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The Determinants of Chinese outbound FDI: A review of Empirical Literature.

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Abstract: The purpose of this paper was to analyze the empirical literature on the determinants of Chinese OFDI flow to Africa. Although the determinants are varied in nature, our focus was much general cutting across raw materials, markets and institutions. According to the empirical analysis the main motives for the Chinese OFDI flow to Africa, are mainly seeking for natural resources for their fast industrializing home country and new markets for their manufactured goods. Although some empirical literature has shown aspects of efficiency and strategic asset seeking motives in Africa, this reason is particularly true for the developed countries of the west.

Key words: new markets, raw materials, China needs

1. Introduction

As China's economy continues to grow, China faces shortages in raw materials, new markets and advanced technology; so it must build trade linkages with resource rich countries. This necessitates her firms to go abroad. China's level of investment can provide needed sources of capital for African countries.

With the remarkable outbound investment made, so far, some Chinese companies are changing their roles from global manufacturers to global investors. The rise of China as an industrial giant is linked to TNCs search for higher profits by using advances in technology and communications to shift production to locations where labor and resources are cheaper and returns are higher. Therefore, China needs an increasing supply of raw materials to drive the industrial boom.

2. Theoretical analysis

Determinants of FDI according to the Eclectic Paradigm

Dunning's OLI Frame work, also known as Eclectic paradigm (1977, 1980) has been the most cited theory by FDI scholars. The theory has some limitations as well, some of which have been accepted by Dunning himself (Dunning, 2001). The Eclectic paradigm provides a holistic framework to study the significance of factors influencing both the initial expansion of multinational enterprises (MNEs) by foreign production and the resulting growth of their activities (Tolentino, 2006). Also the framework integrates different theories and brings about a platform where various theorists' and scholars' questions have been addressed.

Based on the Eclectic paradigm, FDI can be explained by a set of three factors; Ownership, Location and Internationalization advantages (OLI).

The ownership advantages referred to the MNE's intangible assets, which are, at least for a while exclusive possesses of the company and may be transferred within MNEs at low costs, production process, ensuring a competitive advantage over domestic firms, and include patents, technical knowledge, management skills and reputation. These competitive advantages can help to compensate for the additional costs associated for setting up and operating abroad; they are not faced by domestic producers (Dunning, 1988). There are three main sets of ownership advantage in that context.

The first type is those in the form of privileged access to markets through ownership of limited natural resources, patents and trademarks. The second type of ownership advantage are those constituting technology, that is, knowledge broadly defined so as to contain all forms of innovative activities. The third type of ownership advantage comprises economies of large size such as economies of learning, economies of scale and scope and greater access to financial capital.

Location advantages that influence where to produce, including the access to protected markets, favorable tax treatment, lower production and transport costs, lower risk and favorable structure of competition (Dunning, 1993). In summary, these advantages can be grouped into three; the economic benefits, political advantages and social advantages.

The economic benefits consist of quantitative and qualitative factors of production, costs of transport, telecommunications, market size etc. Political advantages consist of common and specific government policies that affect FDI flows, both inbound and outbound FDIs. The social advantages include the distance between the home and host countries, cultural diversity, attitude towards strangers etc.

A special theory of Chinese OFDI.

Some literature argues that China requires a special theory to explain her outward FDI (Buckley et al., 2007). The arguments are threefold. The first is that the Chinese capital market is imperfect, hence may result in ownership advantages by emerging economy firms.

Secondly, the existence of the ownership advantages of the Chinese MNEs makes them distinct from other MNEs, especially those from the western and developed countries. The third argument is the institutional factors influencing Chinese outward FDI (Peng, 2003). In the interim, given the extent of state control in the Chinese economy, the institutional environment is likely to have a far-reaching and profound effect on the internationalization decision of Chinese firms.

3. Empirical literature on the Determinants of Chinese Outward FDI in the world

The motives that trigger Chinese FDI differ between developed and developing countries (Cheung, Y . and Qian, 2009; Kolstad, I., 2011). While capital tends to agglomerate in developed countries it is scarce and diversified in the developed countries. Chinese firms prefer to invest in high tech industries in advanced countries, while focusing on natural resources in emerging economies and such resource-rich countries as Australia and Canada (Chang, 2014).

