RESEARCH ON PARTICIPATION OF PRIVATE BUSINESSES IN THE DEVELOPMENT OF THE BELT AND ROAD AND INVESTMENT IN AFRICA

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PREFACE

The report presents how private businesses (or Private owned enterprise, POE) are engaged in the development of the Belt and Road Initiative (BRI) and investment in Africa, as well as relevant issues, reviews and recommendations, based on the practices of the China-Africa Business Council and the China International Chamber of Commerce for the Private Sector to support private businesses, and taking consideration of the views and perspectives from research and financial institutes. It consists of two parts, each of which explains specific research and cases on the involvement by POEs in the development of the Belt and Road Initiative and investment in Africa.

Part I reviews the investments of Chinese POEs in the Belt and Road countries (B&R countries), explores by topics the challenges and issues they encountered while investing in those countries, analyzes their collaboration and development from five perspectives, and puts forward recommended strategies on how business chambers can support and what POEs can do themselves.

Part II looks back on the history of China's investment in Africa, summarizes the characteristics and trends of POEs' activities, compares differences between state-owned enterprises (SOEs) and POEs in this aspect, analyzes the development environment, opportunities and challenges that POEs face when investing in Africa under new circumstances, and brings forward appropriate policy recommendations.

Special thanks are hereby given to China International Center for Economic and Technical Exchanges (CICETE), Ministry of Commerce, as well as United Nations Office for South-South Cooperation (UNOSSC) for their strong support to the project. Moreover, gratitude goes to Global South-South Development Center Project (GSSDC) for the support of printing and publication of this report.

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PART I.
RESEARCH ON PARTICIPATION OF PRIVATE BUSINESSES IN THE DEVELOPMENT OF THE BELT AND ROAD

In September and October 2013, Chinese President Xi Jinping put forward two major initiatives one after the other to jointly develop a Silk Road Economic Belt and a 21st Century Maritime Silk Road, during his visit to Kazakhstan and Indonesia.

In March 2015, China released Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road. In May 2017, the First Belt and Road Forum for International Cooperation was successfully held in Beijing. Since then, China successively organized the annual conference of the Bo’ao Forum for Asia, the Shanghai Cooperation Organization Qingdao Summit, the Beijing Summit of the Forum on China-Africa Cooperation and the China International Import Expo among others.

In April 2019, President Xi Jinping pointed out at the Second Belt and Road Summit Forum that "We should promote high quality cooperation in the joint development of the Belt and Road Initiative."

In the past five years or so, the initiative to jointly develop the Belt and Road has received positive responses from more and more countries and international organizations and extensive attention from the international community with increasingly greater influence. By the end of June 2019, China had signed more than 170 cooperation documents with 131 countries and 30 international organizations to jointly develop the Belt and Road.

I.Overall situation and characteristics of Chinese investments and cooperation in the B&R countries

Since the Belt and Road Initiative was put forward, the economic and trade cooperation between various Chinese businesses and the countries along the Belt and Road Route (hereafter referred to as B&R countries) has been continuously strengthened.

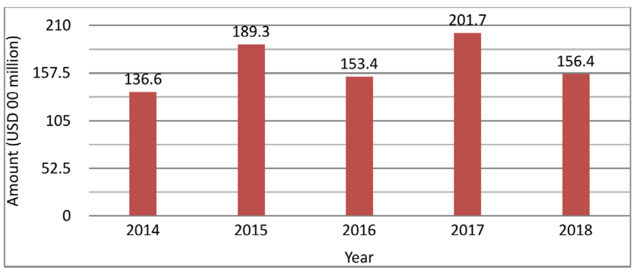
From 2013 to 2018, China's direct investment in the B&R countries was nearly USD **90** billion. New contracts for projects in these countries have a total value of more than USD **500** billion, of which more than USD **400** billion has been completed. By the end of 2018, Chinese businesses had built a total of **82** economic and trade cooperation zones in the B&R countries outside China, with a cumulative investment of USD **20.96** billion. **933** businesses have moved in these zones, paying a total of USD **2.28** billion in taxes and dues to their host countries and creating **147,000** direct jobs locally.

With the principle of extensive consultation, joint contribution and shared benefits, Chinese businesses implement the results of the Belt and Road Forum for International Cooperation, actively build model projects, continuously deepen cooperation with the B&R countries, and steadily promote joint investment in related fields.

(I) Overall situation of Chinese investments in B&R countries and characteristics of private investments

Generally, Chinese businesses are increasingly passionate about investing in the B&R countries. By the end of 2017, China had a stock of investment up to USD 154.4 billion in these countries. In 2017, those investments mainly flowed to Singapore, Kazakhstan, Malaysia, and Indonesia. Chinese investment grew at a slower pace in the B&R countries since 2018. The statistics from the Ministry of Commerce show that in 2018, Chinese businesses invested in more than 3,800 overseas entities in 56 B&R countries, with a total non-financial direct investment of USD 15.64 billion, up 8.9% from the previous year and accounting for 13% of China's outward investment in that year; the investment mainly flowed to Singapore, Laos, Vietnam, Indonesia, Pakistan, Malaysia, Russia, Cambodia, Thailand and the United Arab Emirates among others.

Figure 1. Investment of Chinese businesses in the B&R countries in recent five years



Source: Ministry of Commerce

Private businesses have accounted for a considerable share with respect to China's investment in the B&R countries. The data from 2017 Statistical Bulletin of China's Outward Foreign Direct Investment showed that, by the end of 2017, China had 25,529 businesses making outward foreign direct investment, of which 6,570 were private ones (25.7%), 10,577 limited liability companies (41.4%) and 2,790 joint stock limited companies (10.9%). Since both limited liability companies and joint stock limited companies contain a considerable proportion of private capital, the Bulletin data implied that POEs accounted for 70% of Chinese businesses making outward investments.

The investment of POEs in the B&R countries has three obvious characteristics:

First, the investments were large in number but small in scale as they were concentrated on labor-intensive and asset-light sectors. In terms of sector, Chinese POEs have an active global presence not only in agriculture, but also in other industries, such as machine tools, light textile, automobiles and household appliances. Take agriculture as an example. By the end of 2017, 717 Chinese businesses had set up 851 agribusinesses outside China, with a stock of investment of up to USD 17.33 billion, more than quadrupling the amount before the Belt and Road Initiative was put forward. **In terms of ownership,** out of 766 overseas agribusinesses, 90% of total businesses set up were founded by the private sector who became the backbone of China's agriculture-related outward investment and cooperation. Take the machine tool industry as an example. Over the past decade, there were 20 cross-border mergers and acquisitions (M&A) in the machine tool industry. Out of them, 8 were led by POEs. Take the light textile industry as an example. Projects such as Ethio-China Huajian International Light Industrial City, Cambodia Sihanoukville Special Economic Zone (HODO Group), Ethiopia Oriental Industrial Park, and Thai-Chinese Rayong Industrial Zone have long become the models of mutual benefit and common development between China and the host countries. In short, our POEs have been an important force for China to promote the development of its new international production network, local economic development and industrialization in the host countries.

Second, there was a small upsurge in M&A with large M&A cases gradually shifting to capital-intensive sectors. In terms of investment approach: POEs were more passionate to get involved in the Belt and Road Initiative through M&A and had become a main force of Chinese overseas M&A activities. According to available statistics, by the end of 2017, there were about 700 M&As in total by Chinese POEs in the B&R countries. In 2017 alone, a total of 76 M&As were initiated by Chinese POEs in these countries. Moreover, **top 500 POEs were more rational about their overseas investments.** In 2017, the number of top 500 POEs making investment overseas dropped from 314 in 2016 to 231 in 2017, a decrease of 26.43%. Outward investment by POEs showed a certain pattern. In Asia, the main approach was to set up factories, international marketing networks, and logistics service networks. In 2018, in terms of total value, the top 3 M&As by the private sector in the B&R countries were acquisition of oil assets by United Energy in Pakistan, acquisition of the petrochemical greenfield project by Zhejiang Hengyi Group in PMB, Brunei, and acquisition of equity in Lazada by ALIBABA Group. Since most of China's POEs emerged from the processing and manufacturing industry, M&As were also around it to expand their scale and extend the value chain. **Thus, their M&A activities in the B&R countries and regions mainly took place around the traditional manufacturing sector.** The number of M&A transactions in the machinery manufacturing, non-metallic mineral products, rubber and food industries accounted for about 60% of total M&As carried out by POEs in the B&R countries. For example, Zhejiang Geely Holding Group Co., Ltd. recently acquired Malaysia's Lotus Motor Company and Xoar Aerotech Industry (Wuhan) Co., Ltd. acquired the Czech Skyleader Aircraft Company. Apart from traditional manufacturing industries, Chinese POEs are also engaged in overseas M&As in clean energy, retail chains, bio-pharmaceuticals and other industries, such as the acquisition of India's Gland Pharma Co., Ltd. by Shanghai Fosun Pharmaceutical (Group) Co., Ltd. **Expansion into the international market is an important driver for the Top 500 POEs to "Go Global" in 2017.** They are gradually expanding transnational operations in the new service industry. For example, in 2017, the Chinese e-commerce enterprise Alibaba

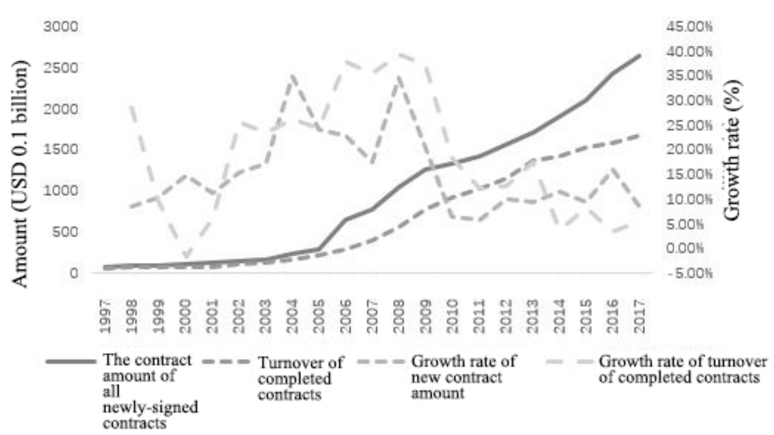
Group invested US$2 billion in the Southeast Asian e-commerce platform Lazada Group, increasing its shareholding by nearly one third to 83%. Another example is Tencent Holdings' acquisition of shares in ANI Technologies, an Indian transportation network company.

