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Heterogeneity and Drivers of Chinese Manufacturing FDI in Africa: Evidence From Angola and Ethiopia

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ABSTRACT

This article examines the heterogeneity and drivers of Chinese manufacturing foreign direct investment (FDI) in Africa through a comparative analysis of Angola and Ethiopia. Drawing on 8 years of fieldwork (2015–2023), it develops a typology distinguishing market-embedded firms from global production network (GPN)-integrated firms, linking firm characteristics to host-country institutional and policy contexts. This relational–institutional approach addresses limitations in conventional FDI frameworks that overlook variation within similar ownership categories and the influence of local institutional environments. The analysis shows how firm strategies, ownership structures and integration into global or local markets interact with sectoral conditions and industrial policies to shape divergent investment trajectories. Ethiopia's structured, export-oriented strategy has attracted GPN-integrated light manufacturers, while Angola's post-war, market-driven environment has favoured domestically oriented and diaspora-led 'translocal' enterprises. By integrating firm-level diversity with host-country contexts, the article contributes to debates in FDI, GPN and Global China scholarship, offering insights for targeted industrial policies that maximise developmental outcomes.

1 | Introduction

Chinese foreign direct investment (FDI) in Africa has expanded markedly over the past two decades, rising from US$75 million in 2003 to a peak of US$5 billion in 2021 before dipping to US$1.8 billion in 2022, partly due to COVID-19 (CARI 2024). Although Africa still accounts for a modest share of China's outward FDI (OFDI)—approximately 1.48% or 3.71% when offshore financial centres are included—the sectoral diversity and geographical reach of these flows are notable, particularly in regions historically overlooked by Western capital (Brautigam 2015; Sharman 2010).[1] Chinese firms have invested in a wide range of sectors, from state-owned enterprise (SOE)–led infrastructure and resource extraction to private-sector manufacturing, the latter dominated by small and medium-sized enterprises (SMEs) with potential to contribute to structural transformation (Brautigam et al. 2018; Calabrese and Tang 2022; Chen 2021a). Existing scholarship typically employs macro-level frameworks—push–pull models, the flying-geese thesis and Dunning's eclectic paradigm (ownership–location–internalisation, OLI)—to explain relocation and location choice (Akamatsu 1962; Dunning and Lundan 2008; Brautigam et al. 2018). International business (IB) research adds motives salient to emerging-market multinationals (EM-MNEs), notably global value consolidation seeking (GVCS)—the strategic use of overseas investment to strengthen and control positions within global supply chains (Moghaddam et al. 2014). Complementing these are perspectives from the Global China (GC) literature, which examine the varieties of Chinese capital and the different ways capital, labour and state–business relations are embedded in specific local contexts (Lee 2017, 2022).[2]

Despite these advances, three interrelated gaps remain. First, prevailing approaches—including macro-economic, IB and GC literatures—often overlook the diversity of strategies within similar categories of firms and how these strategies interact with host-country institutions. Second, many studies rely heavily on aggregated secondary data without adequately addressing its limitations, including the conflation of announcements with realised inflows, origins obscured by offshore financial centres and underreporting of smaller scale and diaspora-led 'translocal' investments,[3] which blunt explanations for divergent firm behaviours across African contexts. Third, while manufacturing is widely seen as central to industrialisation, existing typologies rarely connect firm-level strategies to concrete industrial-policy regimes, leaving important cross-country differences unexplained.

This article addresses these gaps by asking: How do firm-level characteristics and local institutional contexts interact to shape the strategic behaviours and developmental outcomes of Chinese manufacturing FDI in African host countries? Drawing on 8 years of longitudinal fieldwork (2015–2023) in Angola and Ethiopia—including firm surveys, qualitative interviews and participant observation—we develop an empirically grounded typology distinguishing market-embedded firms from GPN-integrated firms. Our contribution is a relational–institutional lens that differentiates firms by their mode of institutional engagement: coupling to formal, policy-enabled production systems (e.g., industrial parks, trade preferences, standards) to stabilise export competitiveness—closely aligned with GVCS—versus adaptive, informally networked strategies anchored in domestic and regional markets. This framework explains why firms with similar origins behave differently under distinct institutional regimes (e.g., two Zhejiang-owned textile firms in the same Ethiopian park adopting divergent market strategies). Because these differences in institutional engagement are not observable in aggregated datasets, the longitudinal, firm-level evidence we assemble is essential to identify mechanisms linking firm types to outcomes.

The remainder of the article is organised as follows. Section 2 outlines the main trends and methodological challenges in analysing Chinese FDI in Africa, with a focus on manufacturing. Section 3 critically reviews existing theoretical frameworks, identifying their limitations and setting out the conceptual basis for the refined typology. Section 4 presents the methodology, fieldwork design and data sources. Section 5 provides the empirical analysis, examining the drivers, sectoral patterns and diversity of Chinese manufacturing firms in Angola and Ethiopia through the proposed typology. Section 6 concludes.

2 | The Rapid Rise of Chinese FDI in Africa

Chinese FDI in Africa has grown significantly since the early 2000s. Starting at just US$75 million in 2003, annual flows peaked at US$5 billion in 2021 before falling to US$1.8 billion in 2022—a decline partly linked to the effects of COVID-19 (CARI 2024). Since 2013, Chinese investments in Africa have exceeded those of the United States, reflecting a wider global shift as US investment in the region has declined. The geographical scope of Chinese investment is wide, extending into regions historically overlooked by Western capital. Between 2003 and 2021, South Africa, the Democratic Republic of the Congo, Zambia, Nigeria, Angola and Ethiopia were among the top recipients of Chinese FDI; by 2022, Egypt and Côte d'Ivoire had entered the top five (CARI 2024).

2.1 | Sectoral Trends and Manufacturing Focus

Numerous studies confirm the prominent role of manufacturing in Chinese investments in Africa (Brautigam et al. 2018; Chen et al. 2015; Chen 2020; Eom 2018; Gu 2009; Landry and Chen 2021; Lee 2017; Rotunno et al. 2013; Shen 2015; Wolf and Cheng 2018). However, manufacturing is only one part of a wider portfolio. Chinese firms are also active in services, construction (Wolf and Cheng 2018), extractives (Schoneveld et al. 2018) and emerging sectors such as telecommunications, e-commerce and mobile applications (Agbebi 2019; Tugendhat 2021). These activities are generally associated with higher 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 around 13%–14% of Chinese FDI in Africa, with its absolute value almost doubling between 2013 and 2022. This growth highlights the strategic significance China places on manufacturing compared with other foreign investors, who have traditionally focused more on extractive industries. In terms of project numbers, more than 30% of Chinese investments in Africa are in manufacturing: Sun et al. (2017) report this figure from a sample of 10000 firms, while Shen (2015) finds a similar proportion for private investments. This reflects the labour-intensive, smaller scale nature of manufacturing compared with the capital-intensive character of mining or large-scale infrastructure construction.

Although disaggregated data by sector and country remain limited, aggregate CARI data indicate that manufacturing has maintained a central role despite fluctuations. In 2022, construction led Chinese investments at roughly one-third of total FDI, followed by mining and manufacturing (CARI 2024). While construction has grown, particularly in infrastructure projects, manufacturing remains a cornerstone of China's longer-term investment strategy in Africa.

2.2 | Methodological Challenges

Researching Chinese FDI in Africa presents several methodological challenges, particularly around the accuracy of secondary data. Many studies rely on databases such as fDi Markets and FDI Intelligence (Owusu et al. 2024; D. T. Wang and Chen 2014; Zhang and Wang 2011), which tend to overestimate investment by treating initial agreements as completed