The determinants of Chinese outward direct investment (ODI) and the extent to which capital market imperfections, special ownership advantages, and institutional factors need are nested within the general theory of the multinational firm (Buckley et al., 2007). Their hypotheses were tested using the official Chinese ODI data between 1984 and 2001. These scholars found out that Chinese ODI was associated with high levels of political risk in, and cultural proximity to, host countries throughout, and with host market and geographic proximity and host natural resource endowment. These results strongly supported the argument that aspects of the special theory help to explain the behavior of Chinese MNEs.

On the other hand, a panel study by Daly and Zhang (2011) found out that bilateral and multilateral trade relationship, market size, output growth, exports and resource endowment are the main drivers for Chinese OFDI. By employing GDP per capita and population as indicators for the size of the market in the host country, Rodriguez and Bustillo (2011) found out that these variables have a positive impact on the decision to invest abroad. Therefore, Chinese foreign direct investors tend to choose going to countries with big populations with high purchasing power as their locations.

The asset-seeking Chinese OFDIs prefer developed countries as their destinations. This is because these enterprises seek more advanced products, technologies and skills than those that are currently available in China. However, in applying the number of patents in the host country as a proxy for the endowments of ownership assets, no evidence has been found for asset-seeking behavior (Buckley et al., 2007). Looking at the gross secondary school enrollment as a factor determining human capital availability on Chinese firms, some some positive results have been found out for the manufacturing sector in high-and middle income countries (Biggeri, M. and Sanfilippo, 2009).

Looking at wages and availability of qualified labor, China has a competitive advantage over the developed countries. Therefore, lower costs in this case would not account for the efficiency-seeking FDIs in developed countries (Cheung, Y . and Qian, 2009). Moreover, Northern and Western Europe are the best destinations for asset-seeking Chinese companies, whereas Eastern Europe has attracted Chinese companies seeking to access the entire EU market while maintaining the advantages of low costs (Biggeri, M. and Sanfilippo, 2009).

Empirical literature on the Determinants of FDI to Africa.

Some studies on FDI in AFRICA include the one conducted by Samson Muradzikwa (2002) who employed case studies to illustrate the key issues at the micro level that affect investment decisions in the African countries. He found that the constraints that affect FDI in the region include market size and economic growth rates, poor infrastructure, poor corporate governance, crime and corruption, and political uncertainty. These, in the FDI literature, are also termed the determinants of FDI.

Another study explored factors that affect FDI in Sub-Sahara Africa. Although the researcher compared with the factors that affect FDI in developing countries in general, the results showed that, high return on investment and better infrastructure have a positive impact on FDI to non-SSA countries, however, the marginal benefit from increased openness is less for SSA (Asiedu, 2002).

In summary, the results from Asiedu's study suggest that policies that have been successful in other regions may not be equally successful in Africa. This has great policy implication for Africasince it encourages academics to find out customized theories and tools that can work for the context of Africa.

Regarding the Chinese FDI into Africa, Buckley, et al (2007) investigated the determinants of Chinese outward direct investment (ODI) and the extent to which capital market imperfections, special ownership advantages, and institutional factors need to be nested within the general theory of the multinational firm. They tested their hypotheses using special Chinese ODI data collected between 1984 and 2001 and found that Chinese ODI was associated with high levels of political risk in and cultural proximity to, host countries throughout, and with host market size and geographic proximity (1984 – 1991) and host natural resources endowments (1992 – 2001) (Buckley et al., 2007). The methodology and results are quite valid, but this study would make a very significant contribution in academic literature if all determinants mentioned in theory were tested and presented. However, their study is very useful since it acts as a great basis for one who wants to study Chinese FDI in Africa.

Furthermore, Yin-Wong Cheung and Xing Wang Qian (2008) investigated the empirical determinants of China's outward Direct Investment in developed and developing countries and found that; both market seeking and resources seeking motives drive China's ODI, the Chinese exports to developing countries include China's ODI, China's international reserves promote its ODI, and the Chinese capital tend to agglomerate among developed economies, but diversify among developing economies. They did not find substantial evidence that China invests in African and oil-producing countries mainly for their natural resources.

Kolstad, I and Wiig, A (2009) made an econometric investigation on the host country determinants of Chinese outward FDI, following the weaknesses of the earlier studies by Buckley et al (2007) and Cheung and Qian (2008) whose data on FDI captured approved investement instead of actual investment. The results by Buckley et al (2007) and Cheung and Qian (2008) were biased since investment that is publicly approved may be of a character different from investment decisions that are less visible (Kolstad, I., 2009).