Third, investing entities are mainly from the eastern coastal areas. When it comes to their geographic distribution across China, global activities of POEs in some regions of China have become an important driving force to integrate into the international division of labor system. For example, the majority of Shanghai businesses involved in outward direct investment are from the private sector. Data released by MOFCOM show that, in 2017, there were 482 Shanghai POEs that made outward direct investments of US$9.24 billion, accounting for 79.3% of the total number of outward investment businesses and 83.4% of the total amount of outward investment. In 2000, of the 27 overseas investment businesses in Chongqing, only 4 were private ones, accounting for 14.8%. With the development and growth of the private economy, the outward investment by the POEs in Chongqing has become increasingly active. By 2017, Chongqing's outward direct investment mainly came from the private sector, accounting for 84.2% of the total.

(II) Contracted projects by Chinese businesses in B&R countries along the Belt and Road and characteristics of private activities

From 2003 to 2010, construction businesses undertaken by Chinese enterprises in foreign countries were in a high growth stage, with its growth rate maintained roughly at 20%. Chinese enterprises expanded their shares and presence in the overseas market and achieved rapid growth thanks to their advantages in machinery equipment and construction materials, high-quality and low-cost labor force and the industrial chain integration of large/ultra-large enterprise groups in China. Factors, such as the approaches of international market share toward its upper limit at the current stage, the effect of the large project base accumulated as a result of the previous efforts, and the shift of comparative advantages, have caused the growth rate of the revenue from the completed contracts to be around 5% since 2014. The growth rate of new contracts is at the level of 10%. The business has changed from a stage of high growth to a stage of medium to high growth, showing an L-shape trend, which is consistent with that of China's domestic economic growth.

Figure 2. Turnover from new / completed contracts and year-on-year growth

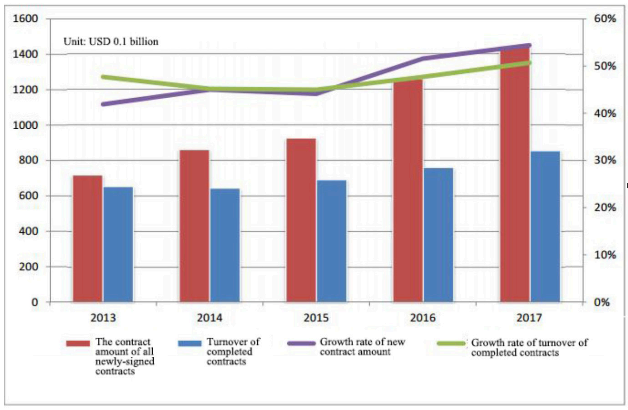


Source: Ministry of Commerce and National Bureau of Statistics

There was an increase in the turnover of completed contracts by Chinese enterprises in the B&R countries in spite of global downward trend and thanks to the remarkable effect of infrastructure interconnection. Influenced by the changing international market situation, the shrinkage of the overall international contracting market and the rising debts of major developing countries and the like, **the development of Chinese overseas construction activities experienced a downward trend in 2018.** Data from the Ministry of Commerce shows that in 2018, the turnover of completed contracts was RMB 1.12 trillion yuan, down by 1.7% year on year (equivalent to USD 169.04 billion, up by 0.3% year on year), and the revenue of new contracts was RMB 1.6 trillion yuan, down by 10.7% year on year (equivalent to USD 241.8 billion, down by 8.8% year on year). **However, the amount of new contracts signed by Chinese enterprises in the B&R countries increases against the slowdown trend.** Data from the Ministry of Commerce shows that in 2018, Chinese enterprises signed 7,721 new contracts in the B&R countries with a total turnover of US$125.78 billion, accounting for 52% of total value of all newly-signed contracts, down by 12.8% from the same period last year. The turnover of completed contracts reached US$89.33 billion, accounting for 52.8% of the total value of the same period, up by 4.4% year on year.

For the implementation of major cooperation on infrastructure and production capacity, the Mombasa-Nairobi Railway and Addis Ababa-Djibouti Railway have been completed; the China-Thailand Railway and Hungary-Serbia Railway kicked off construction; the second phase of the Hambantota Port was finished; the Gwadar Port in Pakistan re-opened; and the transportation projects of the China-Laos Railway and China-Pakistan Economic Corridor are progressing steadily.

Figure 3. Undertaking of construction Projects by Chinese businesses in the B&R countries over recent five years



Source: Ministry of Commerce

Private businesses mainly employ the following approach to carry out joint infrastructure works in the B&R countries. In the field of overseas contracted projects, state-owned enterprises, especially large central enterprises, are the main force for overseas infrastructure construction. Most of POEs follow the state enterprises to go global and provide support by subcontraction and labor service. Co-investment and cooperation with central enterprises has become the main strategy for POEs to participate in the development of the Belt and Road Initiative in the fields of overseas contracted projects and labor services.

(III) Development of cooperation zones with Chinese businesses in countries along the Belt and Road and characteristics of private activities

Chinese economic and trade cooperation zones enjoyed rapid development in the B&R countries. The overseas economic and trade cooperation zones are an important platform for Chinese enterprises to invest abroad. They are also an “effective carrier” for China to conduct industrial cooperation with the B&R

countries. Economic and trade cooperation zones, as an important platform for jointly developing the Belt and Road Initiative, play an irreplaceable role in industrial clustering, driving, influencing and modeling. The cooperation zones, which are characterized by complete industrial chain, comprehensive industrial sectors, high concentration, easy application of elemental advantages, obvious effect of preferential policies and efficient and effective administration, have had and will continue to get strong support and wide promotion from relevant countries.

According to statistics from the Ministry of Commerce, the accumulated Chinese investment in overseas economic and trade zones has reached nearly US$40 billion, while contributing over US$3 billion in taxes and fees to the host countries, and creating more than 300,000 jobs. **Over 70% of those economic and trade cooperation zones have been jointly established with the B&R countries.** The China-Belarus Industrial Park, China-Malaysia twin industrial parks project and Egypt's Suez Economic and Trade Cooperation Zone have all become cooperation models. Currently, the cross-border (border) economic cooperation zones with Laos, Vietnam, Myanmar, Mongolia, Nepal and other countries have been implemented or launched one after another. Chinese businesses have also participated in the development of 28 overseas economic and trade cooperation zones in Thailand, Cambodia, India, Pakistan and so forth. These businesses take part in international competition and cooperation for mutual benefit and win-win by taking full advantage of both domestic and foreign markets.

From the perspective of ownership, POEs are the main force of Chinese investment in overseas economic and trade cooperation zones. Chinese POEs, either as a zone developer or as a resident, all perform excellently.

Since the 1990s, Chinese businesses, represented by private ones, have begun to explore the development of overseas economic and trade cooperation zones. In 1998, Fujian Overseas Chinese Industrial Company established a joint venture in Cuba; and in 2000, it invested an overseas processing trade zone with an area of 60,000 square meters. In 1999, Haier Group, aiming to tap the American market, built an industrial park in the state of South Carolina for research and development, design, and production, which later became known as the Haier America Industrial Park. The overseas development zones at this stage mainly served the developers themselves. These developers purchased or leased land overseas according to their own needs, completed the construction of the infrastructure with self-raised funds and attract businesses to settle in. Over time, these zones develop into the ones with clear leading industries, complete public services and strong agglomerative and radiating effects.

From 2005 to now, POEs participate more passionately in the development of overseas economic and trade cooperation zones. First, there's the industry-specific model dominated by zone founders. Chinese businesses with strong technological and financial strength have been sought after by the host countries, and an industry-led mode has been formed with zone founders at core. Among them, Holley Group and Thai Amata Group worked together to develop the Thai-Chinese Rayong Industrial Park. The park includes general industrial areas, customs bonded areas, logistics and warehousing areas and commercial living areas. It intends to attract Chinese businesses in the fields of auto parts, machinery and household appliances. The park provides an overseas clustering zone for traditional small and medium-sized OEM manufacturers to further optimize production costs. **Second, there's the comprehensive mode where specialized industrial property developers look after the**

development and operation. China Fortune Land Development and other competitive specialized industrial property developers in China establish overseas parks through land leasing and/or through infrastructure construction that meets the "seven accesses and one leveling" standards. These developers use their own advantages to attract companies and thus form a distinct overseas economic and trade zone model that has no specific dominant industry but well-functioning facilities and services and strong commercial value. **Third, there's the model with support from both governments and the clear park-specific policy bonus.** In October 2015, Chinese President Xi Jinping and Belarusian President Lukashenko jointly announced the establishment of the China-Belarus Industrial Park. From the very beginning of its establishment, the park has undertaken the important strategic task of supporting bilateral political, diplomatic, economic and trade cooperation. The technical and industrial support from China and the preferential policy from Belarus jointly support and promote the development of China-Belarus Industrial Park.

II. Analysis of difficulties and challenges encountered by private businesses with respect to investments and cooperation in countries along the Belt and Road

In June 2019, China-Africa Business Council and the Research Institute of Ministry of Commerce jointly distributed a questionnaire to participants with respect to the investment and cooperation in the B&R countries. On the whole, the findings of this special purpose survey are somehow representative. As of June 5, 2019, there were 109 valid responses, representing 60% of the questionnaires distributed. A scientific and rigorous assessment method is designed for these questionnaires. For data collection and assessment, a combination of methods (i.e. self-assessment + stakeholder assessment + independent third-party assessment) are used to ensure objectivity. The findings of this thematic survey reveal the following three major challenges.

(I) Challenge 1: limited source of fund leads to even more prominent financing difficulties.

At present, to further promote high-quality development of outward investment and cooperation, we need to make more efforts in the structural reform of the supply side, which is a fundamental requirement of the top-level design for outward investment and cooperation under the new development stage. Financing is the most important challenge at the level of fund supply. Problems such as "difficult access to finance" and "high costs of capital" as well as regulated outward remittance are key barriers that prevent POEs from investing abroad.

From the findings of this questionnaire, POEs are currently facing the following challenges with respect to investment and cooperation in the B&R countries:

80% of overseas investments were self-funded. With regard to the main source of the funds for outward investments, nearly 80% (79.82%) of the respondents rely on their own funds, while 21.1% use loans from banks in China, and 24.77% from overseas banks. This reflects that it is similarly difficult to obtain loans from domestic banks and overseas banks.

Table 1. Findings - main sources of funds for outward investments

Options	Subtotal	Percentage
Self-owned funds	87	79.8%
Loans from domestic banks	23	21.1%
onshore guarantees for offshore loans	5	4.6%
Self-owned funds available overseas	18	16.5%
Funds raised overseas	27	24.8%
Other	9	8.3%

Source: Thematic survey findings

16.51% of the respondents use their own funds available abroad, and less than 5% use financial instruments such as onshore guarantees for offshore loans.

