.idcea.org), examined comparative employment dynamics and conditions in Chinese and non-Chinese firms within the manufacturing and infrastructure construction sectors. It aimed to examine whether Chinese firms offered worse or comparable working conditions to workers in these sectors. As part of this project, quantitative surveys of 76 firms and over 200 qualitative interviews with key informants—including company managers, government officials, and workers—were conducted. Firms were selected based on two criteria: (a) inclusion of all leading firms within the target sub-sectors (building materials in both Ethiopia and Angola, and textiles and apparel in Ethiopia), and (b) diversity in size, market orientation (export vs. domestic), and ownership structure (e.g., family-owned vs. non-family-owned). The qualitative interviews with company managers serve as a primary source of evidence for this paper, providing insights into management practices, investment decisions, and operational challenges.

The second study, author's PhD research, offers additional qualitative data. This project involved 96 in-depth interviews, including 86 firm-level interviews with owners, investors, and senior management (e.g., country managers, factory managers,

[3] However, see Chang (2007, 198-202) warning against viewing cultural factors as immutable drivers of economic development, therefore not overstating the power of particular social/cultural drivers.
[4] See Lin (2018b) and Helen Hai (cited in Financial Times, 2013) on the history of Huajian and its effect on attracting other Chinese investors to Ethiopia: Chinese shoemaker takes road less travelled to Africa https://www.ft.com/content/a97492d4-cc5b-11e2-9cf7-00144feab7de . See also analysis in this article.

department directors), and 10 interviews with senior officials from relevant public and private institutions in China and Ethiopia. Fieldwork was conducted from October 2017 to September 2018, with follow-up extending until 2023. Key activities included factory visits, semi-structured interviews, management surveys, and participant observation.

Since both projects were conducted around the same time, with only a one-year difference between their main fieldwork phases, data from the two sets of interviews were triangulated and cross-checked for accuracy and consistency. While the majority of the evidence is qualitative, it is complemented by quantitative data from firm surveys and additional information from interviews with workers, government officials, and civil society organizations. The combination of these contemporaneously collected qualitative and quantitative data enhances the robustness of the findings, providing a rich and layered understanding of Chinese investment in Ethiopia and Angola.

Negotiating access in contexts where research may be considered sensitive required significant effort and time. This process is detailed in Oya (2019), particularly concerning the quantitative components of the firm and worker surveys. After the main data collection ended in September 2019, the author conducted frequent follow-up interviews via WeChat between October 2019 and August 2023, focusing on selected Chinese firms operating in both countries. This was especially important in Ethiopia, which experienced dramatic upheaval during the 2020–2022 conflict, along with growing insecurity and economic difficulties exacerbated by the pandemic.

Over the course of eight years, the author engaged consistently with respondents in both countries, building strong relationships based on trust. This long-term engagement was crucial in overcoming initial skepticism often encountered in research settings, especially in politically sensitive contexts. Through regular visits in both countries and a year-long immersion in Ethiopia in particular, the author established and maintained *guanxi* [5] with Chinese firms, government agents, and local stakeholders. This deep, sustained involvement allowed for unparalleled access to key informants, resulting in more candid and insightful interviews over time.

The author's identity and multipositionality—as a Chinese researcher affiliated with a Western institution—facilitated access to sensitive data. Her cultural background and fluency in Mandarin helped build rapport with Chinese managers and firm owners, while her academic position provided a degree of independence that reassured respondents about the research's integrity. These dual roles enabled the author to navigate cultural sensitivities and gain the trust of individuals who might have otherwise been reluctant to participate in such an in-depth study.

While this research provides valuable insights, certain limitations exist. Access to firms was negotiated over an extended period, and despite efforts to include a diverse range of firms, selection bias may have occurred due to some firms' willingness to participate.

[5] *Guanxi* refers to the idea of utilizing connections to obtain favors in personal relations (Luo 2007,1).

Ethical considerations were rigorously addressed throughout the research process. All participants received clear information about the study's purpose, and informed consent was obtained prior to participation. For confidentiality, interviewees are coded by country and profile: the first digit represents the country (1 for Ethiopia, 2 for Angola), followed by letters indicating the interviewee's role (e.g., CG = Chinese Government; CCM = Chinese Company Management). All interviews conducted between 2016 and 2023 are anonymized unless specific consent was provided through signed Research Consent Forms allowing the use of names.

Why are Chinese firms investing in SSA? Drivers and firms' diversity.

This section presents key findings on the drivers of Chinese investment in SSA, focusing specifically on the manufacturing sector. While profit-seeking, cost reduction, and market expansion are consistent motivations across sectors, different waves of investment are shaped by varying factors. Our analysis highlights the distinct drivers influencing different types of firms, particularly in Angola and Ethiopia, and underscores the importance of sector-specific variations in investment strategies.

To better understand the diversity of Chinese firms in SSA, we categorize them into three main types: (a). Diversified Business Groups (DBGs)[6]: Large conglomerates with significant financial resources that leverage their strength to enter new markets. (b). Large and Medium-Sized Private Manufacturing Firms Integrated into GPNs: Firms that are part of international supply chains and respond to global production shifts. (c). Medium-Small Private Firms and "Translocals"[7]: Smaller enterprises, often run by local Chinese entrepreneurs, seeking opportunities in domestic African markets.