Therefore, Kolstad and Wiig used more recent data, also tested and found of significant importance an interaction effect of institutions and resources, implying that Chinese investment is more attracted to a country with natural resources, the worse the institutional environment of that country. In other words, the study found out that Chinese OFDI is attracted to countries which combine large natural resources and poor institutions. Also they found that petroleum is the resource of primary interest for Chinese FDI. In summary, Kolstad and Wiig's study results suggested that there are two main sets of determinants of Chinese Outward FDI, namely, market size, and natural resources coupled with poor institutions.

In 2010, Mijiyawa, (2012)carried out an empirical investigation to find out what drives foreign direct investment in Africa. He used the five year panel data with the System-GMM technique covering 53 African countries over the period between 1970 – 2009. The results were that, larger countries attract more FDI; however, the study showed that countries that are more open, politically stable and offering higher return to investment also attract investment; and that FDI inflows are persistent in Africa.

Also, Cai (1999) made a useful attempt to explore the development of Chinese Outward FDI, its characteristics and motives, the outward FDI regime, government policies and existing problems, and the prospects for the future trend. Although the author was not specifically looking into the determinants of Chinese FDI into Africa, the study shows some direction of Chinese FDI to various parts of the world including Africa. Furthermore, the discussion on the classical determinants and the subsequent conclusions are valid in the African context.

Laurent Didier and Jean –Francois Hoarau (2017) used panel data and the gravity model to identify the determinants of FDI to Africaby the BRICS countries. The results confirmed the negative impact of distance and geographical remoteness together with the positive effects of SSA and BRIC's GDPs. Also, they found out that, the augmented variables (terms of trade, natural resources, democracy) highlighted the specific role of China compared to other BRICS, essentially for African exports (Didier, L., 2017) .

Caroline Kariuki, (2015) examined the factors that influence Foreign Direct Investment (FDI) flows in African countries using the fixed effect model. In the study she used annual data collected from 1984 – 2010 for 35 African countries. The results showed that a high economic risk has a negative and significant effect on FDI flows into Africa; both political risk and financial risk have a negative but insignificant impact on FDI flows; good performance of stock markets in developed countries has a positive an significant impact on FDI inflows; an increase on infrastructure of a country has a positive and significant effect on FDI inflows; increase on openness to trade has a positive and significant effect on FDI inflows; and that the amount of FDI received in the previous year by African countries is significant in influencing the FDI flows that come into the African continent in the current year (Kariuki, 2015).

Cosmas and Aihua (2015) conducted a study to identify and analyze the determinants of Chinese OFDI and made a comparison between Africa and Non-African countries. They used a panel data analysis for a sample of 21 African countries over the period 2005 – 2012, the study showed that the main determinants of FDI in Africa were GDP per capita, imports, openness to FDI, telephone lines (per 100 people), and being an African member. Although the factors are not exhaustive, the study provides a good foundation for carrying out more detailed studies on the determinants of Chinese Outward FDI to Africa.

The previous discussion of literature forms the basis of further examination of the previous empirical studies on the determinants of Chinese FDI.

The table below (Table I) is a summary of emperical studies on the determinants of Chinese OFDI. Panel A bears a summary of Chinese OFDI globally and panel B contains a summary of Chinese OFDI to African countries in particular.

Table 1. A Summary of Empirical Studies on the Determinants of Chinese OFDI

Pannel A: Emperical Studies on the determinants of Chinese OFDI globally.

Author and date	Theoretical perspective	Time period covered	Sample size	Findings
Liu, Buck, & Shu, (2005)	Dunning's Investment Development Path	1979-2002	N/A	Chinese OFDI flow is positively related to GDP per capita and human capital of China, but not significantly related to Chinese exports and inward FDI stock.
Buckley et al.(2007)	Market seeking, Resource seeking, Strategic asset seeking, Institutional based view	1984-2001	49 host countri es	Chinese OFDI flow is positively related to host country's market size, political risk, culture distance, policy liberalization, inflation rate and imports from China; it is negatively related to exports to China, and not significantly related to host country endowment of natural resources, ownership advantages, exchange rate, geographical distance, and openness.
Cross, A., P. Buckley, J. Clegg, H. Voss, M. Rhodes, P.	Market seeking, Resource	1991-2003	695 host countri es	Chinese OFDI flow is positively related to host country exchange rate, inward FDI stock, and imports and exports with