20% of funds for outward investments are actually "begged" from the banks. The findings hereof show that 40.37% of the respondents believe the largest barrier to be "difficult access to finance" fund-wise, while 24.77% say their main barrier is high costs of capital. Therefore, difficult access to finance is more prominent than high costs of capital. Besides, 27.52% considers forex control a major challenge. As indicated above, the respondents generally rank the three challenges by difficulty in the order of **access to finance, forex control** and costs of capital. The data from the top 500 POEs survey also shows that insufficient financial support and strict forex control have become key barriers hindering POEs from going global.

Table 2. Findings - major barriers in relation to funds for outward investments

Options	Subtotal	Percentage
Difficult access to finance	44	40.4%
High cost of capital	27	24.8%
Forex Control	30	27.5%
Other	8	7.3%

Source: Thematic survey findings

(II) Challenge 2: Political and legal barriers remain despite improved business environments.

Concerning the overall operating risk in the host countries, each Belt and Road country has its unique circumstances, so the operating risk can't be ignored. From a political point of view, it is difficult to reconcile the contradictions between different tribes and between religious factions in the B&R countries . The lack of coherence in the policies of the B&R countries leads to great uncertainty for long term investments in infrastructure. In addition, the lack of mutual trust between countries like Vietnam and China makes it hard for Chinese businesses to advance infrastructure cooperation.

Local political risk is the top challenge in relation to the transnational operation. 77.06% of the respondents say that the political risks of their host countries are severe and are the concerns reported most under this question. It is followed by legal risks, forex risks and shortage of talents. As a matter of fact, political and legal risks are closely related with each other in the process of cross-border operations. Issues such as change of government and uncertainty of policies are often reflected in changes in legal provisions and discrimination against foreign investors in the process of law enforcement. Generally speaking, the political and legal risks in the host country are the top challenges faced by POEs operating in the B&R countries .

Table 3. Findings - challenges faced in transnational operation

Options	Subtotal	Percentage
Forex risk	72	66.1%
Political risk in the host country	84	77.1%
Legal risk in the host country	63	57.8%
Social culture in the host country	39	35.8%
Insufficient reserve of international talents in your company	49	45.0%
Other	4	3.7%

Source: Thematic survey findings

Most of the respondents agree that China performs better than the host countries regarding cross-border investment and cooperation facilitation. According to the findings of the survey, 48.62% of the respondents believe that the limited facilitation is provided by the domestic authorities, while 77.98% hold the opinion that the foreign investment approval department is inefficient in the host countries.

Table 4. Findings - thoughts on outward investment facilitation

Options	Subtotal	Percentage
Limited facilitation offered by the domestic competent authorities	53	48.6%
Limited facilitation offered by the inbound investment approval departments in the host countries	85	78.0%

Source: Thematic survey findings

About 20% of the respondents think that the business environments in the host countries has deteriorated. Over 50% (52.29%) of the respondents generally have the feeling that the business environments in the B&R countries are continuously improving, but nearly 20% (19.27%) hold the opposite view, believing they are deteriorating.

Table 5. Findings - Business environments in host countries

Options	Subtotal	Percentage
Keep improving	57	52.3%
Remain unchanged	31	28.4%
Start to deteriorate	21	19.3%

Source: Thematic survey findings

Over 70% of the respondents believe that the legal environment is the area of the business environment in the host countries with most problems. Among the problems relating to the business environment in the host country reported by the respondents, the legal environment and access to finance are the two areas with most problems. 72.48% and 50.46% of the respondents complain about these two aspects respectively. In addition, the aspects of business environment, such as daily operation and starting a business, also have many problems.

Table 6. Findings - Aspects of the business environment in the host countries with most problems

Options	Subtotal	Percentage
Starting a business	30	27.5%
Getting space and premises	15	13.8%
Getting Credit	55	50.5%
Daily operation	42	38.5%
Legal environment	79	72.5%

Source: Thematic survey findings

In the Doing Business 2019 report from the World Bank, the ranking is based on the following ten indicators: Starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency In 2019, China's business environment rose by more than 30 places compared with that of 2018, ranking No. 46 out of 190 economies. The report shows that **out of the 10 key indicators, China has made the most notable improvement in "Starting a business" and "Getting Electricity".**

(III) Challenge 3: Chinese businesses along the belt and road countries still feature relatively conservative culture.

The markets are highly liberalized in European and American countries with low transaction costs. As it is cost-efficient to acquire supporting services and products through procurement, industry leaders can focus on their principal activities. Their businesses are clearly characterized by a flat structure. This is very much different from what China's businesses are now. Considering the development stage, industrial characteristics and cultural traits of Chinese businesses, and in view of the facts that most of the B&R countries are limitedly developed, fully local operation might not be an option. Chinese businesses increasingly need to go global in group for international expansion due to these domestic and overseas constraints. They still rely on traditional business cooperation and network of acquaintances.

Business leads mainly come from the network of acquaintances due to the shortage of professional intermediaries. 74.31% of the respondents mainly rely on their own to source business leads, and 73.39% rely on those leads from chambers of commerce. Such disproportion is attributed to the fact that most of respondents are chamber members. In fact, chamber members are relatively familiar with each other through exchange and contact, making chambers like "a society of semi acquaintances". In light of the above, it is believed that the majority of business leads comes from network of acquaintances, with only 28.44% from professional intermediaries.

Table 10. Findings - Main sources of business leads

Options	Subtotal	Percentage
Friends	61	55.9%
Intermediaries	31	28.4%
Self-sourcing	81	74.3%
Workshop by Host Country	47	43.1%
Chambers of Commerce	80	73.4%
Other	3	2.7%

Source: Thematic survey findings

III. Analysis and reflection on the development of private outward investments and cooperation

POEs are not only the beneficiaries of our reform and opening up, but also the solid foundation supporting our rapid and stable economic development over the past 40 years. Nowadays, POEs contribute over 50% of the tax revenue in China, output over 60% of GDP, create over 70% of scientific and technological innovations, provide over 80% of urban jobs and represent over 90% of business entities in number.

From the perspective of the development of Chinese outward investment: local non-financial outward FDI flows reached $86.23 billion (mainly by POEs), accounting for 61.8% of total non-financial outward FDI flows from China, with a stock of $727.46 billion, representing 45.3% of Chinese total stock. In 2006, the stock of investment by local businesses accounted for 19% only. POEs are increasingly becoming the powerhouse of the rapid and high quality development of China's outward investment and cooperation.

(I) Analysis: history of global outward investments and cooperation

Chinese businesses, especially Chinese POEs, are still in their early stage of development. Many of the current challenges are stage- and development- specific. Currently, the challenges and problems that POEs meet are stage-specific during outward investment and cooperation, inevitable in the process of development. Historically, **transnationals from the western developed economies started their outward investment and cooperation more than a century ago.** Among them, as early as the 17th century, the United Kingdom developed a landscape of cross-border investment and development, with large-scale transnationals represented by British East India Company and SMEs supported by the venture capital from the then securities market. **It has been less than 20 years since Chinese businesses started their overseas adventures on a visible scale, and not until the 2008 Financial Crisis that Chinese POEs kicked off their outward investment and cooperation on a large scale.** On the whole, Chinese businesses, especially Chinese POEs, are still at the early stage of the outward investment and cooperation, as they have relatively limited experience and buildups. A complete set of promotion system has not yet been developed in China to support the outward investment and cooperation of Chinese businesses, especially Chinese POEs. For Chinese POEs, their foreign investment and cooperation are still in the early stage of exploration and development.

With the current development stage in mind, our POEs are bound to face a series of challenges and problems during their journey of "going global". In the process of their outward investment, especially in the B&R countries, a series of challenges and problems also emerge in the development of POEs themselves. **In respect of business leads sourcing,** POEs tend to rely on their traditional acquaintance network and operation network, and resort to professional intermediaries on a limited basis. **In respect of investment decision-making,** some POEs, with limited operating skills and professionalism, still make "impulsive investment" decision and tend to rely on domestic preferential policies and bilateral political relations. In respect of expectations on the governments and business associations, POEs tend to get direct support and assistance, without enough awareness of public and professional services. The emergence of these problems is closely associated with the fact that POEs are still in the early stage of their exploration and adventure into the outward investment and cooperation. It is worth noting that **the sub-optimal overall business environment in the B&R countries** and high investment and cooperation risks make it even harder for POEs to carry out their transnational operations there.

(II) Analysis: history of China's reform and opening-up

The rough style development is still lingering as a legacy of the past high growth mode. POEs face a pressing need for the transformation and upgrade of their operation mode in outward investment and cooperation. Over the past 40 years of reform and opening up, China's economy has maintained a sustained double-digit growth, achieving the remarkable "China Miracle". In the development environment at that time, some businesses, particularly POEs, adopted the trend riding strategy and made some successes with blindly aggressive investment decisions and gambler's mind, while their own problems are covered up in the rapid development of China. **Problems, such as the sequel of extensive growth and impulsive investment, have become the biggest obstacles to further transformation and upgrade of POEs and their high-quality development.** Presently, the international markets, particularly the B&R countries, don't perform as well as China in relation to the speed and scale of economic development, and most of the countries may experience negative growth in face of external impacts. How to achieve highly efficient growth in unfamiliar markets has become a major challenge for POEs in the outward investment and cooperation.

It is key to the upgrade of their ability for outward investment and cooperation if the POEs can acknowledge and understand the complexity of international markets, be ready for long term development and root themselves in the host markets. Huawei, among other Chinese pioneers, gradually turned its losses into profits after rooting itself in India and other markets for more than seven years. Some western multinationals usually make considerable investment in creating their own strategic research teams to identify opportunities in the global market and specific industries and don't enter a market until the necessary research is properly done. **Naturally, transnational investment and operation face certain barriers and challenges, and many advanced experiences from the motherland market do fit the host markets.** Adherence to down-to-earth and thorough feasibility study is one of prerequisites for final success. If the POEs simply copy their successful experience from the domestic market, unable to contain their impulsive investment, and attempt to achieve the miracle of rapid development in a completely new market under their gambler's mind, they tend to encounter challenges and problems in all aspects, which in turn affects their ongoing healthy operation.

(III) Analysis: developed multinationals

POEs are irrationally enthusiastic about outward investment and cooperation. With respect to the success rate of cross-border M&As, as a rule of thumb learned from the experience of transnationals over years, roughly 80% fail at the end. At present, successful transnationals tend to have their own mature business models, where they take advantage of their existing competitiveness to effectively consolidate resources worldwide and achieve synergy. Since 2015, there has been an explosion of cross-border M&As by POEs with the ever increasing size and volume of the outward investment. The significantly inflated desire for landmark like candidates and irrational considerations in overseas M&A premiums greatly pushed up investment costs and added difficulties in their subsequent operation. In fact,

from the perspective of classic transnational investment and management theory, businesses tend to rely on their advantages in a certain field rather than financial strength when making decision about outward investment. Only by organically combining the resources of overseas markets with their own advantages and capabilities can they produce a "1+1>2" synergistic effect, and further support their own operation and development through outward investment to achieve mutual benefits and win-win results.