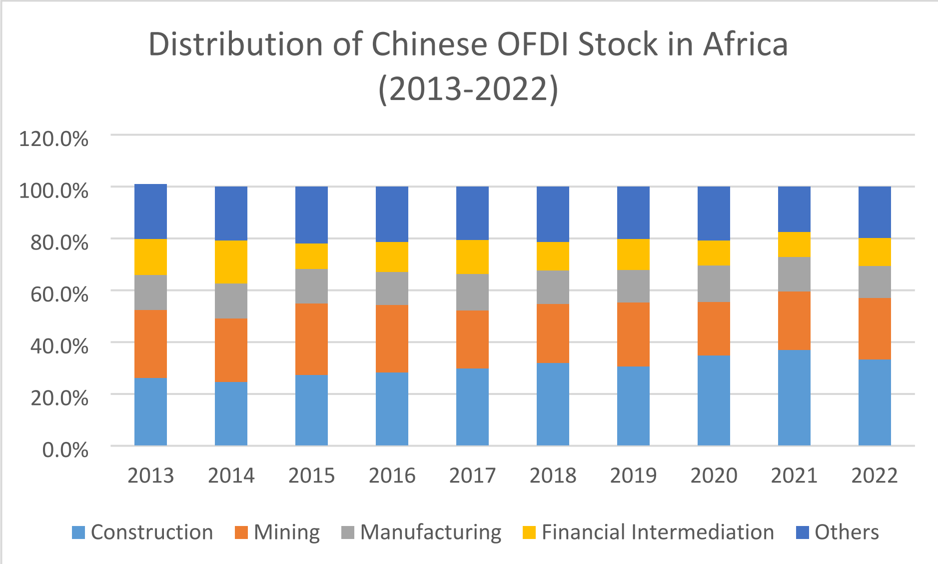

FIGURE 1 | Sectoral distribution of Chinese OFDI in Africa (*Source:* Author's compilation and calculations from the Global China Initiative (GCI) database, 2024, https://www.bu.edu/gdp/research/gci/).

projects, even when they fail to materialise (CARI 2024). Official sources such as *the Statistical Bulletin of China's OFDI* (MOFCOM et al., 2007–2022) provide figures for approved projects in countries such as Angola and Ethiopia (Xia and Liu 2021) but may overstate investment by including preliminary agreements as if they were binding commitments. A further difficulty is underreporting caused by the use of offshore financial centres. Jurisdictions such as the British Virgin Islands, Cayman Islands and Hong Kong account for nearly 60% of China's recorded OFDI (CARI 2024), obscuring the true geographic and sectoral distribution. Sharman (2010) notes that such tax havens are now the second-largest recorded destinations for Chinese investment. These jurisdictions often act as intermediaries before funds are redirected to their final destinations, complicating efforts to track flows accurately.

Sources such as the China Global Investment Tracker (CGIT)[4] can conflate contractual agreements with actual investment, adding further distortion (Brautigam 2015).[5] B. Wang (2013) found that 70% of Chinese OFDI between 2003 and 2011 passed through tax havens before reaching its ultimate destination. Our fieldwork in Ethiopia and Angola confirms that firms often route investments through offshore centres, complicating their classification as Chinese OFDI. Small-scale SMEs are another blind spot. Many do not register with MOFCOM (Huang, 2013, cited in Chen 2021a) and therefore do not appear in official statistics. Field research frequently reveals large discrepancies between official data and observed firm activity, especially in manufacturing, retail and hospitality (Shen 2015; Chen 2021a). For instance, Sun et al. (2017) found substantial differences between MOFCOM figures, local investment authority data and their own survey results, with MOFCOM reporting the lowest number of active Chinese firms.

These challenges show the limitations of relying solely on secondary data, which can produce incomplete or polarised accounts of Chinese FDI in Africa. This study addresses these problems by combining macro-level datasets with meso-level sectoral analysis and micro-level fieldwork, including firm-level surveys and interviews in Ethiopia and Angola. This integrated approach generates a more accurate and detailed picture of Chinese investment patterns and underpins the typology developed in Section 3.

3 | Understanding and Conceptualising the Rise of Chinese FDI in Africa

This section conceptualises the distinctive drivers and dynamics of Chinese investment in Africa. It moves beyond conventional push–pull models by integrating perspectives from political economy, global value chain/global production network (GVC/GPN) research and the GC literature, while adding a relational–institutional lens that is often absent from existing frameworks. Our analysis shows that a refined typology—distinguishing GPN-Integrated from Market-Embedded firms—better captures how firm strategies interact with host-country political economies, sectoral conditions and modes of institutional embedding.

The framework contributes in three ways. First, it bridges structure and agency by nesting push–pull dynamics within GVC/GPN perspectives but foregrounding firm agency through global value consolidation seeking (GVCS) and the GC notion of varieties of capital. Second, it introduces an explicit relational–institutional dimension to firm classification—formal versus informal embedding, the role of *guanxi*[6] and diaspora brokerage and degrees of policy alignment—rather than relying only on ownership form or sector. Third, it extends GVCS to greenfield African manufacturing, demonstrating how consolidation-seeking strategies operate in industrial parks and policy zones (via supplier co-location, buyer-led governance and logistics standardisation), thereby re-specifying 'efficiency-seeking' and 'market-seeking' motives in a way tailored to the Chinese case and African host contexts.

3.1 | Limitations of Conventional FDI Frameworks

The literature on FDI drivers and logics has evolved significantly since the 1980s, producing diverse perspectives on why and how firms invest internationally. Early economics and business research was dominated by push–pull models—emphasising home-country drivers (push) and host-country attractions (pull)—largely developed with reference to OECD-based transnational corporations (TNCs) (Dunning and Lundan 2008; Hymer 1976; Porter 1998). While these frameworks remain useful for mapping broad determinants—rising production costs or regulatory pressures in China, and market opportunities or resource endowments in African economies—they do not adequately capture the heterogeneity of Chinese investment in Africa, where ownership structures, firm types, sectoral specificity (i.e., particular market and product foci) and informal practices such as *guanxi* are decisive (Chen 2021a; Shen 2015). Furthermore, Chinese manufacturing investment in Africa is predominantly greenfield, limiting the applicability of frameworks primarily built around mergers and acquisitions (M&A) contexts (Moghaddam et al. 2014).

The 'flying geese' thesis (Akamatsu 1962), once applied to East Asian industrial relocation, has been used to explain Chinese relocations to Africa, especially in labour-intensive sectors such as textiles and apparel (Brautigam et al. 2018; Calabrese and Tang 2022; Lin 2018a, 2018b; Whitfield 2023). It highlights cost and market considerations behind the shifting of entire production lines, yet its linear upgrading logic risks determinism and underplays how industrial policy, institutions and governance shape outcomes (Oqubay 2015). Chinese 'flying geese' are not ubiquitous in Africa, but the framework retains explanatory power in particular policy and sectoral contexts.

Other critical political-economy approaches emphasise the global context of FDI flows. The New International Division of Labour (NIDL) (Fröbel et al. 1980) shows how TNCs from high-income countries (HICs) establish overseas production bases in low- and middle-income countries (LMICs) (Coe 2013; Lo 2018), producing what Whittaker et al. (2020) term 'compressed development'. In parallel, Harvey's (2001) notion of the 'spatial fix' suggests that surplus capital in the 'centre' finds outlets in the 'periphery' through FDI and M&A, aiding capital expansion. However, critics contend that NIDL and spatial-fix dynamics are most clearly observed in sectors under intense competitive pressure—light manufacturing (LM) and electronics in particular (Jenkins 1984). Extending beyond those sectors, Nolan's (2014) account of the 'global business revolution' shows a cascading concentration of control across multiple GVC layers, with a handful of lead firms or 'system integrators', largely headquartered in HICs, commanding large market shares from final to intermediate goods and relegating low-margin, highly competitive segments to LMICs—including China until relatively recently (Hauge 2023). This raises the question of scope and applicability: to what extent do NIDL and spatial-fix mechanisms travel across different eras, organisational–technological paradigms and sectoral contexts (Whittaker et al. 2020)?

NIDL and spatial-fix perspectives can also suffer from functionalism and reductionism, privileging broad structural tendencies at the expense of sectoral differentiation, firm-level adaptation and host-state institutional agency. Variation in how LMICs integrate into GPNs—and in how expansion and delocalisation unfold across sectors—points to the need for a disaggregated approach that articulates multiple sets of factors rather than treating cheap labour as an all-purpose driver. In the Chinese case, a more nuanced reading recognises the varied forms of capital moving across borders, the distinct motives of firms with different ownership and market orientations and the mediating role of African policy regimes and institutions. Addressing these limitations, the analysis that follows integrates structuralist insights with lenses attuned to firm heterogeneity, governance and relational–institutional embedding, thereby setting up our adapted push–pull discussion and the typology developed later in the section.