Each firm type is driven by distinct motivations and faces unique challenges when entering African markets. Focusing on manufacturing firms is crucial for two reasons: (1) their potential to address Africa's industrialization gap, and (2) the significant heterogeneity within this group, illustrating the importance of local context in shaping investment outcomes.

We argue that the drivers of Chinese investment in SSA depend on several key factors: the type of Chinese capital involved (SOEs vs. PEs, with variations in firm size and ownership), the timing of market entry, sector specificity, and the contextual environment within host African countries, especially the role of the state. For example, Ethiopia's proactive industrial policy, which includes incentives for foreign investors, contrasts with Angola's more market-driven conditions, where oil wealth has dominated economic priorities. This section examines how these factors influence the strategic decisions of different types of Chinese manufacturing firms.

[6] DBGs are collections of legally distinct firms engaged in at least three unrelated activities, under centralized control through equity holdings or financial ties (Schneider 2009, 180-81). Schneider classifies them as organic, policy-induced, or portfolio groups, a framework further refined by Behuria (2021) to incorporate relational ownership and government connections.

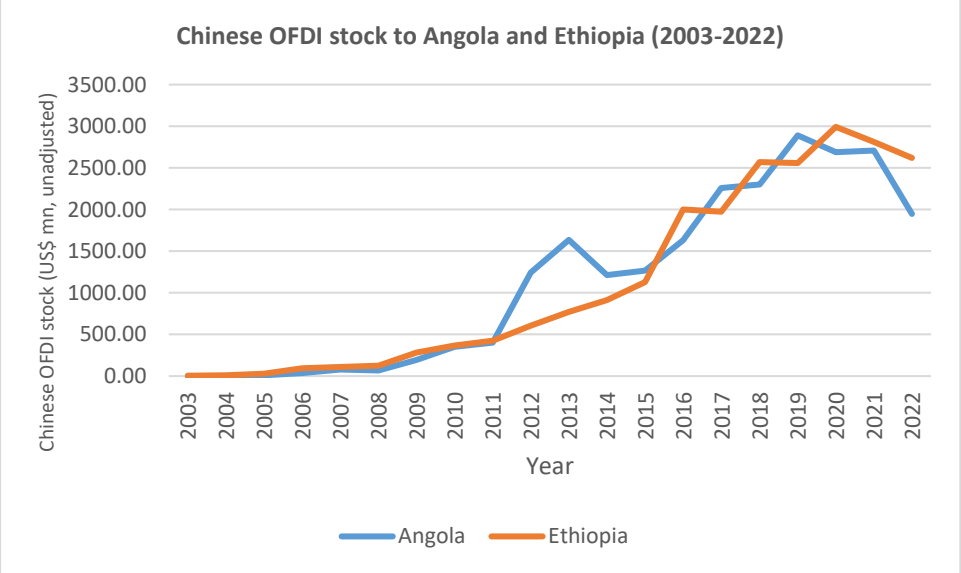
[7] Translocals are firms that are started, owned, or managed by foreign nationals, may have a wide array of advisors abroad, but are only registered locally (Rounds and Zhang 2017, 6, cited in Oya and Wanda 2019, 18).

Main Features of Chinese OFDI in Ethiopia and Angola

Chinese investments in Ethiopia and Angola began to emerge around 2003–2004, accelerating notably after 2008. By 2021, the investment stocks in both countries were relatively similar, with Ethiopia receiving US$2.8 billion and Angola US$2.7 billion (Figure 2).[8] However, by 2022, a significant divergence occurred: Ethiopia's investment stock fell slightly to US$2.62 billion, while Angola's dropped more dramatically to US$1.95 billion (CARI 2024). This divergence reflects differing investment trajectories and the distinct composition of Chinese investments in each country.

Chinese investment flows to Ethiopia have exhibited steady growth over the years, while Angola has experienced significant fluctuations (Figure 3). In Angola, investment surged in 2011, peaking at US$392.08 million in 2012, before plummeting to -US$448.57 million in 2014, likely due to capital repatriation during a period of falling oil prices. Investment rebounded in 2017, reaching US$637.55 million, partly also linked to refinancing investments in Sonangol, the main Angola's national oil company. In Ethiopia, by contrast, Chinese investments in manufacturing continued to grow steadily until 2019, after which both countries experienced sharp declines in FDI flows between 2019 and 2022. In 2022, Ethiopia saw a negative flow of -US$139.17 million, while Angola recorded -US$315 million. While there is no direct evidence from our surveys, the decline in Chinese FDI in Ethiopia can be partially attributed to the COVID-19 pandemic and is also believed to have been impacted by the ongoing civil war that began in November 2020 (Haowang Observation 2024; 1CCM4-g). For exporting firms, a major issue was the loss of the African Growth and Opportunity Act (AGOA)9 access to the US market due to US sanctions triggered by the war.