(VI) Analysis: Comparison with Local Businesses

The Belt and Road countries, covering the four major ancient civilizations and four major religious cradles, vary widely in traditions and customs as well as legal systems and business environments. **With respect to legal systems,** 22 B&R countries adopt Islam as their national religion, while 14 countries take an Islamic legal system. With the strong religious atmosphere and the "dual track" legal system, their business environments are generally tough. **With respect to development,** on one hand, there are constraints imposed from the division of labor along the global industrial chain and trade structure. On the other hand, their opening up is limited, while their institutional environments are complicated. In such business environments and against such background, POEs need to further strengthen the depth and breadth of the feasibility study for their investments in the B&R countries. Only through constant contact and interaction with a variety of local stakeholders, can they get a full understanding of the challenges and problems that local operations may face, and prepare plans and alternative plans in time, and strive to overcome the disadvantage of outsiders.

(V) Analysis: issues and challenges faced by Chinese private businesses

There are huge potential and room for POEs to improve their own capabilities. Among the prominent risks that many POEs come across during their participation in the development of the Belt and Road Initiative, some risks are force majeure and inevitable, while others can be prevented or avoided by establishing government-led risk warning systems with flexible measures. Most of POEs started to go global not long ago, so they don't have much experience with internationalization. Those POEs, who pioneered into the international markets in earlier days, tend to focus on highly liberalized regions with good business environments, such as Europe, America, Hong Kong and Singapore, or just do trade globally. **POEs lack experience with investing and operating in the B&R countries and are inadequately ready for risks, thus easily falling in losses.**

Besides, POE BRI participants more or less have such problems as under-preparation, shortage of talents, improper behaviors, insufficient risk consciousness and compliance awareness. Vicious competition between industry peers ends up without any winner. A small proportion of businesses created poor image as they were not familiar with international rules, didn't observe the laws and regulations of the host countries and fulfill their corporate social responsibilities. It is notable that the most prominent problem is the shortage of specialized professionals suitable for the BRI development. The top 500 POE survey shows that the shortage of internationalized managers and specialized professionals is the top constraint on the overseas expansion of POEs. From 2015 to 2017, there were 233, 237 and 249 POEs respectively complaining that such shortage was severe and topped all the constraints on their development. In addition, the B&R countries have strong cultural diversity as Islamic, Christian, Buddhist cultures and other cultures converge there. Considering the apparently varied social customs, business practices, languages and applicable laws and regulations, POEs need to have a proper pool of foreign language and trade talents. Some survey findings show that 65% of POEs are short of suitable international managers familiar with the respective B&R countries, while 51% lack suitable specialized professionals and minor languages talents.

PART II.
RESEARCH ON PARTICIPATION OF PRIVATE BUSINESSES IN INVESTMENTS IN AFRICA

Since the new millennium, under the mechanism of Forum on China-Africa Cooperation (FOCAC), China-Africa economic and trade cooperation has gained a sustained and strong force for development. Especially after the 2006 Beijing Summit of FOCAC, the scale and influence of China's investment in Africa have rapidly increased with most of African countries covered. In the wave where China-Africa economic and trade cooperation deepens and upgrades for further development and better quality, POEs increasingly become a sturdy pillar promoting China's investment in Africa and supporting Africa's industrialization, and an important element fostering sustainable development of China-Africa relation.

At present, the development of the Belt and Road proposed by China is on its full wing. **Africa is also actively implementing the Agenda 2063 and the first ten-year plan.** Both China and Africa agreed to push for a close connection between the Belt and Road Initiative and Agenda 2063 and to jointly build a Community Of Common Destiny for China and Africa on the basis of a full strategic partnership. Against such background, Chinese POEs have broad prospects and great potential with respect to their investment in Africa. At the same time, a lot of characteristics and changes emerge in the internal and external environment of the China-Africa cooperation. They put forward even more pressing demand for POEs to participate in the high quality investment in Africa and help upgrade China-Africa cooperation with better quality.

I. Past, present, and future of Chinese investments and cooperation in Africa

(I) China started to invest in Africa since 1980s

Before the Reform and Opening Up, China's direct investment in Africa was nearly nil, except a few small joint ventures set up in a few countries for specific government programs. In the early 1980s, Chinese businesses took small contracted projects as an entry point and started their investment in Africa in form of joint venture or wholly foreign-owned enterprise. The investments in Africa during this period mainly aimed to promote export of engineering equipment, raw materials and other products. By 1990, China had 102 investments in Africa with a total amount of USD 51.19 million.

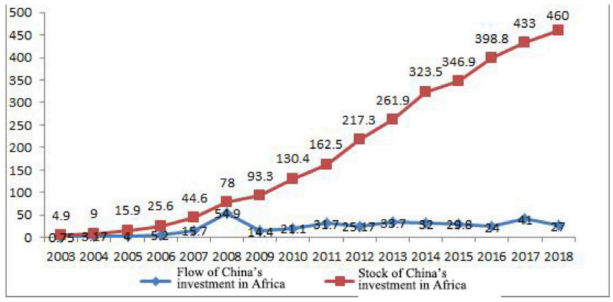
In the 1990s, Africa experienced a good momentum of economic growth and its business environment improved constantly. China began to adjust its economic and trade cooperation with Africa, combining financial aid with direct investment, contracted project, labor service, export and other forms. China's investment in Africa embraced a period of rapid growth. From 1995 to 1997, China set up Investment, Development and Trade hubs one after another in Egypt and 10 countries to help Chinese businesses engage in economic and trade activities in Africa. From 1995 to 1999, China signed intergovernmental loan agreements with 23 African countries to provided Chinese businesses with financial support to invest in Africa.

Since 2000, Chinese government started its "Go Global" strategy in which Africa is one of the key regions. Chinese government has gradually increased its policy and financial support to encourage more Chinese businesses to invest in Africa. **With the establishment of the Forum on China-Africa Cooperation, economic and trade cooperation become more institutionalized.** Chinese government has successively launched a number of pragmatic measures to deepen China-Africa economic and trade relations, not only promoting economic growth and livelihood in African countries, but also enriching the achievements of China-Africa cooperation and the contents of China-Africa relations. The success of the Beijing Summit of FOCAC in 2006 not only expanded the scale of China's economic and technological aids to Africa, increased its support for financing and investment in Africa, but also promoted the vertical transformation of China-Africa economic and trade cooperation from general merchandise trade to processing and manufacturing, and achieved the horizontal extension from contracted projects to investment and M&As.

In 2013, President Xi Jinping delivered a speech in Tanzania, proposing the concept of China-Africa Community of Common Destiny to paint a broad prospect for China-Africa cooperation in the new era. In 2014, China and Africa agreed to jointly advance the development of Africa's three major networks (high-speed railways, expressways and regional aviation) and industrialization. In 2015, the Johannesburg Summit of FOCAC put forward Ten Major Cooperation Plans for China and Africa, which signals that China will continue to increase its support for industry, agriculture, finance, infrastructure, public health and other fields in Africa, facilitate the shift of China-Africa economic and trade cooperation from a resource-centered trade model toward a multiple-dimensional investment and omnidirectional capacity cooperation.

It's designed to help African countries accelerate the industrialization process and enhance their independent and sustainable development capabilities. Therefore, China-Africa investment and cooperation reached a new stage of development. In 2018, **the Beijing Summit of FOCAC depicted a clear road map for China-Africa economic and trade cooperation in the new era.** In line with international situation and new development changes in Africa, the Summit proposed to focus on the implementation of Eight Actions, and facilitate the shift of China's investment in and cooperation with Africa from a high-growth model toward a high-speed and high-quality growth model.

Figure 1. Scale of China's investment in Africa (2003-2017) (Unit: USD 100 million)

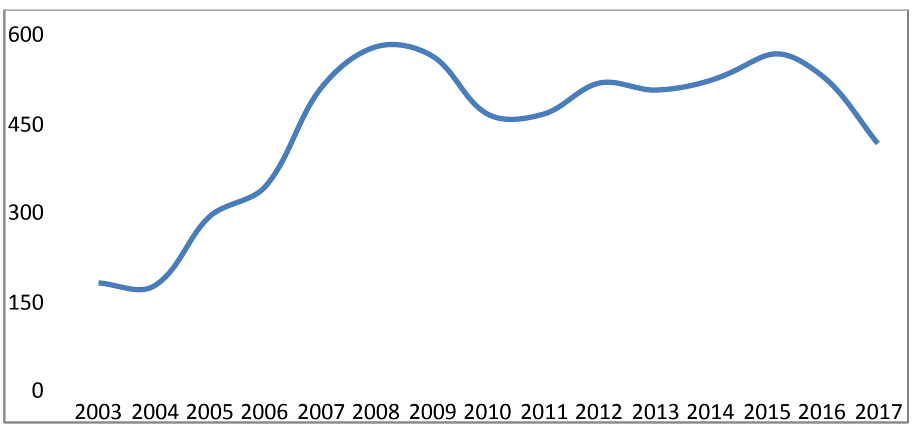


Source: Statistical Bulletin of China's Outward Foreign Direct Investment (2003-2017), Ministry of Commerce

(II) Chinese investments and cooperation in Africa feature rapid progress in small steps

From the perspective of global investment in Africa after 2000, global FDI grew rapidly, reaching an all-time high of USD 58.1 billion in 2008. Since then, it has basically kept pace with the world economic cycle and the fluctuation of commodity prices. It has experienced a sharp decline and then a volatile recovery. In 2015, it regained a relatively high level of USD 56.6 billion. It fell sharply in 2016 and to a lower level of USD 41.8 billion in 2017. In the next few years, global FDI in Africa can expect a slightly downward trend with some fluctuations due to the slowing momentum of global economic growth, low commodity prices, and the repatriation of funds as a result of monetary policy adjustments in developed countries among others.