Dunning's eclectic paradigm (OLI) remains a core framework for analysing FDI decisions based on ownership, location and internalisation advantages (Dunning and Lundan 2008). Yet it was developed with large firms from developed economies in mind. Many Chinese SMEs investing in Africa do not possess conventional proprietary assets; instead, they depend on *guanxi*, entrepreneurial flexibility and informal arrangements to overcome entry barriers (Chen 2021a; Song 2011). The EM–MNE literature has identified network-based advantages (Buckley et al. 2017; Morck et al. 2008) and home-country benefits (Rugman and Li 2007; Rui and Yip 2008, cited in Song 2011), but these advantages are sector-specific and unevenly distributed. Similarly, Rithmire's (2022) typology of Chinese outward investment—tactical, competitive and crony capital—is primarily geared towards larger, politically connected firms, omitting the smaller but economically significant private manufacturing investors prevalent across African economies. Moreover, even SOEs, while crucial to China's global rise, often operate with considerable autonomy, adapting strategies across African contexts and yielding heterogeneous outcomes (Jones and Zou 2017; Huang and Lesutis 2023). Meanwhile, the internationalisation of private firms—especially in Africa—frequently reflects domestic constraints and disadvantages, rather than unambiguous expressions of national power (Child and Rodrigues 2005; Nolan 2012, 2014, cited in Chen 2021a). Their overseas forays often hinge on informal networks (e.g., *guanxi*), entrepreneurial drive and niche-seeking (Song 2011; Chen 2021a; Ado 2020, 86). Following Chang (2007, 198–202), we avoid treating cultural factors as immutable drivers: While *guanxi* and diaspora ties can be influential, their effects are contingent on policy, market structure and institutional context.

The EM-MNE literature (Fu et al. 2020; Zhang and Peck 2016) has advanced the understanding of adaptation and gap-filling strategies, while geopolitical approaches such as 'friendshoring' (Kalvelage and Tups 2024) shed light on state-led efforts to reshape global supply chains. Yet both tend to focus on large-scale, state-linked companies, often overlooking the strategies of SMEs, diaspora-linked translocal enterprises and other entrepreneurial actors operating outside formal state-to-state policy channels.

In sum, while these perspectives provide important conceptual and empirical foundations, they often obscure variation in firm strategies and in the ways host-country institutions shape investment outcomes. They also lack a framework that systematically links firm-level strategic agency to both sector-specific features and the broader political economy of African host states. Addressing these gaps is central to the typology developed in this article.

3.2 | Understanding Chinese FDI Overseas Through Push–Pull Lenses

The push–pull analytical framework, widely used across business, anthropology and development studies, offers a valuable starting point for examining FDI dynamics. It emphasises the relational aspects between originating and receiving countries, identifying factors that either drive (push) or attract (pull) investment flows. Yet, when applied to Chinese FDI in Africa, traditional push–pull models fall short of capturing the full complexity of investment motivations, as they often abstract from the specific institutional, political and strategic contexts that shape these flows. To account for China's unique developmental trajectory, its integration into the global economy and the diverse range of firms 'going out', this framework requires adaptation to incorporate both structural global economic forces and the embeddedness of Chinese capital in distinctive home–host linkages.

Van der Lugt (2016) argues for integrating push, pull, firm-specific and intervening factors into a more comprehensive lens on FDI. On the push side, Chinese firms confront industrial overcapacity, rising wages and domestic market saturation; on the pull side, African economies present market opportunities, resource endowments and infrastructure gaps (Large 2021; Calabrese and Tang 2022). Much macro-level work, however, overlooks how these drivers interact with firm heterogeneity and host-country institutions.

Three broad themes in the literature are particularly relevant for this study. First, accounts aligned with spatial-fix narratives and world-systems theory emphasise the structural imperatives driving Chinese firms to seek outlets for surplus capacity overseas (Lee 2017; Hung 2008), interpreting the 'going out' strategy as a response to domestic pressures and global capitalist dynamics (Arrighi 2009). These dynamics include relocations to lower cost countries and sector-specific production shifts (Eom 2018; Knoerich et al. 2021). Importantly, the mechanism varies markedly between domestically oriented producers [e.g., building materials (BM) such as steel or cement, where excess capacity is the primary constraint] and GPN-integrated exporters (for whom cost structures and supply-chain integration dominate strategic decision-making). Second, studies of pull factors highlight host-country conditions—political stability, regulatory reforms, preferential trade agreements, market size and proximity to regional hubs (Buckley et al. 2017; Du and Zhang 2017; Y. Wang et al. 2015)—with sectoral analyses showing variation between manufacturing, agriculture and services (Geda et al. 2024; Calabrese and Tang 2022). In countries such as Ethiopia and Angola, infrastructure investment booms have coincided with targeted manufacturing or building-materials FDI (Wolf 2024), illustrating the interplay between national industrial policy priorities and Chinese capital flows, and complementing work on quota-/preference-linked market access (Brautigam et al. 2018; Whitfield 2023; Calabrese and Tang 2022). Third, there is mounting evidence of both deep linkages between Chinese FDI and state-led frameworks such as the Belt and Road Initiative (BRI), development finance and provincial-level integrated initiatives (e.g., Jiangsu), and a significant cohort of private or diaspora-linked investors who operate largely outside formal state coordination (Calabrese and Tang 2022; Fu and Eguegu 2021; Chen 2021a). Whether Chinese investment is best understood as a product of high-level bilateral ties or as an aggregate of decentralised, firm-led initiatives varies across sectors and host-country contexts, underscoring the importance of disaggregated analysis.

While the push–pull lens captures important aspects of Chinese FDI in Africa, it tends to treat firms as homogeneous actors and underplays how host-country institutions, industrial policy frameworks and informal relational networks mediate outcomes. Addressing this requires integrating insights from GPN/GVC scholarship, which emphasise governance structures, inter-firm linkages and the embeddedness of economic activity within institutional contexts (Dicken 2015; Gereffi 2018). These perspectives, however, have often cast firms as reactive to global governance conditions, neglecting their capacity to proactively shape regulatory and institutional environments. Beyond classic OLI motives, emerging-market MNEs also pursue GVCS—investments that internalise and orchestrate activities across the chain, enabling coordination of dispersed knowledge and 'tapping into multiple centres of excellence' to enhance competitive advantage (after Mudambi 2008). Moghaddam et al. (2014) show GVCS is a distinct driver (ranked third after end-customer market seeking and knowledge seeking), associated with internalisation benefits and potential leapfrogging, while pure efficiency-seeking is comparatively rare for EM-MNEs. Although their evidence emphasises M&A, GVCS also travels to greenfield contexts via park-based verticality, supplier co-location and buyer-led governance—precisely the configuration Ethiopia attempted in Hawassa and other parks. In short, GVCS reframes outward investment as a deliberate strategy to strengthen and control positions within global networks, rather than as a mere response to cost pressures.

Combining this with the GC literature—especially Lee's (2017, 2022) varieties of capital—makes it possible to distinguish centrally backed SOEs, large private corporations linked to state-led agendas and smaller private or diaspora-led translocal firms. These varieties differ in their accumulation paths, ownership structures, sectoral positioning and reliance on formal versus informal institutional mechanisms such as *guanxi* (Ado 2020). In African contexts, this diversity translates into markedly different interactions with host-country policies, market structures and regulatory environments, producing distinct investment trajectories and developmental impacts. The case of Huajian in Ethiopia, often cited as a 'prime mover' exporter, illustrates how policy frameworks, buyer access and infrastructural conditions combined with firm capabilities to catalyse additional investment.[7]

In sum, adapting the push–pull framework through the combined lenses of GPN/GVC theory, global value consolidation seeking and GC's varieties of capital provides the conceptual foundation for the typology developed in this paper. The following section sets out this typology and its core categories in detail.

3.3 | A Refined Typology for Chinese Manufacturing FDI in Africa

This article distinguishes between two primary categories of firms—GPN-integrated firms and market-embedded firms—differentiated by their strategic orientation, degree of integration into international production networks and modes of engagement with host-country institutional contexts.

GPN-integrated firms operate as part of internationally coordinated production systems, investing abroad to consolidate positions in global supply chains, maintain access to strategic markets and meet international production standards. They tend to concentrate in policy-enabled environments offering reliable infrastructure, targeted incentives and preferential trade access.

Market-embedded firms, by contrast, are more locally anchored and oriented toward domestic or regional markets. Typically smaller in scale, often privately owned or diaspora-led, they rely on adaptability, low operating costs and strategic use of *guanxi* networks to respond flexibly to changing local conditions.

The distinction between these categories is not absolute; firms may shift orientation in response to policy changes, market conditions or strategic recalibration. Nonetheless, the typology captures recurrent patterns often obscured by existing frameworks: the structured, policy-driven integration of GPN-integrated firms versus the relational, adaptive positioning of market-embedded firms.