Figure 2 Chinese FDI stock to Angola and Ethiopia (2003-2022)

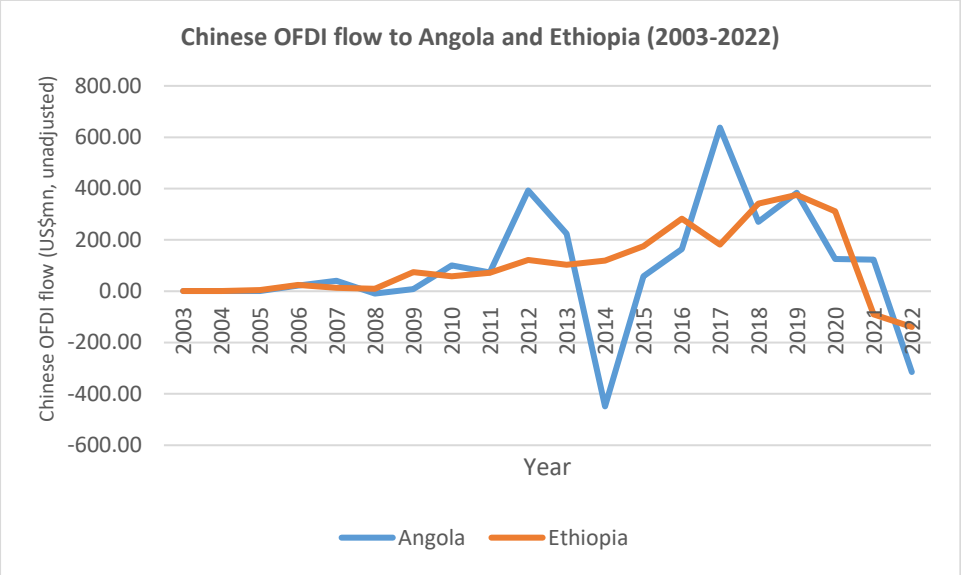


[8] The Statistical Bulletin of China's Outward Foreign Direct Investment provided by SAIS-CARI (updated on March12, 2024), online available at: Chinese Investment in Africa — China Africa Research Initiative (sais-cari.org)
[9] See: https://agoa.info

(Source: Author's compilation based on data from CARI, 2024)

Figure 4 shows the sectoral distribution of Chinese OFDI in Ethiopia, based on more accurate data from the Ethiopian Investment Commission (the local investment authority), with manufacturing remarkably holding the largest share by quite a distance, followed by construction, real estate, and machinery leasing. In contrast, trade, retailing, and hospitality remain relatively insignificant due to government restrictions aimed at protecting local industries and limiting FDI in sectors with limited technology transfer potential (Chen 2021a).[10] In Angola, while we do not have disaggregated data on the sectoral or geographical distribution of Chinese investment over time, the existing data give us some sense in terms of which sectors are dominant in investment in Angola. It is clear that the majority of FDI was directed toward the oil sector in Angola.[11] Manufacturing ranks third among non-oil sectors, behind trade and construction (Wanda 2021,148).

Figure 3 Chinese OFDI flow to Angola and Ethiopia (2003-2022)

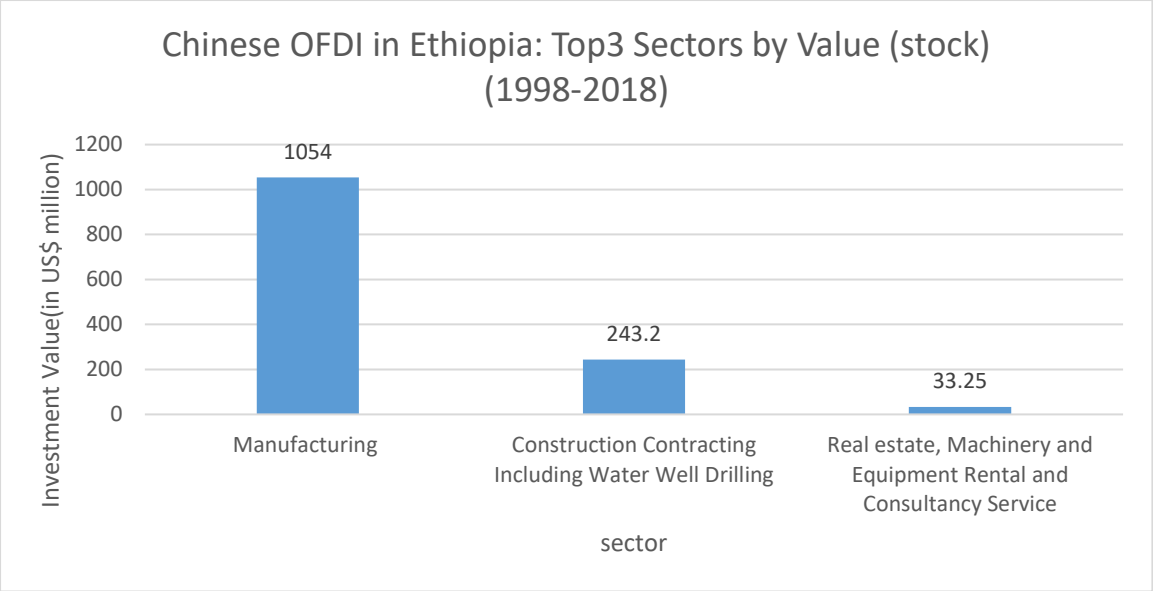


(source: ibid)