Figure 2. FDI attracted to Africa (Unit: USD 100 million)

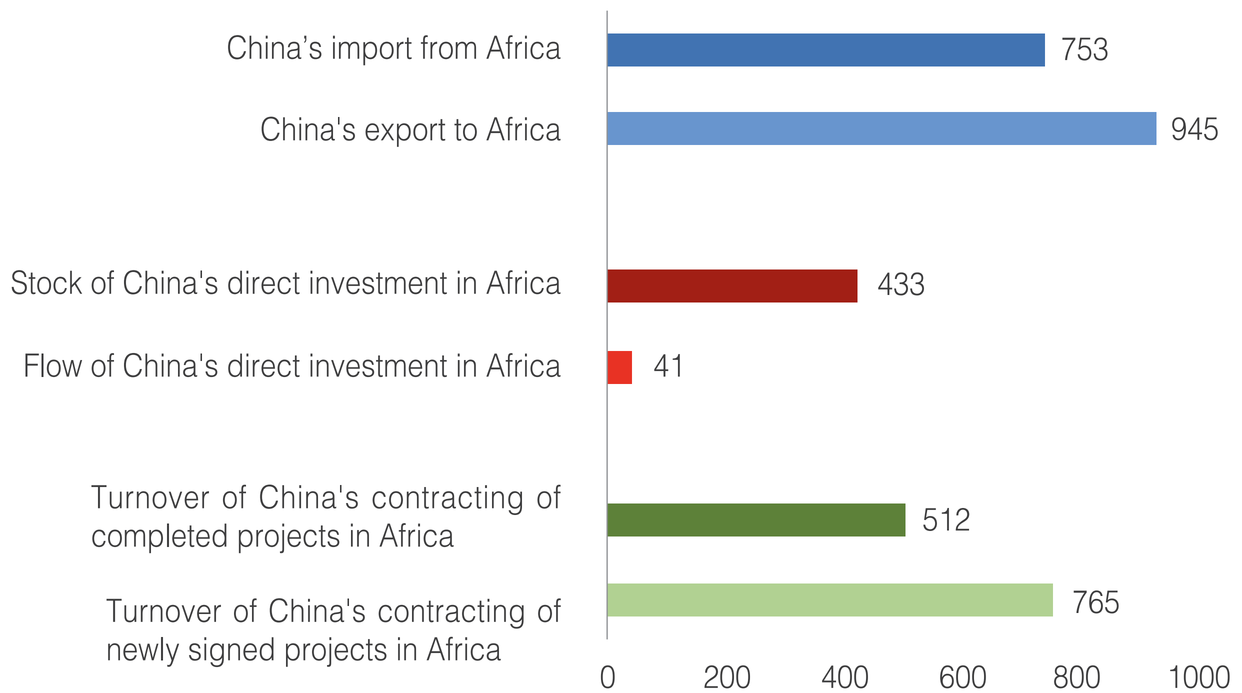


Source: UNCTAD online database

With respect to China's investment in Africa, the proportion in stock of FDI in the continent has risen to No. 4. Since 2003, China's investment in Africa has grown by over 45% annually. In 2018, it reached USD 2.7 billion, representing 6.75% of total FDI absorbed for that year, up 2.2% from 2010. As of the end of 2018, China's cumulative stock of investment in Africa reached USD 46 billion, representing 5% of the total cumulative stock of FDI, up 1.5 % from 2010. The proportion of China's investment in Africa in its overall outward investment is small and does not change much. It has been between 2% and 3% in ten years. There is still much room for increase in the future. The Beijing Summit of FOCAC in 2018 announced that "Chinese businesses will invest no less than USD 10 billion in Africa for the next three years." As the Belt and Road Initiative will further develop, it can be expected that China's investment in Africa will continue to maintain a **rapid growth in small steps,** and is in clear contrast to the overall decline of international investment in Africa.

With regard to the business structure of China-Africa economic and trade cooperation, there is a big imbalance. Africa accounts for 5%, 3% and 30% of China's overall foreign trade, investment and contracted projects, respectively. For contracted projects, representing the majority of overall dealings with Africa, Chinese businesses look after the construction only without taking care of the operation, which leads to increasing doubts on sustainability. At present and for a long time to come, the macro trend of China-Africa cooperation in relation to transformation and upgrade is a gradual shift from a model dominated by trade and contracted projects toward a model led by investment and cooperation. There will be considerable room for POEs to participate.

Figure 3. Models of China-Africa economic and trade cooperation at the end of 2017



Source: Data compiled from the MOFCOM website

(III) Five positive factors from Africa attract Chinese investments and cooperation in the continent

Although Africa's economic growth has slowed sharply in recent years due to the sluggish global economic growth and depressed commodity prices, there are still many favorable factors for Africa's economic development in the future. African Economic Outlook 2018, a report published by the African Development Bank, shows that African economy is rejuvenating and the overall recovery is better than expected. The report predicts an economic growth rate of 4.1%. World Economic Situation and Prospects 2018, a report from the United Nations, predicts that African economy will grow at a pace of 3.5% and 3.7% in 2018 and 2019 respectively. Africa's Pulse, a report from the World Bank, conservatively predicts that the economy of the sub-Saharan Africa will rebound in 2019 and grow at a rate of 3.3% and 3.4% in 2020 and 2021 respectively. In the long run, the following five aspects will play a positive role in Africa's economic development.

First, Africa will experience the fastest urbanization in the world. In the next decade, 187 million Africans are expected to move to cities from the countryside, which is equivalent to 10 times the population of Lagos, the capital of Nigeria and currently the largest city in Africa. From 2015 to 2045, 24 million people will move to cities every year in Africa, while this figure is 9 million in China and 11 million in India. GDP growth has a strong correlation with urbanization. it is estimated that the per capita GDP in urban areas of Africa is about 2.5 times that in rural areas. Urbanization will bring about a larger market, better schools, hospitals and infrastructure and promote the continuous growth of various industries.

Second, Africa will have the largest workforce in the world by 2034. Against the macro background of global aging, Africa has a young population structure and a growing labor force, thereby enjoying great advantages in the international competition. By 2034, Africa's labor force will reach 1.1 billion, surpassing China and India. Demographic dividends will be gradually released in the process of industrialization. The expansion of local market will also become a huge driving force for Africa's industrial development.

Third, Africa has a huge demand for scientific and technological products. Science and technology are important tools for human beings to change the world. The penetration of Internet and mobile phones will promote economic development in Africa. In 2015, the penetration rate of smart phones in Africa was only 18%, and this rate is expected to reach 50% by 2020. In 2025, the Internet will also contribute 10% to Africa's GDP. In addition, mobile payment is clearing various barriers between regions, and especially East African countries have been a global leader in this field. E-commerce is also booming in Africa. For example, since 2010, Nigeria's e-commerce revenue has doubled and shows a good momentum of development.

Fourth, Africa is abundant in natural resources. Africa has 60% of the world's undeveloped arable land and ranks No. 1 globally in the reserves of vanadium, manganese, platinum, cobalt, aluminum, chromium, gold, diamonds, phosphate and other minerals. At present, Africa exports 10% of the world's oil and gas, 9% of copper ore and 5% of iron ore. Even though the prices of commodities are low at present, African products are still competitive in price, which provides a guarantee for future development of African economy. According to the Bloomberg's forecast, the international prices of crude oil and several metals that Africa is rich in will continue to pick up in the next few years. Bulk commodities being merchandises determines that the supply-demand relationship of the real economy is the fundamentals of their prices. With the improvement of the global economy, the rise of commodity prices may become driving force of growth in Africa again. In the next five years, Africa is likely to become the world's second fastest growing region immediately after Asia.

Fifth, African manufacturing has huge potential. African manufacturing industry is expected to reach nearly USD 1 trillion in output by 2025. Manufacturing is the engine of economic growth. McKinsey predicts that Africa's manufacturing output has the potential to double to USD 930 billion by 2025. According to current trend, its output will increase to USD 643 billion only in 2025. If African countries can provide a better environment, their manufacturing industry still has an additional room of USD 287 billion for development. The development of manufacturing industry is conducive to the growth of national wealth and tax revenue and in favor of the government's balance of payments. Meanwhile, the manufacturing industry can also create 6 to 14 million stable jobs over the next decade. In the future, there will also be additional opportunities in Africa's wholesale and retail, food and agricultural product processing, health care, financial service, light manufacturing and construction. Empirically speaking, POEs have more advantages and experience in the above sectors.

To sum up, in general, Africa's economic prospect is still turning good, and POEs' participation has a rosy future. According to the forecast of UN Economic Commission for Africa, if the current growth trend is maintained, Africa's share of global economy is expected to increase from the current 2.4% to 5.1% in 2034, and Africa's economic development potential will be gradually released in the process. In the medium and long term, Africa's economic recovery and even accelerated growth will provide a broader space for China-Africa investment and cooperation.

Since 2013, China's economy has shifted down into a new normal of medium to high growth. **Under the new normal, China's comparative manufacturing advantage over Africa and surplus production capacity are still of great economic value to Africa for a long time.** African countries can speed up their industrialization and urbanization by effectively absorbing technology and equipment from China. As China's industrial restructuring enters the substantive stage, both China and Africa greet an important time window for strategic industrial tie-in. Under such new situation and background, POEs will play an important role in promoting such tie-in between China and Africa. This window of opportunity is of great epochal significance to the development of POEs.

II. Chinese POEs have contributed positively to the trade and investments in Africa

(I) POEs investing in Africa have contributed positively to the "going global" of Chinese businesses

In 2015, China's outward foreign direct investment (outward FDI) achieved a historic breakthrough, ranking No. 2 in terms of flows globally for the first time and exceeding the amount of inward FDI over the same period, and achieve the net capital outflow under the two-way FDI account. During this period, the outward FDI made by the POEs grow at a much faster pace than that by the SOEs, so the POEs are becoming the main force of China's outward FDI. With their growing strength, China's POEs actively explore various ways to participate in the global economic cooperation and competition. Combining domestic and international markets and making outward FDIs gradually become an important approach for POEs to go global. In order to follow this trend and encourage POEs to expand their overseas markets, our government formulate and implement a series of policies and measures, thereby providing good policy support in this regard.

Africa is not the main region for China's outward FDI, but in recent years, it is one of the regions where our outward FDI grows fastest. POEs also achieved remarkable growth in their African investment. Especially after the Belt and Road Initiative was put forward, POEs are shifting the key target region of outward investment from the developed regions to the developing regions. **It can be said that Africa has become a hot spot for Chinese POEs in regard to going global and outward investment.** With respect to the development journey of China-Africa economic and trade cooperation, as Chinese businesses have an increasingly better knowledge and understanding of the African market, the cooperation gradually transitions from a trade-led model to an investment-driven model, and steps into a new stage where investment drives the development of trade and in turn facilitate the upgrade of the trade structure. As an important force of going global, POEs play an increasingly important role in the process of leading Chinese businesses to go out, then settle in, and finally take roots in Africa.