Our field evidence supports five recurrent sub-types. First, translocal firms are predominantly diaspora-driven, combining deep local embeddedness with cross-border network integration and hybrid institutional knowledge. Second, SMEs following the Wenzhou model are privately financed, family-run firms emphasizing domestic market penetration through strong diaspora and merchant networks. Third, diversified business groups (DBGs)[8] are conglomerates active in at least three unrelated sectors under centralised control through equity holdings or financial ties; their breadth allows risk-buffering and capital redeployment across jurisdictions (Brautigam et al. 2018; Y. Wang and Zhang 2024; Huang and Lesutis 2023; Xia and Liu 2021). Fourth, export-oriented firms following the Dongguan model are labour-intensive producers relocating to reduce costs while supplying global brands as OEMs and retaining upstream links in China, thus preserving buyer relationships and quality control. Fifth, firms under the Su'nan model are medium–large manufacturers that achieve high localisation through strong alignment with proactive host-country industrial policy and integration with local suppliers.

From this typology, the article advances seven propositions linking firm type to strategic behaviour, institutional engagement and developmental outcomes:

P1: Market-embedded firms rely on informal institutional mechanisms such as *guanxi* and diaspora brokerage to manage risks and capitalise on domestic and regional opportunities.

P2: GPN-integrated firms embed within global supply chains to consolidate market positions and maintain export competitiveness, consistent with GVCS.

P3: Translocal firms adopt hybrid strategies enabled by cross-cultural and institutional knowledge.

P4: SMEs following the Wenzhou model use diaspora and family financing to establish durable positions in local markets.

P5: DBGs employ complex financial and political networks to operate across sectors and jurisdictions and to buffer shocks.

P6: Dongguan-model firms relocate to lower-cost sites while retaining upstream supply-chain links in China.

P7: Su'nan-model firms achieve higher localisation through alignment with host-country industrial policy and integration with local suppliers.

These propositions provide the analytical bridge to the empirical analysis in Section 5, where they are operationalised using comparative evidence from Angola and Ethiopia. The next section outlines the methodological approach, data sources and research design underpinning the analysis, explaining how the study integrates firm-level evidence with sectoral and institutional contexts in both countries.

4 | Methodology and Data

To address the central research question—how do firm-level characteristics and local institutional contexts interact to shape the strategic behaviours and developmental outcomes of Chinese manufacturing FDI in African host countries—the article employs a mixed-methods approach that integrates predominantly qualitative comparative ethnographic research with complementary quantitative descriptive analysis. Quantitative data alone cannot capture the complexity and dynamism of interactions characterising Chinese manufacturing investment in Ethiopia and Angola. Comparative ethnographic research, following Burawoy's (1985) extended case method, connects macro-level institutional forces with micro-level firm processes, embedding contemporary relationships within broader historical and theoretical contexts (Lee 2017; Behuria 2021).

The research design engages three interrelated analytical levels. At the micro-level, it examines detailed firm characteristics, entrepreneurs' backgrounds and *guanxi* networks. At the meso-level, it considers sector-specific dynamics and the positioning of firms within both global and domestic production networks. At the macro-level, it assesses the institutional and political contexts shaped by national and sub-national government policies in host countries. This multilayered approach moves beyond methodological nationalism (Lee 2017) by highlighting the relational and embedded nature of Chinese manufacturing FDI in African contexts.

4.1 | Data Collection

This article draws on data collected over 8 years (2015–2023) from two interconnected research projects in Angola and Ethiopia, combining firm surveys, qualitative interviews, life histories and extensive participant observation (Schaefer and Oya 2019b).

The first project, the *Industrial Development, Construction and Employment in Africa* (IDCEA), conducted between 2015 and 2018, examined comparative employment conditions in Chinese and non-Chinese firms in the manufacturing and infrastructure construction sectors.[9] The dataset includes a workers' survey of 1521 respondents, a firm-management survey of 74 firms, 56 life histories, 215 qualitative semi-structured interviews and a follow-up phone survey of 281 respondents. Firms were selected to ensure inclusion of leading enterprises in target sub-sectors—BM in both countries, and textiles and apparel in Ethiopia—while ensuring variation in size, market orientation (export versus domestic) and ownership structure (SOEs versus PEs and variation within each group) (see Table 1).

The second source is the author's PhD research (2017–2018, with follow-ups until 2023), focusing specifically on Chinese manufacturing FDI in Ethiopia. This project generated 105 in-depth interviews—95 with owners, investors and senior managers (e.g., country managers, factory managers, department directors) and 10 with senior officials from relevant public and private institutions in China and Ethiopia. Sixteen firm surveys were completed across four industrial parks. Participant observation included 30 weeks' residence in two Chinese-owned industrial parks, and regular attendance at industrial-park governance meetings, industry-association events and government–firm coordination sessions. Additional remote follow-ups were conducted via WeChat with selected firm managers between 2020 and 2023 to document developments during Ethiopia's conflict and the COVID-19 pandemic (9 interviews).

Because the two projects were conducted within a 1-year window, interview evidence was triangulated and cross-checked for accuracy and consistency. While the evidence is predominantly qualitative, it is complemented by quantitative data from firm surveys and interviews with workers, officials and civil-society organisations.

4.2 | Data Analysis

Qualitative interviews provided detailed, context-specific insights into firm behaviours, strategic motivations and interactions with local institutional environments. All interviews were transcribed directly by the author, predominantly in Mandarin and subsequently translated into English. Given the sensitive research context, no recordings were made at the request of interviewees. Detailed handwritten notes were systematically transcribed immediately after each interview to maintain accuracy and detail.

NVivo was used for thematic coding in two stages: (i) open coding to inductively identify initial themes and (ii) axial coding to consolidate these into higher order analytical categories. Survey and interview materials were analysed using a structured yet flexible guide[10] to capture multi-level information on firm characteristics, investment histories, entrepreneur backgrounds, production processes, managerial ethos and relations with host- and home-country institutions. The guide was adapted to each interviewee's role (e.g., senior/middle manager, administrative staff), operating as a framework rather than a fixed questionnaire and allowing targeted follow-ups and exploration of emergent themes.

The iterative codebook aligned firm-level characteristics and strategies with the study's propositions on institutional and relational dimensions. To enhance credibility, a second researcher independently reviewed a sample of coded materials; discrepancies were resolved through negotiated agreement and incorporated into the final codebook. Initial coding and analysis were conducted by the author and cross-checked by an IDCEA colleague to ensure consistency.

4.3 | Ethical Considerations and Positionality

Securing research access in politically sensitive contexts required extensive negotiation (Oya 2019). The author maintained sustained engagement with participants from 2015 to 2023, fostering trust and encouraging candid disclosures. Long-term relationships were vital in overcoming initial scepticism and ensuring data quality and depth. The author's multipositionality—as a Chinese researcher affiliated with a Western institution—facilitated access: cultural affinity and native fluency in Mandarin helped build rapport with Chinese

TABLE 1 | Overview of IDCEA data collection instruments and samples.

Data collection instrument	Angola	Ethiopia	Period
Workers' survey	682	839	Angola: Sept 2016–Mar 2017; Ethiopia: Mar–Sept 2017
Firm management survey	34	40	Angola: Mar 2017–Jul 2018; Ethiopia: Jan–Aug 2018
Life/work histories	23	33	Angola: Mar–Apr 2017; Ethiopia: Oct–Dec 2017
Qualitative semi-structured interviews	98	117	Angola: Nov 2015–Jul 2018; Ethiopia: Nov 2015–Aug 2018
Follow-up phone survey	126	155	Angola: Oct–Dec 2018; Ethiopia: Sept–Nov 2018

Source: Author's compilation based on IDCEA fieldwork data.

participants, while academic independence reduced concerns about partiality, enabling effective navigation of complex socio-political contexts.

Ethical standards were maintained throughout, in line with institutional review-board guidance. Participants were fully informed of the study's objectives; verbal consent was systematically obtained, with written consent secured from a small number of interviewees whose identities could be more easily discerned. Confidentiality was preserved by anonymising all interviewees using the coding system.[11] Each anonymised code combines a respondent-profile category (e.g., CG = Chinese Government; CCM = Chinese Company Management). Country identifiers are embedded in the profile codes—Ethiopia (1) and Angola (2)—with further sub-codes for firm type, sector or role. For example, '1CCM' denotes Ethiopia-based Chinese company management, while '2CCM' refers to Angola-based counterparts. Participant-observation activities were anonymised using a parallel system.

Potential selection bias remains possible due to voluntary firm participation. This was mitigated through triangulation across multiple data sources—quantitative surveys, qualitative interviews, participant observation and follow-up communications via WeChat—providing a robust empirical base and longitudinal perspective. Frequent follow-ups (2019–2023) enabled validation amid evolving political and economic conditions.