The manufacturing sectors in Ethiopia and Angola exhibit distinct differences, leading to significant variations among the firms we sampled. In Angola, some manufacturing factories operate straddling formal and informal boundaries and rarely appear on official FDI firm lists. These firms, known as "translocals" and often owned by the Chinese diaspora, are mostly registered as domestic in industrial censuses and have local partners as figureheads for bureaucratic purposes. Consequently, Chinese FDI in manufacturing may be underestimated in official statistics.

[10] Data were collected from the EIC, which differs from other official sources like MOFCOM. This data is gathered within the host country and emphasizes the sectoral distribution of investment. Furthermore, the author conducted a manual check of each firm's origin, including those registered in Hong Kong or the BVI, and categorized them as part of Chinese OFDI.
[11] Source : Foreign direct investment (FDI) in Angola - International Trade Portal

Figure 4: Chinese OFDI in Ethiopia: Top 3 sectors by value (stock) (1998–2018)



Source: Author, calculated and compiled based on data collected from EIC (2019) [12]

By comparison, Ethiopia's manufacturing sector is more developed and formalized, particularly in foreign-owned factories and industrial parks. Ethiopia remains largely an agrarian economy, but it embarked on an ambitious industrialization effort in the early 2000s, backed by state investment and foreign loans (WB, 2015; Shiferaw and Söderbom 2019; Oqubay 2015). Unlike in Angola, Chinese industrial firms we sampled in Ethiopia were essentially formalized (author's fieldwork, January 2019). While "translocals" are present in Ethiopia's trade and hospitality sectors (Chen, 2021a), they are relatively insignificant in overall OFDI, and foreign investors are generally not encouraged in these sectors.

Sectoral and typology of Chinese manufacturing firms in Ethiopia and Angola

Given the different economic and social contexts of Angola and Ethiopia, the characteristics of Chinese firms (e.g., sectors/sub-sectors, firm size, origin, ownership structure, source of financing, relevant experience, and *guanxi* networks) vary significantly. Our sample includes light manufacturing (LM) firms in Ethiopia and building materials (BM) firms in both countries. Unlike Angola, Chinese firms in Ethiopia are more diversified in terms of their sector activities and market orientations, with many integrated into GPNs. This diversity partly reflects Ethiopia's development of both import-substituting and export-oriented manufacturing sub-sectors, in line with the country's industrialization policies (Oya and Schaefer 2019; Chen 2021b; Mamo 2024). Angola, conversely, has seen most Chinese industrial investors concentrate in the BM

[12] The exchange rate refers to the average conversion rate for 2018 https://www.exchangerates.org.uk/USD-ETB-spot-exchange-rates-history-2018.html [accessed on Aug23, 2022]

sector, with only marginal activity in agro-processing (International Trade Administration 2024).

Similar to other global capital[13], Chinese industrial firms investing in Angola and Ethiopia, primarily operate for market-seeking and profit-seeking reasons. Our findings show that many of these firms don't have parent companies in China but use social networks to find investment opportunities, particularly in the BM sector, as seen in our surveys and interviews from 2016 to 2018.[14] This distinction is significant because it deviates from the traditional FDI model, where TNCs headquartered in richer countries invest in lower-income markets.. This pattern highlights that diaspora investments or "translocal" firms constitute an essential segment of these investors.

Several distinctions emerge between Chinese industrial firms in Angola and Ethiopia. First, firms entered Angola earlier than Ethiopia, but those investing in Ethiopia often arrived with more direct experience in their respective sectors, particularly LM (surveys and interviews,2016-2018). These Ethiopia-based firms tend to operate under intense global competition and are integrated into GPNs, with many also having operations in China or other countries in Asia. Despite this, they represent a minority of investors, as most Chinese firms entered Ethiopia after 2015, primarily establishing themselves in industrial parks. Conversely, Chinese firms in Angola primarily operate as BM firms and focus solely on the domestic market. Secondly, workforce localization rates differ between the two countries. Ethiopia exhibits higher localization rates (90%) compared to Angola (78%), reflecting Ethiopia's targeted industrial policies and foreign investor incentives in the LM sector (Oya and Schaefer 2019, 34; 2021, 2). However, localization varies by sub-sector. Chen (2021a,134) surveyed Chinese firms in Eastern Industrial Park in 2018 and found that LM firms achieved localization rates as high as 95.41%, compared to 86.24% for BM firms.

Lastly, region-specific development models are prominent among Chinese firms in Ethiopia but not in Angola. Our survey identified three key regional models driving Chinese firm behavior in Ethiopia: the ‘Su’nan’ model, ‘Wenzhou’ model, and ‘Dong’guan’ model (see below). These models reflect distinct industrialization approaches and strategies, further differentiating the investment landscape between Ethiopia and Angola. No such region-specific models have been observed in Angola.