The journey of Chinese POEs to trade with and invest in Africa approximately goes through three stages. 1. Seed stage (1980s): POEs started their journey into Africa in an unorganized, self-initiated and small scale way. Most of the POEs work in retail and catering sector. Only a small number of POEs engaged in trade with Africa. In contrast, those making investment are even fewer. 2. Launch stage (1990s): With the development of China-Africa relations, after our government relaxed its regulations on outward investment, Chinese POEs gradually turned their attention toward Africa. The number of businesses going to Africa kept growing, and the export, mainly light industry, food, chemical products and indigenous animal products, expanded rapidly. 3. Expansion stage (since 2000): With the establishment and improvement of FOCAC, China-Africa economic and trade cooperation has accelerated. During this period, the scale of POEs' investment in Africa has increased rapidly, the regions and industries involved have expanded continuously, and the investment approaches have become more diversified. A great amount of experience was built up on the investment in Africa, and relatively mature business models in Africa have been developed.

On June 4, 2019, Qian Keming, Vice Minister of Commerce, said at a press conference that by the end of 2018, China had set up more than 3,700 businesses of various types in Africa. MOFCOM data shows that POEs account for more than 70% of businesses with investment in Africa. Dance of the Lions and Dragons, a report from McKinsey with input from China-Africa Business Council presented the survey data as follows: **At present, there are actually more than 10,000 Chinese-funded businesses throughout the continent, of which about 90% or 9,000 are POEs.** The POEs have become the main force of China's investment in Africa. POEs such as Huajian, King Deer, Muyang, China-African Cotton, China Hyway, CNQC, and STARTIMES have invested a large number of projects in Africa, making positive contributions to the development of African manufacturing, agriculture, infrastructure and culture and communication among others. In 2006, the United Nations Development Programme and the Ministry of Commerce of China jointly initiated the China-Africa Business Council. Currently, it has 800 direct members and is in touch with more than 2,000 Africa-oriented commerce and service organizations. The operations of its members cover 51 African countries with more than USD 10 billion invested in 45 African countries. It plays a very important role in guiding and serving China's POEs in their African investment.

In September 2018, China-Africa Business Council held the China-Africa Private Sector Cooperation Summit with All-China Federation of Industry and Commerce (ACFIC). As a new side event of FOCAC, it will be an important platform for Chinese POEs to invest in Africa. The Forum was held by All-China Federation of Industry and Commerce and Zhejiang Provincial People's Government, with 300 representatives from Chinese and African governments, POEs, and research institutions. Themed "deepen cooperation in the private economy between China and Africa", the Forum aimed at implementing the outcomes of the Beijing Summit of FOCAC, thereby promoting friendly exchanges and pragmatic cooperation between Chinese and African businesses. The forum released the first list of economic and trade cooperation zones invested by the Chinese private sector in Africa, with signing ceremonies held for a number of cooperation projects. This is also the first special forum on the topic of private sector cooperation held under the FOCAC mechanism, showing that private economy is playing an indispensable role in China-Africa cooperation.

(II) Investments of private business in Africa show outstanding characteristics, clear differences and significant transformation

1. Seven characteristics

a. Strong spontaneous and influential features. POEs participate investment in a market-oriented way in light of business opportunities, without much government guidance or policy support. Moreover, the success of a business in a certain sector will have a demonstration effect on the other businesses in the same sector.

b. Geographical convergence. Under the drive of interests, POEs are highly flexible with their investment all over Africa, but most of them prefer destinations with large population, large enough economy and market. African countries such as Nigeria, South Africa, Egypt, Ethiopia, Ghana, Zambia and Angola, in this order, host the largest number of Chinese POEs.

c. Source concentration. Most of those POEs are from the coastal provinces with developed economy, such as Guangdong, Zhejiang, Jiangsu, and Shandong.

d. Diversified investment across sectors. Most of these investments are short in time, simple in structure and quick in return and cover the primary, secondary and tertiary industries. In recent years, with the ever growing strength and experience of these POEs, their investment sectors have gradually shifted from traditional catering and retail to contracted projects, healthcare, textile, machinery and telecommunications among others, and have gradually set foot in agriculture, mining, energy and so on.

e. Limited investment modes. At present, the POEs invest mainly in greenfield projects in Africa. They less than often use JV and M&A to enter the African market with JVs representing only 12% in number.

f. Subsidiary as the most common form. Most of POEs enter African countries in form of subsidiaries rather than offices, representative offices and branches.

g. Being sensitive to the changes in industrial policies of the host countries. Some small POEs make specific investment by relying on the preferential policies for special sectors in a certain country. As their products are for the demand of local and peripheral markets only, they are highly sensitive to changes in such policies.

2. Four New Trends. In recent years, with the rapid development and transformation and upgrade of China-Africa economic and trade cooperation, the investment of Chinese POEs in Africa are experiencing some significant changes.

a. From a self-initiated mode to a multi-entity cooperative mode. POEs were mostly self-initiated with respect to their African investment in the early stage. A large amount of private businessmen are brave to take risks. They continue to grow their business in the complicated and ever changing African market and establish themselves in the host countries. Some of them have formed their own core competitiveness. However, as the market competition gets more and more complicated, investing in Africa increasingly requires private entrepreneurs to have better strategic vision and market adaptability. It becomes eye-catching that self-initiated investment is low in efficiency and high in risks. Against such background, POE started to resort to a collaboration-for-survival model for their African investment. Chinese businesses collaborate with various entities, such as government departments, chambers of commerce and African local enterprises, each giving full play to their respective advantages and making investment in Africa more organized and efficient.

b. From a unilateral investment mode to a win-win bilateral cooperation mode. POEs neglected the cooperation with local businesses in their early African investment, and it was difficult for them to integrate into the local regional economic network there. However, in recent years, bilateral alliance model have emerged, i.e. strategic alliance formed between Chinese POEs and African local businesses. On the one hand, this approach helps Chinese businesses quickly adapt to the unfamiliar investment environment in Africa and obtain assistance locally in terms of business leads, personnel and supporting industrial chain. On the other hand, it can effectively improve technological progress and capacity building of local businesses in Africa. It is also the biggest difference from the looting cooperation of Western countries with Africa.

c. From the low end to the high end along the value chain. Constrained by factors such as limited supporting industries and poor infrastructure, POEs' investments in Africa in the early stage were mainly about the low-end sector along the value chain such as raw material procurement and assembly and processing, with relatively low profit margins.

With the development of supporting industries and infrastructures in some African countries, some Chinese POEs in the manufacturing and processing sector have started to expand to high-end sectors along the value chain, such as technology transfer, research and development, marketing and logistics. In recent years, relying on the industrial clusters formed in some economic and trade parks, Chinese POEs have increased the proportion of raw materials and spare parts sourced in Africa, with a better profit margin.

d. From traditional sectors to emerging ones. The early African investment of POEs was mainly in traditional sectors, such as textile and clothing, footwear, ornaments and catering. These were the one that China has advantages traditionally or sufficient capacity. With the development of African economy and the upgrade of industrial cooperation between China and Africa, Chinese POEs have gradually stepped into emerging sectors, such as modern service, new energy development, green manufacturing, information and telecommunication in their African investment. For example, StarTimes has established subsidiaries in more than 30 African countries as Nigeria and Rwanda, being successful in the African digital television market. In recent years, cross-border e-commerce activities between China and Africa have developed rapidly. The inter-linkage between cross-border e-commerce activities and the real economy will further drive Chinese POEs to invest in Africa. In October 2018, Alibaba signed a memorandum of understanding with the government of Rwanda, the latter becoming the first African country to jointly build eWTP (Electronic World Trade Platform) with Alibaba.

III. Opportunities and challenges for POEs to invest in Africa under the new development stage

China's advantage in manufacturing and sufficient capacity are of prominent economic value to Africa. African countries can speed up their industrialization and urbanization by effectively absorbing technology and equipment from China.

(I) Opportunities

1. Macro level: good political and economic environment and huge market potential

First, the improvement of the macro political, economic and governance environment in African countries has created a good macro environment for POEs to participate in investment there. In recent years, for African countries, the macro governance has been significantly improved, the overall political and economic situation has become increasingly stable, inflation rates have declined significantly, economic resilience has increased, and disciplined monetary policies have been continuously strengthened. The international rating agencies issued positive outlook on the sovereign credit ratings of many countries. In turn, their attractiveness to private investment and ability to resist risks have been continuously strengthened.

Second, the room for economic development, huge demographic dividend and consumer market potential, all provide incentives for POEs to invest in Africa. As the macro-economic fundamentals improve, African countries employ expansionary fiscal policies, and greatly increase public investment in infrastructure and so forth drive overall economic growth. At the same time, Africa's rapid growth of population implies huge demographic dividends. At present, Africa's age structure is very young. The median age of the population is 19 (37 in China and 27 in India). The population under the age of 24 accounts for 60% of the total and the labor force is about 700 million. By 2050, Africa's total population is expected to reach 2 billion, so it will become the world's largest labor market and a basin of cheap labor, providing sufficient human resources for the transfer of labor-intensive industries from China. In addition, the rise of the middle class and the process of urbanization will expand the consumer base in Africa simultaneously, making more African countries become middle incomers and forming a huge emerging consumer market.

2. Meso level: far-reaching friendly relations and close economic interaction

The increasingly improved relations between China and Africa creates more room for Chinese POEs to invest in Africa. China is the largest developing country in the world and Africa is the continent with the largest number of developing countries. In 2000, FOCAC was set up as an institutional platform to strengthen China-Africa exchanges, communication and cooperation, thus achieving a rapid and all-round development of China-Africa cooperation. In 2013, President Xi Jinping visited Africa. This visit was a key milestone in the development of China-Africa relations. The proposal of the Belt and Road Initiative brings a new content for China-Africa cooperation. **At present, China has signed a memorandum of understanding with 40 African countries and the African Union (AU) to jointly build the Belt and Road.** It covers not only major regional powers such as Nigeria, Kenya and South Africa, but also key partners such as Angola, Djibouti and Zambia. China and

Africa have made many achievements during their joint efforts around the Initiative. The trade and investment facilitation measures introduced by Chinese and African governments have greatly facilitated Chinese POEs inAfrica, with the mechanism of investment in Africa improved continuously.

The Mckinsey report holds the view that China has rapidly developed into Africa's largest economic partner since 2000. **In terms of the depth and breadth of economic exchanges with Africa, neither France, Britain, the United States and other western countries, nor countries like India and Brazil are parallel to China.** China ranks No. 1 in Africa in terms of trade volume, FDI growth rate, and infrastructure financing; No. 3 in development aid; No. 4 in stock of FDI. Furthermore, African countries have formulated a series of preferential policies to attract foreign investment, and have continuously improved their business environment by removing access restrictions and reducing land costs.