5 | Why Are Chinese Firms Investing in Africa? Drivers and Firms' Diversity

Building on the refined typology and seven propositions set out in Section 3, this section applies the framework to comparative evidence from Angola and Ethiopia to examine how different forms of Chinese capital interact with sectoral opportunities, institutional environments and policy regimes. The discussion proceeds in three parts. First, main features of Chinese OFDI outlines the scale, sectoral distribution and volatility of flows to Angola and Ethiopia. Second, firm diversity and typology in context summarise the composition of the manufacturing investor base in each country, mapping observed patterns against the typology without restating its full definition. Third, drivers of investment interpret these patterns through the seven propositions, identifying how firm attributes and institutional settings jointly shape strategic behaviour and developmental impacts.

Manufacturing is selected for two reasons. First, it features prominently in both countries' industrialisation and economic diversification plans. Second, it is characterised by pronounced heterogeneity in ownership, market orientation and integration into domestic or global networks, making it well suited for testing the propositions outlined earlier. For example, we examine whether market-embedded firms (Proposition 1) rely primarily on informal institutional mechanisms or whether GPN-integrated firms (Proposition 2) achieve deeper export integration when supported by targeted incentives. We also assess the hybrid strategies of translocal firms (Proposition 3), the reliance on diaspora networks in Wenzhou-model SMEs (Proposition 4), the cross-sectoral reach of Diversified Business Groups (Proposition 5), the OEM orientation of Dongguan model firms (Proposition 6) and the high localisation rates associated with Su'nan-model investors (Proposition 7).

Manufacturing offers a revealing comparative lens because the two countries have pursued markedly different policy approaches. Ethiopia's export-oriented industrialisation, anchored in industrial parks and preferential trade access, has attracted a high share of globally integrated manufacturers. Angola's post-war, market-driven context, by contrast, has favoured domestically oriented producers—many diaspora-led—serving local markets, particularly in construction-related manufacturing. This divergence lets us trace how similar forms of Chinese capital adapt to contrasting institutional environments.

5.1 | Main Features of Chinese OFDI in Ethiopia and Angola

Chinese investment in Ethiopia and Angola began to take off around 2003–2004, accelerating after 2008. By 2021, stocks were similar—US$2.8 billion in Ethiopia and US$2.7 billion in Angola—but by 2022 had declined to US$2.62 billion and US$1.95 billion, respectively (CARI 2024) (Figure 2).[12] These headline similarities conceal significant differences in drivers, sectoral distribution and volatility.

Chinese FDI flows to Ethiopia have been relatively steady, underpinned by manufacturing and consistent policy frameworks. Angola's flows have been more volatile, reflecting its exposure to oil-price cycles, capital-repatriation surges and episodic refinancing arrangements involving SOEs such as Sonangol (see Figures 2 and 3). Angola's inflows peaked at US$392.08 million in 2012 but plunged to –US$448.57 million in 2014 during the oil-price collapse. Although inflows rebounded in 2017—partly due to debt refinancing—they have remained unstable. Ethiopia's manufacturing FDI grew consistently until 2019, then fell, influenced by the loss of the African Growth and Opportunity Act (AGOA) eligibility in 2022 and compounded by civil conflict and US sanctions (Haowang Guancha 2024; 1CCM4-g) (Figure 3).

Sectoral patterns further underline these differences. In Ethiopia, manufacturing accounts for the largest share of Chinese OFDI by value, followed by construction, real estate and machinery leasing—reflecting a deliberate policy shift towards export-oriented industrialisation (EIC 2019; Chen 2021a). In Angola, manufacturing ranks third behind trade and construction, with investment heavily concentrated in oil-linked sectors (Wanda et al. 2023, 148).[13] Figure 4, based on Ethiopian Investment Commission (EIC) data, highlights manufacturing's dominance in Ethiopia's Chinese OFDI profile.[14]

Institutional conditions reinforce these sectoral patterns. Ethiopia's state-led industrial policy has produced formalised, export-oriented manufacturing enclaves—especially in industrial parks—where foreign-owned firms operate under structured governance and meet global buyer standards (World

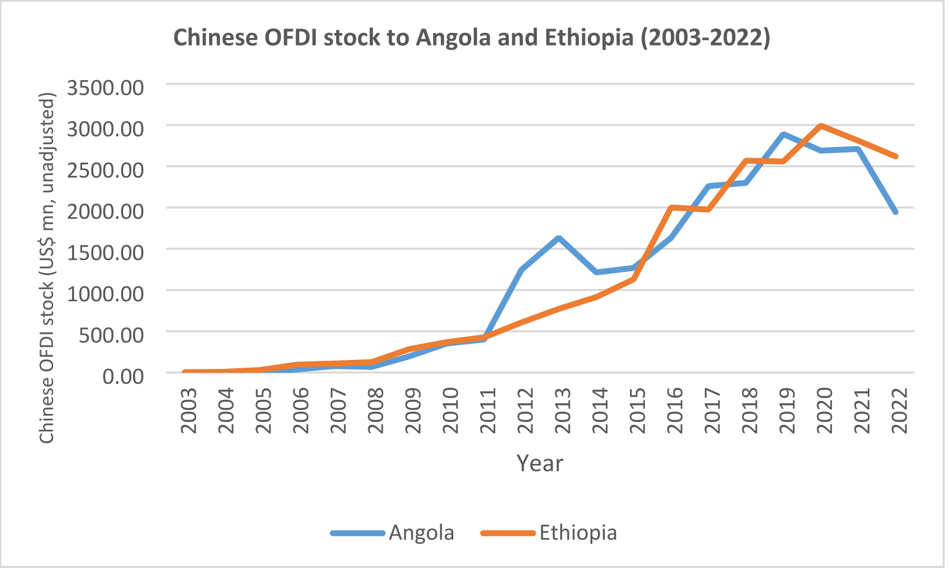

FIGURE 2 | Chinese FDI stock to Angola and Ethiopia (2003–2022). (*Source:* Author's compilation based on data from CARI (2024)).

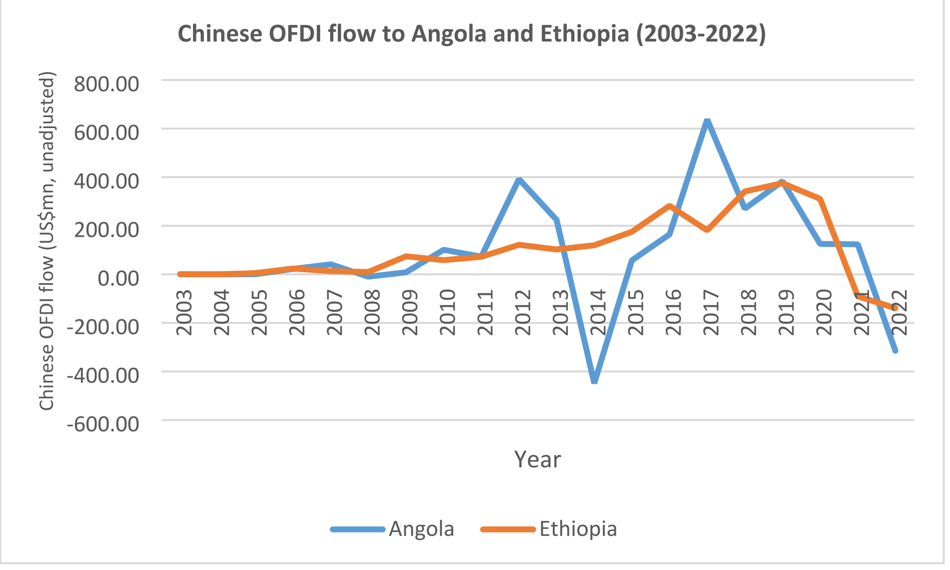

FIGURE 3 | Chinese OFDI flow to Angola and Ethiopia (2003–2022). (*Source:* Author's compilation based on CARI (2024)).

Bank 2015; Shiferaw and Söderbom 2019; Oqubay 2015). As noted by one Type B1 firm (1CCM14-1-c), '[E]xport-oriented firms face third-party buyer audits; during inspections, park rules, utilities and compliance matter far more than for domestic sellers'. Angola's post-war environment, by contrast, has favoured domestically oriented firms, many of them diaspora-led translocals that straddle formal and informal economies, sometimes using local partners as figureheads. This hybrid positioning not only contributes to underreporting in official statistics but also narrows the set of viable business models.

These macro features set the conditions under which Proposition 2 (export-oriented integration of GPN-integrated firms in policy-enabled settings) is most likely to hold in Ethiopia, whereas Proposition 1 (reliance on informal institutions by market-embedded firms) is more salient in Angola's market-driven landscape. We now move from macro patterns to the firm-level composition of Chinese manufacturers, showing how sub-types are distributed across the two institutional settings.