Zheng, (2007)	seeking, Efficiency seeking, Strategic Asset-seeking, Institutional based view			China; it is negatively related to host country market size and market growth, and not significantly related to geographical distance, host country inflation rate, political risk and endowment of natural resources
Wang and Boateng (2007)	Market seeking, Resource seeking, Efficiency seeking, Strategic Asset-seeking, Institutional based view	2000 - 2004	27 M&As by Chinese MNEs	Cross-border M&As Chinese MNEs are mainly motivated by reducing risk through geographic market diversification; acquiring strategic assets, including technology, development capabilities and other knowledge know-how, and overcoming domestic government-mandated barriers. M&As by Chinese MNEs have positive market wealth effect for investors in the short term
Yiu, D. W., Lau, C. M. and Bruton, (2007)	Internationalization theory, network theory, Institutional based view	2001-2003	274 Chinese MNEs	Among independent variables, international venture activities of MNEs are positively related to technology achievement, business network ties, and institutional network ties, in which the effect of technology achievement is moderated by home industry competition. All the three

				factors are mediated by corporate entrepreneurship dimensions.
Buckley, P., L. Clegg, A. Cross, X. Liu, H. Voss, (2007)	Market seeking, Resource seeking, Efficiency seeking, Strategic Asset-seeking, Institutional based view	1991 - 2003	55 host countries	For full sample among independent variables, Chinese FDI flow is positively related to WTO/GATT membership and culture distance of host countries and negatively related to host country market size and foreign exchange policy liberalization. It is not significantly related to host country endowments of natural resources, granted patents, bilateral investment treaty, double taxation treaty, and geographical distance. Among the control variables Chinese OFDI is positively related to host country exchange rate, exports and imports with China, and openness; while negatively related to host country inflation rate. It is not related to host country political risk and purchasing power parity.
Cheng, L. K. and Ma, 2008)	Market seeking, Resource seeking,	2003- 2006	90 host countries	Chinese OFDI flow is positively related to host country market size, use of Chinese language and board sharing, and negatively related to capital distance,

	Efficiency seeking, Strategic Asset-seeking, Institutional based view			and land locked economy.
Liu, L., (2008)	Stage base theory, uppsalla model, network theory, late comer theory	1980-2000	20 Chinese MNEs in UK	Chinese MNEs in UK are mainly motivated by market seeking and strategic asset seeking reasons
Jing-Lin D., Guney, (2009)	Market seeking, Institutional based view	1999-2002	30 host countries	Chinese FDI is attracted to countries with large market size, low GDP growth, high volume of imports from China, and low corporate tax rate. Also Chinese FDI is attracted to countries with open economic regimes, depreciated host currencies, and better institutional environment.
Kolstad, I., (2009)	Institutional based view, Natural resource seeking	2003-2006	142 host countries	For full sample, there is interaction term between independent variables (between natural resources and institutions of the host country: the worse the institutions of the host

				country, the more Chinese investment is attracted to the host country's natural resources, the more likely that Chinese OFDI attracted by poorer institutions
Cheung, Y . and Qian, (2009)	Resource seeking, Market seeking, Institutional based view.	1991-2005	31 host countries	For developing countries, Chinese OFDI flow is positively related to host country's cheap labor and natural resources, and not significantly related to host country's market size and institution. For Developed countries, Chinese OFDI flow is positively related to host country's market size and natural resources, while not significantly related to host country's institutions. It is negatively related to host country cheap labor
Cui,L., (2009)	Strategic behavior approach	By the end of 2005	138 Chinese MNEs	Among independent variables, the use of WOSs by Chinese MNEs is positively related to host country competition, strategic asset-seeking and global strategic motivation; it is negatively related to host country industry growth. Among control variables, the use of WOSs by Chinese MNEs is positively related to firm