Based on a combination of firm surveys and interviews conducted between 2016 and 2021, updated via WeChat, phone calls, and in-person meetings in China until Aug 2023, we developed a typology that bifurcates firms into two main categories: Market-Embedded Firms (Type A) and GPN Integrated Firms (Type B). Our typology aligns with the "varieties of capital" concept developed within the Global China framework (Lee 2017), highlighting the diversity of Chinese firms and their different accumulation paths and management ethos. Type A firms represent market-seeking capital, driven by opportunities in host countries' domestic markets, aligning with push-pull theories

[13] See Lee (2017) on the similarities between forms of Chinese private capital and global capital.
[14] It is especially the case for BM sectors (observation based on interviews and management survey, 2019).

emphasizing market expansion and profit-seeking motivations (Dunning and Lundan 2008). Type B firms reflect the "flying geese" model (Akamatsu 1962; Brautigam et al. 2018), relocating production to lower-cost regions in response to rising costs in China and integrating into GPNs, consistent with NIDL perspectives. Each category is further divided according to internal variations. The typology is built on several criteria, including ownership structure, dominant firm type, sector specificity, origin, and main market orientation (see Table 2). [15]

Table 2 Typology of Chinese manufacturing firms in Angola and Ethiopia

Type	**Type A Market-Embedded Firms**			**Type B GPN-Integrated Firms**	
Subtype	**A1**	**A2**	**A3**	**B1**	**B2**
Ownership	Private-owned[16]				
The dominant type of firm	SMEs	DBGs	Translocals	Medium to Large-Scale LM Firms	Export-Oriented Large-Scale LM Firms
Characteristics	Owner-operated or family businesses, primarily engaged in low-tech manufacturing, with a high reliance on social networks for investment opportunities. Predominantly from mainland China, these firms have a strong focus on the host country's domestic market.	Larger scale firms, registered in diverse locations through offshore centers such as Hong Kong or the British Virgin Islands (BVI). These firms possess significant financial resources, are embedded in high-level business networks in Angola, and employ strong guanxi networks.	Operate without significant bases in China, utilizing diaspora networks. Their sectors of operation are diversified, showing adaptability to local market needs. These firms engage in both manufacturing and non-manufacturing sectors, reflecting a broad approach to	Medium-large scale firms, often in light manufacturing, originating from Jiangsu province, adhering to region-specific models (e.g., 'Su'nan model'). These firms focus on export markets and demonstrate high localization rates.	Large-scale firms engaged in export processing for international brands, originating from Guangdong province, fitting the 'Dong'guan model.' These firms have significant experience in GPNs and operate under intense global competition.

[15] Typology of firms developed in this thesis has three pre-selected criteria: 1. Firms that invested in Ethiopia and Angola between 2008 and 2019; 2. Firms were either in the LM sector or the BM sector; 3. Firms were fully operational during the time authors conducted research.

[16] The only SOE in the building materials sector we sampled in Ethiopia was conducting an Engineering, Procurement, and Construction contract (EPC) project with another non-Chinese foreign-owned enterprise in the cement sector. Strictly speaking, this Chinese firm shall not be regarded as a foreign direct investment but as contracting.

			local market engagement (mainly in Angola).		
Sectoral Focus	BM (Angola) and LM and BM (Ethiopia)	diverse	diverse	LM	LM
origin	mainly from inland China. In Ethiopia, firms mainly from Zhejiang province	Mainly from Hongkong	diverse	Jiangsu province	Guangdong province
Market Orientation	Domestic markets			Export markets	

(source: author compiled based on the IDCEA firm-level survey (2018) and Chen's PhD thesis (2021); data updated until Aug 2023.)

Type A: Market-Embedded Firms:

- A1 (SMEs): Owner-operated or family businesses engaging primarily in low-technology manufacturing, heavily relying on social networks for investment opportunities. Predominantly from mainland China, they focus on the BM sector in Angola and both LM and BM sectors in Ethiopia. In Ethiopia, firms from Zhejiang province exemplify the "Wenzhou model," characterized by a private-sector-dominant economy, long entrepreneurial history, and extensive émigré merchant networks (Wei et al. 2007; Zhang and Peck 2016; Chen 2021a). This model relies heavily on market coordination and close-knit family and social networks, reinforced by the concept of *baotuan chuhai* ("Going Out" in groups) (Ang 2018).

- A2 (DBGs): Larger firms, sometimes registered through offshore financial hubs like Hong Kong or the BVI, these businesses possess significant financial resources, are embedded in high-level business networks, mainly in Angola, and employ strong *guanxi* networks for their operations. Their sectoral focus is diverse, indicating a wide range of activities within the manufacturing and possibly service sectors. Our findings show that these firms are well-connected within high-level Angola's business networks while maintaining strong ties in China.