5.2 | Firm Diversity and Typology of Chinese Manufacturing Firms in Ethiopia and Angola

Chinese manufacturing investors in Ethiopia and Angola display substantial variation in sectoral focus, scale, origin, ownership, financing, operational experience and reliance on guanxi. In our sample, LM dominates in Ethiopia, while BM are prominent in both contexts. Conventional dichotomies—SOE versus private; market- versus resource-seeking (Lee 2017; Shen 2015)—remain informative but are too coarse to capture the finer distinctions in ownership models, strategies of local

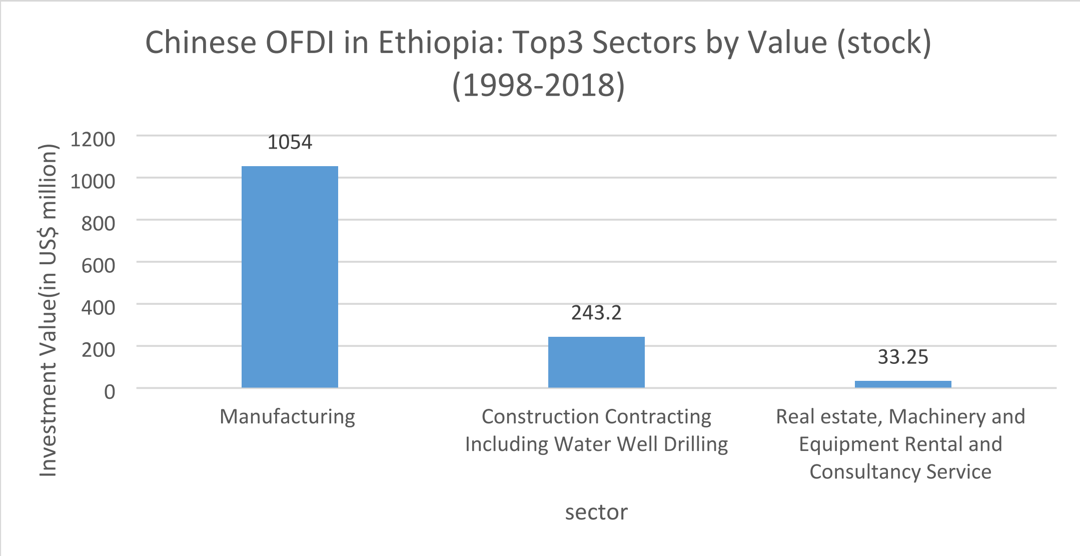

FIGURE 4 | Chinese OFDI in Ethiopia: Top 3 sectors by value (stock) (1998–2018). *Source:* Author calculated and compiled based on data collected from EIC (2019). *Note:* The exchange rate refers to the average conversion rate for 2018 https://www.exchangerates.org.uk/USD-ETB-spot-exchange-rates-history-2018.html (accessed on 23 Aug 2022).

adaptation and degrees of integration into GPNs. The refined typology developed in Section 3 addresses this gap by showing how firms mobilise capital, deploy *guanx*i, align with domestic or global markets and follow distinct accumulation paths.

Ethiopia hosts a more diverse mix of firm types and market orientations, with a higher share integrated into GPNs, reflecting the twin strategy of import substitution and export-oriented manufacturing (Oya and Schaefer 2021; Chen 2021b; Mamo 2025). In Angola, Chinese industrial investors are concentrated in BM, with limited agro-processing (International Trade Administration 2024; Oya and Wanda 2021). Across both countries, many smaller or diaspora-led investors lack formal parent-company structures in China and instead rely on personal and business networks to identify and develop opportunities (fieldwork surveys, 2016–2018). As summarised in Table 2, the distribution of five sub-types under market-embedded (Type A) and GPN-integrated (Type B) across Ethiopia and Angola reveals clear patterns that map onto the propositions set out in Section 3.

Source: Author, compiled from IDCEA firm-level survey (2018) and Chen (2021a), updated August 2023.

Table 2 is an analytic typology derived from longitudinal fieldwork (2016–2021; updated to August 2023), firm-management surveys and semi-structured interviews. We operationalised classification on five dimensions: (i) ownership/financing (family SMEs, offshore-registered DBGs, diaspora-led translocals, medium–large 'national champions'); (ii) sectoral footprint (LM vs. BM); (iii) origin regions (Jiangsu/Su'nan, Zhejiang/Wenzhou, Guangdong/Dongguan); (iv) market orientation (domestic vs. export); and (v) institutional embedding (use of guanxi, degree of policy alignment, residence in industrial parks). This design follows Lee's (2017) 'varieties of capital' while adding the relational–institutional axis developed in Section 3. The typology is explanatory rather than exhaustive: It identifies recurrent configurations that map onto Propositions P1–P7 illustrated in Section 3 and help account for Ethiopia–Angola contrasts in strategy and outcomes.

Drawing on surveys and interviews (2016–2021; updated August 2023), we align observed sub-types with Lee's (2017) 'varieties of capital', specifying differences in ownership structure, market orientation and sectoral focus.

Type A—Market-Embedded Firms

These firms prioritise domestic market opportunities and typically leverage guanxi and locally embedded networks rather than engaging in global cost arbitrage. Consistent with our earlier caution, we treat *guanxi* and diaspora ties as contingent mechanisms whose effects are mediated by policy, market structure and institutional context.

- A1 (SMEs). Owner-operated or family businesses in low-tech manufacturing rely on close-knit social ties—often described as *baotuan chuhai* (Ang 2018)—to mitigate risk in uncertain institutional environments. In Ethiopia, many originate from Zhejiang (the 'Wenzhou model'), a region noted for private-sector dynamism and émigré merchant networks (Zhang and Peck 2016; Chen 2021a). These firms map most clearly to P1 (informal-institution reliance) and P4 (diaspora/family financing supporting durable local positions).
- A2 (DBGs). Larger, diversified business groups—frequently registered through offshore centres (e.g., Hong Kong, BVI)—use financial depth and political connectivity to operate across sectors and jurisdictions. In Angola, DBGs have navigated procurement-heavy, infrastructure-linked BM and services, consistent with P5 (shock-buffering via cross-sector leverage).
- A3 (Translocals). Diaspora-led enterprises with limited current ties to China but deep local knowledge—often accumulated through earlier SOE contracting or

TABLE 2 | Typology of Chinese manufacturing firms in Angola and Ethiopia.

Type	Subtype	Ownership	Characteristics	Sectoral Focus	Origin	Market Orientation
Type A: Market-embedded firms						
	A1 (SMEs)	Private-owned, family-run SMEs	Owner-operated, low-tech manufacturing; heavy reliance on *guanxi* and *baotuan chuhai*	BM (Angola); LM and BM (Ethiopia)	Zhejiang province	Domestic
	A2 (DBGs)	Diversified business groups, often offshore-registered	Large conglomerates with financial/political leverage; cross-sectoral operations	BM, real estate, services	HK, offshore centres	Domestic and export
	A3 (translocals)	Diaspora-led, minimal ties to China	Multi-sector, adaptable; deep local market knowledge from prior SOE/trade roles	Primarily BM (Angola)	Diverse	Domestic
Type B: GPN-integrated firms						
	B1 (medium–large LM firms)	Medium–large private firms	'*Su'nan* model' national champions; export focus; high localisation	LM	Jiangsu province	Export
	B2 (Export-oriented large LM firms)	Large-scale private firms	'*Dong'guan* model'; OEM-centric for global brands; intense competition	LM	Guangdong province	Export

import–export—exploited Angola's post-war construction boom in BM and real estate (Chen 2020). These firms exemplify P3 (hybrid strategies enabled by cross-cultural/institutional fluency) alongside P1.

- Type B—GPN-Integrated Firms.

These firms are oriented toward international buyer standards and schedules, echoing selective elements of the 'flying geese' pattern.

- B1 (Medium–Large LM Firms). Often from Jiangsu (the 'Su'nan model'), these national-champion-type firms emphasise exports and achieve high localisation under policy-enabled regimes (Qu 2014; Chen 2021a). In Ethiopia, they benefit from industrial parks and coordinated 'verticality', aligning with P2 (global-chain embedding) and P7 (high localisation via policy alignment).
- B2 (Export-Oriented Large LM Firms). Predominantly from Guangdong (the 'Dongguan model'), these OEM-centric producers supply global brands under intense cost and compliance pressures. While visible in media and policy discourse (e.g., Huajian), they represent a subset of Chinese manufacturing FDI (Calabrese and Tang 2022, 48). They frequently rely on intermediaries, retain upstream links in China and relocate primarily to reduce costs—patterns consistent with P2 and P6 (relocation with retained supply-chain ties) and with 'internal flying geese' dynamics (Brautigam et al. 2018; Shen 2015; Gu 2009). Importantly, not all Chinese manufacturers fit this relocation logic; its relevance is conditional on sectoral governance and host-policy design.