				size; it is negatively related to culture barriers and SOEs and not significantly related to establishment mode.
Schüler-Zhou & Schüller, (2009)	Market seeking, Resource seeking, Efficiency seeking, Strategic Asset-seeking, Institutional based view	1999-2007	30 Chinese MNEs	Chinese M&s are not as many as expected. While Asia still remains important for Chinese M&As western countries have attracted the biggest amount of M&As. Most Chinese M&As are in mining and manufacturing. Chinese companies mostly seek high-level equity participation in the acquired target companies abroad
Alon, (2010)	Institutional based view	2003 - 2007	800 Chinese MNEs in 103 host counties	Institutional discrimination creates relative advantages for SOEs at the expense of POEs leading to divergence in International Business strategies
Yan, (2010)	Institutional based view	2006-2007	730 Chinese MNEs	Policy support, overseas ethnic Chinese population and investor's financing capacity play crucial roles in shaping the primary resource and capability

				characteristics of Chinese firms and therefore act as institutional advantages to initiate Chinese OFDI. Firm size is another element shaping behavior of Chinese OFDI; natural resource endowment and openness to foreign investment of host countries are especially important feature to attract Chinese OFDI into resource and produce sectors.
Zhang, X., and Daly, (2011)	Market seeking, Resource seeking, Asset-seeking, Institutional based view	2003-2009	16 host countries of Chinese MNEs	China's overseas investment are positively related to International Trade, market size, economic growth, egree of openness and endowment of natural resources
Ilan Alon, Hua Wang, Jun Shen, (2014)	Market seeking, Resource seeking, Efficiency seeking, Strategic Asset-seeking, Institutional based view	2011-2012	63 SOEs	Chinese SOEs have aligned their business expansion plans overseas with national priority. The SOEs business motives abroad include resource extraction, trading, services and manufacturing. More SOEs began to target doing business in the USA since they regard it as they regard it as an important market for overseas investment.

Ping, L.V., and Spigarelli, (2016)	Market seeking, Resource seeking, Efficiency seeking, Strategic	2004-2014	132 Chinese MNEs in 17 EU host countries	Chinese MNEs in the EU countries is attracted to reduced rule of law, market affluence; Human capital is not significant. EU countries with high political stability attract mostly sales/service subsidiaries; countries with good control of corruption, low trade barriers and encouraging foreign ownership are more attractive to manufacturing subsidiaries. A large market is the most attractive for R&D subsidiaries and a rich market is the most attractive for manufacturing subsidiaries. Manufacturing subsidiaries are more technological asset-seeking.
Fan, Zhang, Liu, & Pan, (2016)	Market seeking, Resource seeking, Efficiency seeking, Strategic	2003-2013	69 host countries along the belt and road	China's OFDI was highly consistent with the gravity model; It was significantly restricted by some man-made barriers in host countries; China has huge OFDI potential along the belt and road.
Li, Sam, & Song, (2017)	Market seeking, Resource	2004-2013	21 host countr	China's outbound tourism influences its OFDI in tourism. Host country

	seeking, Efficiency seeking, Strategic		ies	tourism economy influences Chinese OFDI in tourism; host country's investment environment influences Chinese OFDI in tourism; However, trade and innovation are not key to Chinese investment in tourism
Miniesy, Elish, Miniesy, & Elish, (2017)	Market seeking, Resource seeking, Efficiency seeking, Strategic	2003-2012	40 host countr ies	Chinese OFDI is market, resource and efficiency seeking and is attracted by poor governance. MENA countries receive less Chinese OFDI flow than other countries. These results could be biased by UAE.

Panel B: Emperical Studies on the Determinants of Chinese OFDI in Africa.

Author and date	**Theoretical perspective**	**Time period covered**	**Sample size**	**Findings**
Biggeri, M. and Sanfilippo, (2009)	Market seeking, Resource seeking, Strategic asset seeking, Institutional based view	1998-2005	43 host countri es	Chinese move to Africais driven by a strategic interaction among FDI, trade and economic cooperation; as well as host country natural resources and market size.