- A3 (Translocals): These firms, often run by the Chinese diaspora with no significant operations in China, involve local partners and operate in a variety of sectors, including low-tech BM manufacturing and real estate in Angola. As Lee

(2017) describes in the Zambian context, they can be considered "migrant entrepreneurs." With limited resources, many of these investors, particularly those in Angola's construction sector, are former SOE employees who stayed on after their contracts ended, taking advantage of the post-war construction boom. Some may also come from the ranks of traders-importers, who come to know the market dynamics through import business and accordingly decide to invest in activities with significant profit potential (see also Chen 2020 for similar cases in Nigeria).

Type B: GPN-Integrated Firms:

- B1 (Medium to Large-Scale LM Firms): Firms originating from Jiangsu province, acting as strategic suppliers for global buyers, especially from the U.S. and Europe. They have long-term clients and are recognized as "national champions" in China. Adhering to the "Su'nan model," these firms focus on export markets and demonstrate high localization rates in Ethiopia's LM sector (Chen 2021a, pp.139–140). The Su'nan model is rooted in the development of collectively-owned Township and Village Enterprises (TVEs) with strong support from proactive local governments (Qu 2014; Chen 2021a).

- B2 (Export-Oriented Large-Scale LM Firms): Large-scale firms from Guangdong province engaged in export processing for international brands, following the "Dong'guan model." This model represents the internal "Flying Geese" dynamic within China, with Guangdong absorbing foreign capital and domestic labor. Unlike B1 firms, they rely more on intermediaries to negotiate deals with global buyers. Operating within GPNs, these firms face intense global competition and adhere to the traditional OEM model. They are among the few firms that truly embody the "Flying Geese" paradigm, as noted by Brautigam et al. (2018), absorbing cheap labor and raw materials from China's inland provinces such as Jiangxi, Hu'nan and Sichuan while attracting inward FDI from Hong Kong, Taiwan, and Southeast Asia (Shen 2015; Gu 2011). In the case of investment in Ethiopia, official networks play a crucial role in discovering investment opportunities. Despite their prominent media and academic attention (especially the notorious Huajian company), these firms represent a minority share of the thousands of Chinese industrial firms operating in various African countries (Calabrese and Tang 2022, 48).

Drivers of investment in the manufacturing sector

Our management-level surveys and interviews reveal that the growing demand and high profit margins in the host country's domestic market are key pull factors driving Chinese firms to invest in the manufacturing sectors of Angola and Ethiopia. Furthermore, the timing of their arrival also played a crucial role in shaping these investments. In Ethiopia, the LM sector was significantly boosted by the country's export-oriented industrialisation policies, attracting Chinese firms at moments when

these policies were most favourable. In contrast, in Angola, Chinese firms in the BM sector capitalised on the post-war reconstruction boom and the resulting surge in demand for construction materials during the early 2000s.Ethiopia has a more developed LM sector compared to Angola and many other African economies, especially for the export market. Before 2008, most Chinese manufacturing firms investing in Ethiopia were small or medium-sized, focusing on the local market for low-end consumer goods. Like other foreign investors (e.g., Indian, Lebanese, and Turkish), these firms aimed to maximize competitive advantages when selecting industries. Investment in manufacturing typically carries significant risks, and various factors influence decisions, often in idiosyncratic ways. For instance, many investors had pre-existing trade relations with Ethiopian clients, providing them with insights into the investment climate, market preferences, and seasonality. Early investments were motivated by profitability, economies of scale, and potential domestic market expansion, with investment opportunities spreading through "*koukou xiangchuan*" (word of mouth) from family, friends, and Chinese diaspora networks.[17]

Post-2008, several Chinese private firms engaged in GPNs relocated their industrial capital to Ethiopia. During the implementation of the Plan of Action for Sustainable Development and Eradication of Poverty (PASDEP, 2005/06–2009/10), the Ethiopian government welcomed all types of foreign investment. Under the Growth and Transformation Plan II (GTPII, 2016–2020), Ethiopia adopted a brand-driven strategy, developing specialized industrial parks to attract entire supply chains (e.g., PVH in Hawassa Industry Park) (Chen 2021a). This strategy, termed 'building verticality' by Ethiopian policymakers, involves attracting leading brands to draw high-quality suppliers from their global production networks (Oqubay, 2019a, 2019b; Mihretu and Llobet 2017; Schaefer and Oya 2019a; Oya and Schaefer 2021). Consequently, first-tier suppliers for major global brands increasingly invested in Ethiopia, creating a more diversified set of investors within and beyond the dominant textile and apparel sectors. The broader goal is to establish distinct industrial ecosystems and clusters with economies of scale and scope, akin to those seen in industrialized nations like Germany and the USA (Best 2018).

In the LM sector, primary drivers for investment include lower production costs and access to key export markets such as the USA and Europe. Access to international markets and preferential policies, such as the AGOA and Everything But Arms (EBA)[18], play a dominant role in attracting export-oriented LM firms to Ethiopia. Trade incentives under AGOA are particularly influential, offering duty-free access to the U.S. market. Several export-oriented LM firms ((1CCM13; 1CCM14) indicated a preference for exporting to the U.S. due to larger bulk orders, making it more cost-effective, while Europe demands smaller but more varied orders. Push factors for firms relocating abroad include rising production costs (especially labor), business expenses, and compliance with environmental regulations in China. Pull factors in Ethiopia include

[17] This comes from multiple interviews (e.g. 1CCM2;1CCM3; 1CCM6).
[18] See https://trade.ec.europa.eu/tradehelp/everything-arms

lower production costs (affordable, trainable labor), access to cheap and reliable electricity, growing domestic demand, investment and trade incentives, and a committed government (see Table 3).