5.3 | Drivers of Investment in the Manufacturing Sector

This section interprets the push–pull configuration for LM and BM through the typology, showing how firm attributes and institutional settings jointly shape strategy and developmental effects. Evidence from our management-level surveys and interviews indicates that rising domestic demand and high profit margins in host-country markets are critical pull factors motivating Chinese firms to invest in Angola and Ethiopia. Timing has also been decisive. In Ethiopia, LM benefitted from export-oriented industrial policies during windows when these were most favourable. As a manager at a Type B1 firm in Hawassa noted, 'PVH will ensure orders' (1CCM13-1-b); the same manager added that while orders in Ethiopia would increase, the China order book would not be reduced (ibid). Such anchor-buyer arrangements lower demand risk and support export embedding by globally integrated firms, highlighting the role of park-level services (utilities, compliance, logistics) in making buyer-led governance viable. By contrast, in Angola, BM investors capitalised on the post-war reconstruction boom and the associated surge in demand for BM in the early 2000s.

The push–pull configuration interacts with firm type. In Ethiopia, LM investors—especially B1/B2—were attracted when export-oriented industrial-park policies, preferential market access and logistics facilitation lowered coordination costs and enabled GVCS-consistent consolidation (co-location with first-tier suppliers, buyer-led compliance, park services), reinforcing P2, P6, P7. In Angola, BM investors—predominantly A1–A3—responded to post-war construction demand under conditions of power unreliability, foreign-exchange volatility and administrative frictions; here, risk containment via *guanxi*, diversification and diaspora brokerage made market-embedded strategies comparatively more viable, consistent with P1, P3, P5.

Ethiopia's LM is comparatively more advanced than Angola's—indeed, more advanced than in many African economies—particularly in export capacity. Before 2008, most Chinese manufacturers in Ethiopia were SMEs producing low-end consumer goods for the local market. Like other foreign investors (Indian, Lebanese, Turkish), these firms sought to maximise competitive advantages by relying on pre-existing trade relationships with Ethiopian clients, which provided insight into market preferences, seasonality and the broader investment climate. Early investments were driven by profitability, economies of scale and domestic market expansion, with opportunities disseminated largely through *koukou xiangchuan* (word of mouth) among family, friends and Chinese diaspora networks.[15]

After 2008, several private firms with strong GPN links relocated industrial capital to Ethiopia. Under the Plan of Action for Sustainable Development and Eradication of Poverty (PASDEP, 2005/06–2009/10), the government encouraged diverse foreign investments. The Growth and Transformation Plan II (GTPII, 2016–2020) then introduced a brand-driven strategy focused on specialised industrial parks designed to attract entire supply chains—PVH's operations in Hawassa being a notable example (Chen 2021a). Policymakers framed this as 'building verticality' (Oqubay 2019a, 2019b; Mihretu and Llobet 2017; Schaefer and Oya 2019a; Oya and Schaefer 2021). By drawing in first-tier suppliers for global brands, this strategy broadened investment in textiles, apparel and related sectors. The broader vision was to develop industrial ecosystems and clusters with economies of scale akin to those in industrialised economies (Best 2018).

In Ethiopia's LM, the combination of lower production costs and access to key export markets—particularly the United States and Europe—remains a major driver. Preferential trade regimes such as AGOA and EBA further incentivised export-oriented firms. Several LM exporters (e.g., 1CCM13-1-a; 1CCM14-1-b) reported prioritising the US market for larger, more cost-effective bulk orders, while European buyers tended to place smaller, more diverse orders. Push factors prompting relocation from China include rising labour costs, increased business expenses and tighter environmental regulation. As a senior manager at a Type B2 firm noted, 'It is inevitable that labour-intensive industries will move to places with lower labour and production costs' (1CCM14-a). Relocation with retained upstream functions (e.g., quality control, design, buyer interfaces in China) is often the first step; durable export embedding then depends on productivity, dependable utilities and fast, reliable export logistics. Pull factors in Ethiopia include abundant and trainable labour, more reliable electricity and a committed government offering targeted incentives. As an LM manager at a Type A1 firm confirmed, 'Long-term employees (7+ years) now make up about 70% of the line; we've trained Ethiopian supervisors' (1CCM3-4-a). Localisation is thus feasible where firms invest in supervisory training, retention and internal promotion to consolidate learning and stabilise performance.

By contrast, Angola's manufacturing sector remains less diversified and is heavily concentrated in BM. Structural challenges—high electricity costs, unreliable power supply, elevated labour costs and the absence of a coherent industrial policy—limit the feasibility of export-oriented LM (fieldwork surveys, 2016–2018). As a result, import-substitution industrialisation remains the most viable path for the sector's growth, consistent with informal risk management by locally embedded firms, hybrid translocal strategies and diversified group leverage.

Table 3 synthesises coded responses from firm-management interviews and survey items for Ethiopia-based LM investors, triangulated with park-level policy documents and buyer-compliance requirements. Separating 'push' and 'pull' shows how similar pushes (e.g., rising Chinese costs) translate into distinct strategies depending on whether firms are Type A (domestic-market) or Type B (export-oriented). Table 3 identifies which pulls (labour availability, market access, park incentives) most strongly activate P2, P6 and P7, clarifying why LM export capacity deepened in Ethiopia during the policy window.

Table 4 shows BM-specific drivers because the capital and energy intensity of BM produces a configuration distinct from LM. Items were compiled from Angola- and Ethiopia-based interviews (managers and policymakers) and cross-checked against sectoral price/energy narratives during fieldwork. The table clarifies why import-substitution niches tend to dominate: domestic demand and energy pricing, alongside foreign exchange access and procurement practices, tilt the advantage toward market-embedded A-types (especially A2/A3) and only selectively toward export-oriented B-types. This helps explain the Angola–Ethiopia divergence in BM and aligns with P1, P3, P5.

Unlike LM in Ethiopia, which is often integrated into export markets, BM production in both Angola and Ethiopia is primarily geared to domestic consumption. Large-scale infrastructure programmes in both countries have created sustained demand along the supply chain, acting as catalysts for industrial development. In Angola, the post-war construction boom generated particularly strong demand (Wanda et al. 2023), while Ethiopia's extensive infrastructure expansion since 2010 has had a similar stimulative effect (Wolf 2024).

TABLE 3 | 'Push and pull' factors of investing in the LM sector (Ethiopia).

		Factors	Comments
LM sector	Push factors	Rising production costs	Affects all firms, especially export-oriented ones (Type B)
		Late commercial payments	Primarily impacts traditional SMEs (Type A1)
		Environmental compliance costs	Affects all firms but especially smaller or more informal ones (Type A1)
	Pull factors	Abundant, affordable and trainable labour	Relevant for all firms; crucial for export-oriented (Type B)
		Profit and market-seeking	Particularly drives traditional SMEs (Type A1)
		Access to global markets, incentives and committed government	Key for export-oriented firms (Type B), e.g., AGOA and supportive industrial policies

Source: Author's elaboration.

TABLE 4 | 'Push and pull' factors of investing in the BM sector.

		Factors	Comments
BM sector	Push factors	Challenging operational climate in China	Relevant for firms with established Chinese businesses (Type A2, A3)
	Pull factors	Low production costs (especially energy)	Significant for capital- and energy-intensive sectors (Types A2, A3, B2)
		High domestic demand and profit margins	Common driver for all firms investing in Angola and Ethiopia
		Commitment of the host country's government	Influences A2, A3, B1 and B2
		Political stability	Affects B2, particularly in Ethiopia
		Favourable macroeconomic conditions (e.g., foreign exchange availability)	Crucial for capital-intensive firms (A2, A3, B2).

Source: Author's elaboration.

The experience of early investors in Angola illustrates the role of path dependence. Many were drawn by reconstruction contracts and the profitability of supplying construction materials. Some arrived in the 1990s from shipping or trading backgrounds without formal Chinese government support (2CCM7-1-a; 2CCM9-1-a), later establishing factories and profiting substantially from the boom. In Ethiopia, the surge in foreign-aid projects and engineering contracts—many secured by Chinese SOEs—drove demand for locally produced BM. The construction boom since 2008 increased consumption of cement, steel rebars and flat glass (Gebreeyesus 2017; Oqubay 2015).