Carike, C., Elsabe, L., and Henri, (2012)	Market seeking, Resource seeking, Strategic asset seeking, Institutional based view	2003-2008		Agricultural land, oil, and market size were found to be important determinants of Chinese FDI. There was bidirectional causality running between markest size and Chinese FDI as well as from Chinese FDi and Human capital. There was unidirectional causality running from Chinese FDI to infrastructure and from corruption to Chinese FDI.
Ross, (2015)	Resource seeking, Strategic asset seeking, Institutional based view	2003-2012	8 host countries	Chinese OFDI in Africais driven by access to natural resources, infrastructure and regulatory environment enforced by the host government
Elshamy, (2015)	Market seeking, Resource seeking, Strategic asset seeking, Institutional based view	1985-2011	1 country	Chinese FDI were attracted to markest size, natural resources as well as institutions. Also, trade liberalization in China had a positive effect to Chinese OFDI flow to Egypt
Kipeja, (2015)	Market seeking,	2005-2011	43 host countri	Chinese FDI to Africaresponds positively to

	Resource seeking, Strategic asset seeking, Institutional based view		es	openness, resource seeking and market seeking motives. Political stability and absence of violence had insignificant influence on Chinese FDI.
Kang, Y., and Beal, (2015)	Market seeking, Resource seeking, Strategic asset seeking, Institutional based view	2003-2010	20 host countri es	Chinese FDI seek markets as well as natural resources in African countries. Political risk is not significant in determining Chinese FDI. Chinese FDI is attracted to locations which have less economic freedom
Modou, D., And Yun (2017)	Market seeking, Resource seeking, Strategic asset seeking, Institutional based view	1980-2016	40 host countri es	The determinants of Chinese FDI inflows to host countries were openness to trade, macroeconomic condition, and market size.
Igbinoba, (2017)	Market seeking, Resource seeking, Strategic asset seeking, Institutional	2001-2014	15 host countri es fromin g SADC	Structural differences exist and smaller SADC countries are disadvantaged in their trade relations with China. Higher economies of scale and the associated benefits, as well as availability of resources seem to play a

	based view			significant role
Shan, Lin, Li, & Zeng, (2018)	Market seeking, Resource seeking, Strategic asset seeking,	2008-2014	22 countries	Natural resources were not significant in attracting Chinese investments; while Market size was positively and significantly related to Chinese Investment.
	Institutional based view			Among institutional factors, only voice and accountability was positive and significant in attracting Chinese FDI; while rule of law and control of corruption were not significant. Political stability and regulatory quality had negative and significant effect.

Following the above summary of empirical literature it can be gathered that the motives of Chinese OFDI are Natural resource-seeking, market-seeking, efficiency-seeking, strategic asset seeking and the political motives. These can further be explained in more detail.

China's interest to invest in Africa has increased so much in recent years. As supported by literature, since China began to invest abroad, the major motive was natural-resource seeking following the country's remarkable economic growth in the past decade (OECD, 2008). The economic growth has been so intensive, requiring huge amounts of natural resources including land, forest, water and oil. Although China is well endowed with natural resources her natural resource per capita is very low, hence the government has explicitly identified natural resource acquisition as a key strategic objective of internationalization and even offer direct state aid towards this motive (T. M. Alon, 2010).

Another important motive of going to invest in Africa is Market-seeking. Although some scholars have indicated resource seeking as China's main interest to invest in Africa, with China's energy sector state-owned enterprises taking the lead, the desire to benefit from commercial opportunities by the expanding trade into African large markets do also play an important role as the determinant of Chinese OFDI (Alden, 2012). Between 1980s and 1990s the market-seeking motive was said to have been dominated by a support function of Chinese domestic enterprises as OFDIs were designed to help Chinese firms familiarize themselves with international market behavior and requirements and facilitate exports of their domestic firms (H. Voss, 2011). This motive continues to hold water currently, especially for the Chinese companies that seek to expand business overseas by relying on their comparative advantage already established in domestic and foreign markets; or those which intend to find new markets overseas pushed by the fierce competition in their domestic markets, especially following the influx of inward FDI in China (Yeung, H. W., and Liu, 2008).

Although China features as one of the major oil producers, it can produce less than half its domestic needs for oil (Alden, 2012). This goes parallel with the increased demand for aluminum, copper, nickel, iron ore, timber and other commodities (OECD, 2008). On the other hand, Africais well endowed with natural resources, possessing about 7.8 percent of the known global oil reserves as of 2012 (BP, 2013).

The China-SSA trade composition, for example, shows that SSA imports a wide variety of consumer and capital goods, while overwhelmingly exporting primary commodities, especially oil, minerals, and other natural resources (Pigato & Tang, 2015). All these have made China hold a high position in the Africa's resource sector (Alden, 2012).

The factor of efficiency-seeking poses some doubtful justification as a reason for Chinese OFDI going to Africa. Chinese OFDI flow to Africa is not motivated by efficiency-seeking through cost reduction, since most Chinese companies have cost advantages in China. Also, should the cost increase along the coast areas, they could as well relocate to the hinterland (Quer, D., Claver, E., and Rienda, 2011).