In contrast, Angola's manufacturing sector is primarily focused on BM and lacks diversity. Several structural and policy obstacles—high electricity costs, erratic energy supply, high labor costs, and the absence of a clear industrial policy—make Angola an unfavorable destination for light manufacturing development. As a result, the only viable option for Angola is import-substitution industrialization to advance its manufacturing sector.

Table 3 "Push and pull" factors of investing in the LM sector (Ethiopia)

	Factors		**Comments**
LM sector	**Push Factors**	Rising production costs	Common for all firms, but particularly impacts export-oriented firms (Type B)
		Late commercial payments	Affects traditional SMEs (Type A1)
		Environmental compliance costs	Affects all firms but especially traditional SMEs (Type A1)
	Pull Factors	Abundant, affordable and trainable labour	Common for all firms, but particularly relevant for export-oriented firms (Type B)
		Profit and market-seeking	Specific to traditional SMEs (TypeA1)
		A combination of access to the global market (e.g. AGOA for the USA), preferential investment policy and committed host country government	Significant for export-oriented firms (Type B)

Source: Author's elaboration

Table 4 "Push and pull" factors of investing in the BM sector

BM Sector	**Factors**		**Comments**
	Push Factors	Challenging operational climate in China	Specific for firms who have related business in China (Type A2 and Type A3

	Pull Factors	Low production costs (especially energy)	Significant for capital- and energy-intensive sectors, Type A2 , Type A3), and Type B2
		High domestic demand and profit margins	Key drivers common for all firms.
		The commitment of the host country's government	Affects Types A2 , A3 , B1 , and B2 .
		Political stability	Affects Type B2 in Ethiopia more significantly.
		Favorable macroeconomic conditions (e.g. forex)	Significant for capital-intensive firms like Types A2, A3 , and B2 .

Source: Author's elaboration

Unlike the LM sector, the BM sector in Ethiopia and Angola focuses solely on the domestic market. The massive infrastructure development in both countries has indirectly driven demand up and down the supply chain, constituting a springboard for industrialization. In Angola, the post-war construction boom has been a key driver of demand in the BM sector, as noted by Wanda, Oya, and Monreal (2023). In Ethiopia, rapid infrastructure development since 2010 has similarly stimulated growth in the sector. Domestic market growth and attractive profit margins have acted as the primary pull factors for Chinese and other domestic and foreign firms investing in these industries (Wolf 2024). Wolf (2024) also highlights the spillover effects of construction booms in various countries, including Angola, which have significantly impacted the BM sector by increasing demand for materials and services across the value chain.

The experiences of early investors in Angola, coupled with the rising demand for BM due to foreign aid projects and engineering contracts obtained by Chinese firms in Ethiopia, showcased the potential for substantial returns in these sectors. Consequently, the choice of these sectors was driven by the desire to address the challenges of overaccumulation within China, while simultaneously capitalizing on the prospects of lucrative profits and high demand in the host countries' domestic markets.[19] The surge in foreign aid projects and engineering contracts secured by Chinese firms (mainly SOEs) in Ethiopia had also generated significant demand for building materials. The construction boom since 2008 has led to increased consumption of materials such as cement, steel rebars, and flat glass (Gebreeyesus 2017; Oqubay 2015). We also found

[19] For analysis of overaccumulation in the BM sector in China, see Lee (2017), The Specter of Global China. Lee (2017) highlights the issue of overaccumulation as a key driver behind China's overseas investment push, particularly in sectors like construction and building materials.

that many investors had no experience with the prospective sectors they were looking to invest in Ethiopia or Angola. Contrary to LM firms which obtained investment opportunities through a combination of *social* networks (official, business and *guanxi*), investors in the building materials sector came to know about investment opportunities mainly through *guanxi* networks (Chen 2021a). For instance, early investors, many from the shipping or trade sectors, ventured into Angola in the 1990s without the Chinese government's encouragement (2CCM7). Some even set up building material factories during the tumultuous war period. Subsequent to the Angolan civil war, these pioneers reaped substantial profits due to the immense demand for building materials required for national reconstruction projects. Similarly, most early investors in Ethiopia's cement sector had no relevant experience in China. Motivations for investing in the cement sector are particularly diverse: some were speculative and focused on high short-term profits, while others were focused on gradually building businesses from a small project and capitalising on opportunities in the long run.

Moreover, sector/sub-sector specificities matter. Sub-sectors such as cement and steel pose greater entry and exit barriers due to the economics of scale, capital- and energy-intensive nature. The host country government plays an essential role in the success of investment projects in this sub-sector (Oqubay 2015). A forward-thinking, facilitating government is of great importance to ensure the efficiency of industrial organization, consistency of government policies and political stability.