3. Micro level: apparent strengths and coordinated rapid development

Their own advantages and accumulated experience about international cooperation have laid foundation for their African investment and international competition. **First, POEs generally have good business acumen and low-cost advantages.** Thanks to concentrated ownership, quick decision-making and short turnaround, they have strong ability for risk identification and mitigation. **Second, POEs have obvious advantages in allocation of productive inputs.** With most technological innovations carried out on a small scale, they can effectively control innovation costs and risks. **Third, POEs have relatively strong financial strength and investment and operational flexibility to take advantage of.** More and more Chinese industry or regional leaders go to Africa. They build effective business contacts and networks in the African market, so POEs can seize market opportunities and identify risks more accurately and rapidly than before.

(II) Seven major challenges

After the decade of development since early 2010s, Africa entered a new stage in which the economic gear-up period stacks up with the political and social transformation period. This is a transitional period where the old rules are being broken and the new mechanism has not yet been established. It is full of hope, but also prone to conflicts. The uncertainty has obviously increased. The POEs are facing more challenges and risks than the SOEs due to their own problems and shortcomings.

1. In Africa, political uncertainty will be there for a long time. Its political and security environment has improved in recent years and various types of conflicts saw a significant decrease in their scale and intensity. However, social conflicts and riots still take place frequently due to partisan and ethnic politics against the background of economic slowdown in Africa. In September 2013, Al-Shabaab, a Somali Islamist group, attacked a shopping center in Nairobi, Kenya, with several explosions and exchanges of fire, causing 240 casualties including 72 deaths. In April 2014, Boko Haram, an Islamic militant group, broke into the Nigerian town of Chibok, killing 15 civilians and 1 soldier and abducting more than 200 Christian girls. In September 2016, elections were postponed in the Democratic Republic of the Congo, causing widespread and continuing unrest with more than 50 Chinese shops raided. In 2016, the tribal conflicts were intensified in Ethiopia due to land expropriation, and many large-scale protests broke out, impacting the operation of Chinese businesses there. In 2017, Kenya's election was full of twists and turns, tribal confronting were difficult to resolve, vandalism and looting occurred frequently, and clashes broke out between the opposition and the police several times. In addition, the security threat posed by the terrorism is a hard-to-cure obstinate disease. In recent years, terrorist attacks and kidnappings have occurred from time to time that endangers the personnel safety and property security of Chinese businesses. Therefore, there still exist the security challenge associated with investment in Africa. In 2019, successive military coups took place in Algeria and Sudan, forcing two long-ruling autocrats Bouteflika and Bashir to step down. The civil-military relations that had been gradually normalized showed signs of reversal. The political turmoil in the two countries has a certain demonstration effect on other African countries led by political strongmen but with livelihood problems. The attention should be paid to the political risks in Africa in the future.

2. The needs for diversification of the economic structure become more pressing. Affected by the slow recovery of global economy, the economic growth has slowed down since 2015 in Africa and dropped sharply to 1.7% in 2016, which is lower than the global average for the first time since 2001. Ethiopia, Djibouti, Tanzania, Cote d'Ivoire, and Senegal among other countries grew by more than 5%, staying in the first group of the economic growth in Africa. The economic growth in regional powers and resource-rich countries such as South Africa, Nigeria and Angola has picked up moderately, but their growth rates are low. Congo (ROC), Burundi, South Sudan, and Equatorial Guinea have experienced nil and negative growth, aggravating their economic hardship. According to the statistics of the United Nations Conference on Trade and Development (UNCTAD), Africa's FDI dropped from USD 56.63 billion in 2015 to USD 41.77 billion in 2017, with a drop of more than 21% in 2017. Africa's FDI absorbed continued to decline in 2018, with about USD 18 billion in the first half of the year, down 3% from the same period last year. Slowing growth and insufficient inbound investment have limited the funds available to African countries for productive sectors and infrastructure construction. The financial bottleneck for sustainable economic development appears once again.

3. As policies lack coherence in the host countries, so investment risk tends to rise. Generally speaking, administrative and regulatory intervention of the African governments, frequent change of laws and regulations, and policy change that follows the power change, all have impact on the business environment. In recent years, **resource nationalism has spread in some countries, and more stringent laws have been issued one after another,** raising tariffs and fees on natural resource development at will and emphasizing the autonomy and dominant position of the national government. The Congo (DRC) government has promulgated a new mining law to raise resource tax rate of various metal minerals, bringing systematic risks to investors. Moreover, in recent years, Angola, Zambia and other countries have restricted the issue of long-term work visas for foreigners, including Chinese nationals. The prolonged and complicated application procedure for business and work visas have affected project progress and operation, greatly increasing investment risks and financial pressures businesses face.

4. Return on investment shrinks greatly as a result of highly volatile exchange rates. As the commodity prices fall, the currencies of African countries depreciate sharply against the US dollar and the forex risks soar. Since 2014, many African currencies have plunged dramatically, with Angolan Kwanza down by nearly 65%, Nigerian Naira down by 100%, and Mozambique Metikar down by 120%. On Nov 3, 2016, the Egyptian Central Bank approved the free floating of exchange rate, leading to a violent fluctuation of the exchange rates of the Egyptian pound (EGP), which depreciated by nearly 50% against the United States dollar. So far, it has a cumulative depreciation of more than 160%. In addition, Ethiopia and other countries have implemented strict foreign exchange control due to shortage of foreign exchange, making it difficult to solve such problems as currency exchange difficulties and losses. **According to a number of Chinese businesses in Africa, more than 70% of the losses suffered by construction-oriented and investment-oriented businesses are caused due to the devaluation of African currencies.** In particular, it is difficult for the POEs with less self-owned funds and little financial support to cope with losses arising from exchange rate fluctuations.

5. Poor supporting industries lead to high costs in investment, construction, production and operation. The Institute of Development Studies (IDS) conducted a survey on Chinese businesses about "What aspects the Chinese POEs wish that the investment environment in Africa can improve". The findings show that the severe shortage of software and hardware tied up the Chinese POEs from going to Africa. **At present, most African countries (regions) are weak in industrial infrastructure and dependent on imports of most materials, resulting in expensive productive inputs.** For example, Good Time Steel Company ZAMBIA Ltd (an investee of a Fujian Sole trader) set up just one steel rolling mill in Zambia at the beginning, and then a range of supporting plants such as an oxygen workshop and a machine repair workshop, and now plans to build a transportation fleet. The steel rolling mill has a wire rod production capacity of 100,000 tons. as the market demand in Zambia is approximately 50,000 tons only, the rest of its outputs have to be exported to neighboring countries. Domestic transportation in Zambia is mainly by road which is high in cost and long in time, reducing the competitiveness of the products. Transportation is now top constraint on its long-term development. Infrastructure such as electricity, roads, bridges and telecommunications is not fully in place. Particularly, electricity and transportation directly correlate to productivity and profits. **The cost of labor is low in Africa than in China, but the cost of logistics and transportation is much higher.** For example, in the Ethiopian Eastern Industry Zone, the road and supporting facilities are sound, but the cost of transportation and logistics is four times that in China.

6. POEs can't get effective financial supports in light of their limited access to finance. For POEs, limited own funds, limited access to finance, limited access to credit facilities, and limited forex channels, all constrain the scales of their investment in Africa, and increase their operational risks and costs. In recent years, as China's economy slows down, domestic financial institutions are concerned about the default risk and are reluctant to provide loans to small and medium-sized POEs. Their loans to POEs are more about "make perfect more perfect " rather than "be a friend in need". In addition, it is hard to supervise overseas assets. Therefore, domestic financial institutions are even more reluctant to provide finance or guarantee for overseas investments by POEs, which tend to be small in scale and high in risk. **At the same time, in African countries, financial systems are underdeveloped, microcredit interest rates are high, banking systems are imperfect, guarantee requirements are demanding, records on loans are not in place, and the public sector takes nearly all loans and leave little to the private sector.** POEs are similar to and competitive with African local businesses at the non-industrial level. In order to protect their native businesses, some African countries have adopted differentiating measures in polices, making it difficult for Chinese SME to obtain financial support locally. In China, there isn't a sound and complete set of laws and policies on outward FDI. The over-stringent, complicated and prolonged approval procedure easily cause businesses to miss investment opportunities and increase the cost of going global. Although the State has issued some preferential policies, relevant supporting measures are still not in place.

7. It takes continuous efforts for Chinese businesses to get integrated into local communities due to cultural differences. Africa has more than 1,500 ethnic groups and more than 2,000 languages, and is rich in ethnic culture. Today, tribal traditions and customs still coexist with modern civilizations. For example, in respect of purchase of land, you will not truly own the right to use the land with government's approval in some regions until local indigenous leaders are invited to perform relevant rituals. In addition to these living tribal culture, religions, communities and trade unions in modern western civilization also play important roles. Trade unions in some African countries are powerful, leading to frequent labor disputes.

RECOMMENDATIONS

I. Recommendations at the national level: encourage, support and guide POEs to invest in Africa

1. Highlight key investment and cooperation in Africa Close exchanges and cooperation between the Chinese and African governments are the basis for the development of good economic and trade ties between the two sides. The government should continue to fortify and develop friendly and cooperative relations with African countries. With bilateral or multilateral treaties executed, our government can strengthen the consultation mechanism, effectively resolve economic frictions, reduce the legal cost of POEs' investment in Africa, and strive to provide a more favorable external environment for POEs.

2. Assist businesses in risk prevention. It is difficult for POEs to develop a complete mechanism for risk analysis, identification and warning as well as an executable risk response system due to their limited capabilities. In order to prevent relevant risks, the Chinese government has set up the China-Africa Institute in time to strengthen and refine the research on the political, economic, legal, social and cultural aspects of African countries. The Institute aims to understand the development of policies in African countries at the Macro level and provide directional guidance for businesses making investment. However, there is still not enough support at the medium and micro operational levels. **The government can consider the establishment of an overseas investment committee at the national level to provide Chinese businesses with comprehensive services in relation to destination countries, such as risk guidance, investment and industry guidance, and information consultation.** In addition, an African investment insurance system can be introduce to encourage and guide Chinese businesses, especially POEs, to invest in Africa.

