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The Operations of Chinese Multinationals in Africa: Mediating Two Development Processes

The paper presents conceptualisation and themes from an ongoing project on Chinese infrastructure Multinationals (IMNE) operating in Africa. Here, using the cases of the Construction and ICT sectors, we address two interrelated issues. Firstly, to derive an understanding of the distinctive nature of Chinese IMNE themselves. Secondly, to suggest how the entry of these firms into Africa can be seen as mediating between important facets of two differently-phased development processes.

Two issues are addressed with regard to the Chinese IMNEs. Firstly, what are the sources of their ability (ownership advantages in the theory of International Business) to be able to secure a leading position in the generation of infrastructure capacity in Africa? Traditional views in theorising on MNEs is that the ability to enter foreign markets effectively will derive from unique firm-specific sources of competitiveness (including technologies and expertise embedded in successful goods). In both Construction and ICT Chinese IMNEs may have generated such capabilities during their participation in China's development; perhaps in forms particularly relevant to African conditions and needs. But it is also very likely that, given the nature of the sectors and the context, these Chinese IMNEs may receive Government support (financial, diplomatic, etc) that can provide assistance in securing access to projects central to some African countries development ambitions. Secondly, following from the previous point, what are the objectives of these IMNEs' operations in Africa? Are they positioned purely to secure profits from the use of their sources of firm-specific advantages? Or are they operating partly as vehicles in pursuit of wider, Government-determined, geo-political strategic objectives?

The second broad concern of the paper then seeks to provide the specific context for these IMNEs by suggesting how they operate as a bridge between two different development processes. The growth of the Chinese economy, crucially its internationally-competitive industrialisation, has generated important strengths. At the economy level these include extensive savings and notable foreign-exchange reserves. These can be used to support FDI. At the sectoral level the development process has embodied the generation of a strong construction sector and, with the achievement of higher income levels, the emergence of distinctively competitive ICT firms (the paper will highlight Huawei and ZTE). But the high growth rates now place stresses on development, notably in terms of energy and raw-material limitations.

Many African countries possess these primary resources as a very plausible source of comparative advantage that can be leveraged to initiate and drive their development. But the exploitation of these potentials is often constrained by lack of the appropriate infrastructure (notably roads, railroads, ports, airports). Thus an innate link between infrastructure creation and resource-based development. The ability of Chinese IMNEs to implement such infrastructure projects, and link this with the alleviation of China's resource constraints, has been recognised in the 'Angola mode' of project financing. Thus relating primary-product access with the creation of infrastructure that can then also provide spill-over benefits into the wider economy.

The paper, and the research it introduces, seeks to add to our understanding of (i) Chinese MNEs (ii) the nature of MNEs in infrastructure (iii) the political-economy of Chinese FDI in Africa.