By the same token, the strategic asset-seeking poses a weaker reason for the Chinese OFDI flow to Africa. Empirical studies have shown that, for about a decade or so, some Chinese companies have sought to gain a greater edge through acquisition of strategic assets such as branding, marketing know-how, and managerial competences. In most cases, this is well justified in their motives to go to the developed markets as they seek internationally recognized trade marks (Quer, D., Claver, E. and Rienda, 2008). Therefore, empirical literature offers little evidence on this as far as the Chinese motives of going to Africa are concerned.

Influence of the home country policies forms yet another reason for the Chinese OFDI flow to Africa. The history of Chinese business necessitated government policy changes, which influenced the development and magnitude of FDI as well. Some literature (Buckley et al., 2007; Hinrich Voss, Buckley, & Cross, 2010) shows that key stages in the development of Chinese outbound foreign direct investment policy as of five stages. The first stage was mainly of Cautious internationalization (1979 – 1985). This stage was characterized by the open door policy launched in 1978 by Deng Xiaopeng in order to integrate China into the world Economy. In the beginning, it was only the state-owned firms that were allowed to invest abroad. These were the state owned trading corporations that were approved by China's Ministry of Foreign Economy Relations and Trade (MOFRT).

The second stage was mainly propelled by government encouragement (1986 – 1991). OFDI happened because of government encouragement to liberalize restrictive policies, some more corporations were allowed to establish foreign affiliates. Under preconditions of necessary capital, technological and operational capabilities, and a suitable joint venture partner. The third stage was mainly of Expansion and regulation (1992 – 1998). During this period Internationalization was incorporated into the national economic development policy. The approval process was tighten because of the concerns of loss of control over state assets. In the meantime, authorities promoted international business activities in specific sectors in nearby locations, especially in Hongkong.

The fourth stage was dominated by the Implementation of the go global policy (1999-2001). This was the period when China's "go global" strategy was officially launched (in 2001). This was part of its 10^{th} five-year plan (2001-2005). During this period some strict policies of regularization, and encouragement were established. Restrictions were introduced to secure investment for genuinely productive areas (and purposes). However, investment in specific sectors such as exports of raw materials, machinery parts and light industry was encouraged through reduction in export tax, financial support and foreign exchange assistance.

The fifth stage is the post-WTO period (2001 -present). China officially joined the World Trade Organization (WTO) in 2001. This decision for China meant that she had to comply with the rules of the WTO related to Transparency, as well as opening up markets to foreign competitors. All these had an impact in their outbound FDI as well.

6. Conclusion.

The purpose of this paper was to analyze the empirical literature on the determinants of Chinese OFDI flow to Africa. Although the determinants are varied in nature, our focus was much general cutting across raw materials, markets and institutions.

According to the empirical analysis the main motives for the Chinese OFDI flow to Africa, are mainly seeking for natural resources for their fast industrializing home country and new markets for their manufactured goods. Although some empirical literature has shown aspects of efficiency and strategic asset seeking motives in Africa, this reason is particularly true for the developed countries of the west.

Moreover, quality of African host country institutions have shown to have some mixed influences on Chinese OFDI to Africa. While some empirical studies have shown that Chinese firms are attracted to Africa due to their weak institutions, others have found contradicting results. This was evidenced by the presence of Chinese MNEs in some African countries (such as Angola, Sudan and D.R. Congo) where institutions were very weak. This forms yet an area for further research so as to ascertain causality between Chinese OFDI and institutional quality in the African countries.

The Chinese government was also found to have an important role in Chinese OFDI flow to Africa. This is due to the fact that, firstly, the government also owns some of the Chinese MNEs that go global. Secondly, the going global strategy of the Chinese government provides impetus for many companies to internationalize (both SOEs and POEs). So in this regard the policy of the home country has some influence on Chinese MNEs going to Africa.

Although the empirical literature covered in this study could provide some insight into the determinants of Chinese OFDI flow to Africa, there is still vast room for more research to be carried out on this continent. When one compares the amount of empirical studies carried out between developing and developed countries, it shows that there is asymmetric literature between these two. Generally, there is more empirical literature on the determinants of Chinese FDI in the developed world.

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