Furthermore, BM firms' investment decisions were influenced by host countries' macroeconomic conditions, including forex and the host country's priorities. For instance, the free exchange of the US dollar in Angola before 2011 attracted Chinese investors, while Ethiopia's capital controls and forex constraints serve as warning signals for foreign investors, particularly those in capital-intensive import substitution sectors relying heavily on raw material imports (2CCM7; Senbeta 2013; UNIDO 2018).

In addition, the host country's priority is also an important factor that drives Chinese investors there to invest. Taking the cement industry as an example, although raw materials such as limestone, sandstone, clay, gypsum, and pumice are plentifully available in Ethiopia, cement production depends heavily on importing coal and heavy fossil fuel (HFO) for production. Nevertheless, since the cement industry is a strategic sector for Ethiopia's industrialisation, importing coal and HFO has been prioritised by the government (Oqubay 2015). Thus, cement firms have little difficulty in importing materials.

To summarise, the drivers of Chinese investment in the manufacturing sectors of Angola and Ethiopia are multifaceted and heavily influenced by both firm-specific characteristics, their origins, and local contexts. Key drivers include market demand, profit margins, cost reduction, access to global markets, and host-country policies. Sector-specific factors, such as the focus on LM in Ethiopia and BM in Angola, further shape investment strategies. The variety of capital illustrates the heterogeneous nature of Chinese investors. This diversity is critical in understanding how different types of

firms respond to the unique economic environments and policy landscapes of SSA countries.

Conclusion

This article underscores the heterogeneous and adaptive nature of Chinese manufacturing FDI in Africa, with a focus on Angola and Ethiopia. Our findings illustrate how distinct local contexts, combined with the diversity of Chinese firms, shape investment patterns and outcomes. The range of firms—from DBGs and GPN-integrated firms to medium-sized private firms and translocals—respond to different drivers, such as market demand, cost reduction, and host-country policy incentives. These findings challenge simplistic explanations of Chinese FDI and highlight the critical role of local contexts in shaping investment outcomes.

A key contribution of this study is the development of a nuanced typology of Chinese manufacturing firms in Africa. By distinguishing between "Market-Embedded Firms" and "GPN-Integrated Firms," we contribute to the theoretical frameworks on varieties of capital and GPNs. This typology reveals the importance of firm heterogeneity when analysing FDI flows, showing how the characteristics of Chinese investors differ across sectors and markets. Our study advances the literature by moving beyond monolithic narratives of state-led or resource-driven investments, integrating firm-specific strategies and local contexts into the analysis of Chinese FDI.

In Ethiopia, proactive industrial policies, particularly those promoting LM, have successfully attracted a broad range of Chinese firms, especially those integrated into GPNs. These firms have benefited from Ethiopia's export-oriented industrialisation strategy, supported by industrial parks and strong government incentives. In contrast, Angola's FDI landscape is more concentrated in the BM sector, where Chinese firms are primarily engaged in market-seeking investments driven by domestic demand and the country's oil-based economy. The comparison between Angola and Ethiopia highlights the critical role of a coherent policy framework in managing FDI. Ethiopia's structured industrial development approach, particularly through its industrial parks, provides a model for attracting diversified and sustained FDI, while Angola illustrates the difficulties of relying on resource-based sectors without a clear industrial policy.

This study argues that Chinese FDI can be transformational for African economies, particularly in the manufacturing sector. However, the extent of its impact depends on the host country's ability to maintain political stability, create a supportive business environment, and align foreign investment with broader development goals. The adaptability of firms and coherence in policy frameworks are essential to unlocking the full potential of Chinese investment in Africa.

Our findings suggest that targeted industrial policies, particularly in sectors like LM, can foster diversified economic growth. Ethiopia's experience with export-oriented

industrialisation offers valuable lessons for other African countries aiming to develop their manufacturing sectors. Angola's case highlights the need for more structured efforts to diversify beyond resource-based industries, particularly in the building materials sector, which holds significant potential for infrastructure development.

While this study offers important insights into Chinese FDI in Africa, it is limited by its focus on two countries, which may not capture the full diversity of Chinese investments across the continent. Furthermore, data limitations, particularly in Angola, constrained the depth of sectoral analysis.

Future research should explore the co-evolutionary nature of Chinese FDI across a broader range of African countries, focusing on the dynamic interactions between Chinese firms and host-country institutions. The construction sector in both Angola and Ethiopia offers a promising avenue for further investigation, given its pivotal role in infrastructure development. Understanding how Chinese firms in this sector adapt to shifting economic conditions—such as fluctuations in resource prices or changes in infrastructure demand—could provide deeper insights into the broader co-evolutionary dynamics of Chinese FDI in Africa. Our forthcoming research will examine how Chinese firms respond to external shocks and crises, such as Ethiopia's export target impositions, Angola's oil crisis, escalating geopolitical tensions, and the COVID-19 pandemic. This work will provide a more detailed understanding of how Chinese firms adapt their operations and investment strategies in volatile environments. By focusing on the resilience and adaptability of Chinese firms, this study will contribute to a richer understanding of the co-evolving nature of state-business relations and the long-term developmental impacts of Chinese FDI in Africa.

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