That said, BM presents high entry and exit barriers due to its capital- and energy-intensive nature. Government intervention is often decisive in determining viability. In Ethiopia, for example, cement production is considered a strategic industrial priority, prompting the government to prioritise imports of coal and heavy fuel oil (Oqubay 2015), thereby easing constraints relative to countries with less supportive policy environments.

Overall, Chinese manufacturing investment in Angola and Ethiopia reflects a complex interplay of firm-level characteristics, sector-specific factors and national policy frameworks. Market demand and profitability are central drivers in both contexts, but cost-reduction strategies and access to global markets matter disproportionately for Ethiopia's LM. Host-country policies—ranging from Ethiopia's targeted, export-oriented approach to Angola's more ad hoc, market-driven conditions—further shape firm strategies and outcomes. The heterogeneity of firm types—from SMEs and translocal entrepreneurs to large DBGs—helps explain why similar macro 'pushes' and 'pulls' yield divergent results across contexts.

6 | Summary

Evidence from Angola and Ethiopia shows that Chinese manufacturing FDI in Africa is not well explained by aggregate push–pull dynamics alone. Outcomes turn on the fit between firm type and host-country institutions—a relational–institutional filter that either activates or blunts market demand and cost advantages. The market-embedded versus GPN-integrated typology clarifies this by revealing three mechanisms:

First, a policy-compatibility mechanism: Where rules, infrastructure and incentives lower coordination costs, GPN-integrated firms enact GVCS-consistent consolidation (supplier co-location, buyer-standard embedding, tighter logistics). Ethiopia exemplifies this: Industrial parks, trade preferences and standards regimes drew in Su'nan and Dongguan investors, raised export orientation and pushed localisation upward (P2, P6, P7).

Second, a risk-containment mechanism: Where power reliability, foreign exchange access and administrative frictions raise uncertainty, market-embedded and translocal firms gain advantage by mobilising *guanxi*, diaspora finance and multi-sector diversification. Angola exemplifies this pattern: investors prioritised BM for domestic markets, often as SMEs, translocals or DBGs that hedge risk and navigate procurement (P1, P3, P5).

Third, a capability-formation mechanism: Different firm types generate distinct learning and linkage trajectories. GPN-embedded exporters disproportionately build standards, process capability and skills; domestically anchored firms deepen local supply, distribution and service linkages. These are complementary rather than hierarchical pathways: one concentrates tradable capabilities; the other thickens domestic industrial ecosystems.

Taken together, the Ethiopia–Angola contrast shows why similar macro pushes and pulls yield divergent results: the variety of capital (e.g., SMEs, DBGs, translocals) meeting specific governance designs determines not just whether investment arrives, but how it organises production and what it leaves behind. This also clarifies where GVCS lives in greenfield Africa (e.g., industrial parks and buyer-led governance) and where it does not (import-substitution niches in BM).

7 | Conclusion

This article has shown that Chinese manufacturing FDI in Africa is far from homogeneous. Comparative evidence from Angola and Ethiopia demonstrates that investment patterns and outcomes are shaped not only by broad structural factors—such as market size, cost competitiveness and sectoral opportunities—but also by firm-level characteristics, including ownership structure, market orientation and the depth of relational embeddedness, as well as by the institutional environments in which firms operate. The typology advanced here, distinguishing between market-embedded firms and GPN-integrated firms, links these attributes directly to macro-level policy contexts and micro-level strategic behaviour, providing a clearer lens for understanding variation in investment trajectories and developmental outcomes.

Methodologically, the article addresses persistent weaknesses in existing research by combining 8 years of longitudinal fieldwork with firm surveys, interviews and participant observation. This mixed-methods approach yields a more accurate mapping of Chinese manufacturing FDI than secondary data alone, capturing actors and strategies often absent from aggregated datasets—notably diaspora-led 'translocals' and diversified business groups operating through offshore structures.

The comparative findings highlight the importance of African agency in shaping FDI outcomes. Ethiopia's structured, export-oriented industrialisation strategy has attracted globally integrated manufacturers and supported higher localisation rates. Angola's more resource-dependent, market-led environment has channelled capital primarily into BM, supporting domestic infrastructure but with weaker integration into global value chains. These differences show that industrial-policy design, implementation capacity and institutional coherence can be as decisive as resource endowments in determining whether FDI contributes to broader industrial upgrading.

The contributions of this article are threefold. First, it extends FDI and GPN frameworks by incorporating a relational–institutional dimension that explains why firms with similar sectoral and geographic origins pursue divergent strategies in comparable African contexts. Second, it advances GC scholarship by developing a disaggregated, empirically grounded typology that captures the heterogeneity of Chinese manufacturing investors, including less visible private and diaspora-led actors. Third, it offers policymakers a diagnostic tool for aligning industrial-policy instruments with the capacities, linkages and institutional-engagement modes of different investor types, rather than applying uniform strategies.

The analysis also has practical implications. Harmonising fiscal and regulatory practices across sub-national jurisdictions can reduce investor uncertainty and disincentivise jurisdictional arbitrage. Improving the predictability and transparency of enforcement can broaden participation beyond politically well-connected firms. Institutionalising access to strategic procurement could convert what is now a discretionary advantage into a structured driver of resilience and upgrading.

Finally, this article sets the stage for future research on how Chinese manufacturing FDI adapts under conditions of heightened volatility. Forthcoming work on Ethiopia's manufacturing sector during the 2020–2025 poly-crisis examines how overlapping shocks—including the suspension of AGOA, civil conflict, pandemic disruptions and geopolitical tensions—have prompted firms to reconfigure, recompose, or exit. This follow-on analysis extends the typology presented here to explore how investor strategies evolve when export-oriented models collide with crisis-driven policy shifts and fragmented governance, providing a bridge between pre-2020 investment trajectories and the emerging realities of industrial policy, resilience and African agency in an era of sustained disruption.

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Ethics Statement

All research involving human participants or data was conducted in compliance with the ethical guidelines established by The Open University.

Conflicts of Interest

The author declares no conflicts of interest.

Data Availability Statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Endnotes

[1] Author's calculations based on China Statistical Yearbook, 'Overseas Direct Investment by Countries (Regions)', various years; and *Statistical Bulletin of China's Outward Foreign Direct Investment*, various years (see: http://fec.mofcom.gov.cn/article/tjsj/tjgb/), combined with CARI data (updated March 2024).

[2] "Global China" refers to the study of China's growing role in the world economy and politics, focusing on the internationalisation of Chinese firms, institutions, and people, and how they are embedded in—and reshape—host-country contexts (Lee 2022; Franceschini and Loubere 2022; Chen 2021a)

[3] '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 & Zhang, 2017, p. 6, cited in Oya & Wanda, 2019, p. 18).

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

[5] CGIT methodology aggregates large deals and often includes announced/contractual items; see Brautigam (2015) for further elaboration.

[6] *Guanxi*, translated as 'relationships' or 'connections' (Luo 1997; Seligman 1999), refers to drawing connections to secure favours in personal relations (Luo 2007, p. 1). It encompasses implicit assurances, mutual obligations and interpersonal linkages involving continued reciprocal favours and assistance. Unlike Western inter-firm networking, *guanx*i is socially binding, implicitly reciprocal and without time limits (Luo 2007, pp. 1–2).

[7] 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

[8] DBGs are collections of legally distinct firms engaged in at least three unrelated activities, under centralised control through equity holdings or financial ties (Schneider 2009, pp.180–81). Schneider distinguishes organic, policy-induced and portfolio groups, a classification refined by Behuria (2021) to incorporate relational ownership and state connections.

[9] See IDCEA fieldwork samples and research methods for detailed instrument descriptions and sampling frames: https://idcea.org/fieldwork-samples/.

[10] The full survey and interview guide for the Ethiopian/Angola case is provided in Appendix C of the online Supplementary Materials.

[11] Further methodological and data details are provided in the supporting information (Appendix A Interview Code; Appendix B Participant Observation Code).

[12] 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)

[13] *Source:* Foreign direct investment (FDI) in Angola - International Trade Portal

[14] Data were collected from the EIC, which differs from other official sources like MOFCOM. These data are gathered within the host country and emphasise 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 categorised them as part of Chinese OFDI.

[15] This comes from multiple interviews (e.g., 1CCM2;1CCM3; 1CCM6).

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Supporting Information

Additional supporting information can be found online in the Supporting Information section. **Appendix S1:** Supporting Information.