3. Provide holistic supports, such as credit rating, loan and investment guarantee, and overseas outlets. Small and medium-sized POEs are unable to raise the required amount of funds for their African investment in the short term due to their lack of creditworthiness. The government need to speed up the establishment and improvement of relevant credit rating mechanisms, so as to encourage commercial banks and policy banks to increase lending support to POEs with high credit rating, and reduce the difficulty of access to loans. Moreover, we can explore to set up financial institutions serving non-state-owned economic entities, such as an SME guarantee fund, for example, in order to broaden the financing channels for businesses investing in Africa. Finally, we can encourage state-owned and private financial institutions to enter Africa, actively participate in the privatization of African financial industry, and actively cooperate with large African financial institutions through M&As and equity participation. In addition, **China's financial institutions should be encouraged to establish branches and set up outlets in Africa, so as to help POEs enter Africa with convenient access to finance.**

4. Make good use of chambers of commerce and other NGOs to build investment service platforms. At present, the investment of POEs in Africa is scattered in distribution without horizontal linkage and cooperation between them. Many businesses are in a state of disorderly competition. As a service platform for Chinese businesses in the economic and trade cooperation with Africa, China-Africa Business Council can guide POEs' investment in Africa by consolidating and coordinating various resources. This helps POEs choose investment projects, improve returns and reduce risks by better understanding and then leverage the economic characteristics and policy guidance of the host countries. The government can use non-governmental forces such as China-Africa Business Council and China International Chamber of Commerce for the Private Sector (CICCPS) for strengthened promotion of the state's support policies on encouraging POEs to invest in Africa, **so as to give full play to the advantages of the business associations in organization, mobilization and networking, and to promote the cluster development of POE in relation to their African investment.**

II. Recommendations for business associations

Business associations should, in accordance with the umbrella principle of "Serve Businesses and Coordinate Social Resources", help businesses address major development-related problems. Thus, they can flex their muscle in the following four areas: 1. improve the financing services for POEs, 2. provide policy guidance for the sustainable development of POEs, 3. continuously optimize the overseas operation services for POEs, and 4. strengthen the training on "Go Global" for POEs.

First, build networks and seek breakthroughs in relation to the needs of POEs for overseas financial services. It is recommended that business associations organize the relevant departments to concentrate efforts on providing necessary guidance and services for enterprise in respect of financing, so as to address specific challenges such as POEs' difficulties in accessing financing and financial settlement. At the same time, business associations can help government departments speed up the internationalization of RMB continuously. Taking Africa as an example, using Yuan as the base currency for China-Africa cooperation could reduce transaction costs and at the same time improve transaction security and legitimacy. In terms of financing, measures could be taken to encourage the development of innovative financial models such as digital banks and the integration of e-commerce platforms with China-Africa trade, thus greatly reducing information asymmetry in the African financial industry, and expanding the financial services of local banks to POEs in Africa.

Second, provide guidance about the policies, public services, and codes of conduct for the sustainable development of POEs. In line with existing by-laws and regulations, and building upon earlier experience and lessons, business associations should provide official guidelines for the development of a more systematic and comprehensive code of conduct adaptive to the sustainable growth of Chinese businesses overseas. The Code of Conduct for the Operation of Overseas Investments by Private Enterprises (2017) sets a good example of such efforts; however, it can be strengthened and expanded to an actionable framework that businesses can incorporate into their overseas operations. Meanwhile, it also offers a tool that regulators could use to monitor and measure the sustainable development of POEs overseas. Furthermore, it is necessary to promote the mandatory and incentive guidance of relevant government departments on overseas operations of POEs. Compulsory guidance is more effective than voluntary one in guiding and regulating Chinese corporate behavior overseas. In addition, more flexible incentives can be adopted to encourage POEs to follow the guidance provided by the government.

Third, pool public resources to provide professional services for the long-term overseas operations of POEs. Organize training programmes and share best practices on personal and corporate safety, public relations and CSR; host business and policy forums between China and the host countries that are open to all Chinese POEs; strive to coordinate with the host country's academic institutions and think tanks to conduct joint research on the development context of the host country, such as in terms of macroeconomic and political situations and trends, regional and bilateral relations with China, and industry-specific research where Chinese POEs invest. These knowledge outputs can be used as public products to enable Chinese businesses to better understand their business environment in the host countries.

Fourth, improve "Go Global" special topic training and experience exchange according to the characteristics and concerns of Chinese businesses. For existing problems identified in relation to the POEs going global, training and guidance should be strengthened to effectively improve the capacity of enterprises to go abroad. Under the framework of the joint inter-ministerial meeting for "Going Global", a training coordination mechanism could be established, and training programmes should be implemented through multiple channels. Special funds could be set up; short-term and medium-term training plans should be formulated; responsibilities of various departments should be clearly defined; and actionable implementation should be monitored. The unique role of Chinese embassies, consulates and think tanks should be fully utilized in designing and providing training to "Going Global" POEs, and those institutions should be included in the joint training coordination mechanism. POEs should be guided to enhance their awareness of localized management, integrity and compliance, environmental protection, and social responsibilities. It is also important to improve their capacity in risk prevention and emergency response. Furthermore, smooth communication channels should be established between Chinese POEs and Chinese embassies and consulates abroad, allowing POEs to actively seek guidance and services.

III. Recommendations for POEs

1. Recommendation I: conduct proper market research, assess risk accurately, and improve strategic capability. The industrial development of African countries varies greatly due to their different levels of economic development, which may bring up many uncertainties to POEs when choosing industries. POEs need to choose industries and geography in a reasonable and robust manner by considering such factors as national and regional characteristics, and their political, economic and social development level. POEs need to obtain full knowledge of the market with focuses highlighted, and strengthen industry research and analysis and prospect forecast. More specifically, POEs need to conduct in-depth and systematic research on the industrial development plans and policies of the host countries, combine their own advantages with the specific conditions of the local market to make investment decisions.

POEs need to stay informed on various changes and make full use of policies. Investment in Africa is a complicated and systematic engagement. In such complicated process, Chinese embassies and business offices in African countries play an important role in risk avoidance, communication and dispute resolution. Businesses should learn to make full use of China's diplomatic resources to reduce the costs and risks for investment in Africa.

2. Recommendation II: improve cluster investment awareness and carry out cooperation and healthy competition. Most of Chinese POEs prefer to invest in labor-intensive and capital-intensive industries, without sufficient core competitiveness and risk management. **For this purpose, POEs can use the cluster mode to invest in Africa and consolidate the industrial chain to compensate shortcomings with synergy.** For example, they can make direct investment in an industrial park, and create a platform for the businesses in the cluster to share information, facility and service. In turn, they can reduce investment risks and improve risk management by facilitating specialized division of labor, sharing information, and improving logistics and other infrastructure and services. Through specialized division of labor within the cluster, POEs within can save investments in fixed asset, improve equipment usage, and enjoy benefits of external scale.

POEs can strengthen its contact with SOEs when overseas, learn from each other and carry out mutually beneficial cooperation. When developing overseas markets, SOEs and POEs have their respective advantages, so there is a new trend for them to work with and complement each other. POEs are more sensitive to market trends and opportunities and make faster decisions. In contrast SOEs may have advantages with their size, but tend to have more complicated decision-making processes. It is a new trend for state-owned and POEs to cooperate in exploring overseas markets. In the process of project development, POEs have advantages in quick decision-making and flexible resource allocation, which can be used to carry out feasibility research and exploration. In the negotiation process with the owners, with the brand effect of the SOEs, SOEs and POEs can share resources and risks, make full use of their respective advantages, promote project development and improve efficiency.

3. Recommendation III: Integrate only with respect, and start the era of compliance. China's POEs in Africa are facing complicated international relations and get involved in the fight for conflicts between countries, thus they have to assume more social responsibilities to achieve the balance of interests between countries, between businesses, and between businesses and communities. First, POEs need to strengthen environmental awareness. Although African countries are underdeveloped, they have strong environmental awareness under the influence of their suzerains. Second, POEs need to properly handle the relations with religions, communities and trade union. Most of the countries in Africa are rich and diverse in culture. Religions, communities and trade unions play a very important role in social life. In some countries and regions, religious and tribal forces are more powerful than their governments. Thus, POEs must attach great significance to the relations with these organizations, in order to create a good business environment and a good international image for Chinese businesses.

In terms of compliance, businesses can choose local or international lawyers, accounting firms and public relations companies to assist them navigate unfamiliar laws, regulations, media environments and relationships. Some mature businesses exploring overseas markets can also appoint internal compliance officers, lawyers, accountants and public relations teams who are proficient in local laws, markets and media to be stationed in host country offices. In their dealing with communities, we also recommend that POEs choose professional partners or develop in-house professional teams, which can help Chinese POEs to better understand the needs of the local communities in host countries and to work together with communities towards common development.

4. Recommendation IV: Strengthen the training and pooling of talents who can work in Africa as appropriate and improve the ability of international operation. Talents who understand the national conditions of the host countries are important bridges and links for businesses to expand their cooperation with Africa, and are also one of the key factors for their success of the operation in Africa. On the one hand, businesses can strengthen its workforce by recruiting and cultivating talents. For example, they can establish talent training bases in cooperation with major colleges and universities for procuring the latter to strengthen the training of Africa-oriented talents, provide practical courses in transnational operation, and update the curriculum in a timely manner. They can work with African schools on joint programs and industry placement in local businesses in Africa, so that trained talents are truly familiar with international practices and African market environment and have the ability to operate and manage in Africa. **In a word, it is necessary to cultivate a true Chinese "Africa Expert" or a true African "China expert",** with a view to localize all the operation and management personnel. On the other hand, businesses should establish a seamless job rotation & exchange mechanism between China and the African market and give reasonably better salary and welfare to domestic employees who are willing to work in Africa, so as to strengthen their attractiveness to talents. At the same time, host country employees with good performance should be promoted to headquarters to participate in business or even Chinese language training. This can help develop their capacity to take over higher responsibilities after they return to the host country office, and gradually replace Chinese senior managers in the field to resolve challenges in cross-culture management.

5. Recommendation V: Build an international brand and learn to manage reputation. Businesses investing in Africa should increase their branding awareness, attach importance to product quality and warranty, plan to build, develop and grow brands from an international strategic perspective, and do a proper job in brand certification. At the same time, businesses investing in Africa should keep strengthening the subjective consciousness for independent innovation, strengthen the Industry-University-

Research collaboration, adhere to sound management and honest operation, persistently build independent brands with international competitiveness, and learn from international experience to promote and maintain brands. Businesses with strong financial strength can also obtain brand resources by planning asset-seeking FDI, dominate the value chain and improve their international competitiveness.

Chinese Businesses investing in Africa are often passive in response when being challenged by the media and other communication players. POEs should attach importance to and take a rational attitude towards the role and impact of the media, improve their ability for media exchanges and public relations management, and effectively address the public relations crisis, easily making local operations successful.

Appendix: Survey on Participation of POEs in the Development of the Belt and Road and Investment in Africa

Business and Contact Details:

Business name: ______________________________
Name: ______________________________
Title/Position: ______________________________
Location (country/city): ______________________________
E-mail: ______________________________
Tel: ______________________________

1. Which of the following regions are you investing in:

A. Southeast Asia; B. South Asia; C. Russia, Central Asia and CIS; D. Central and Eastern Europe;

E. Middle East (Asia); F. Middle East (Africa); G. Sub-Saharan Africa

2. What are the main considerations when choosing your investment destinations (multiple choices are allowed):

A. Local resources and energy; B. Local cheap labor; C. Local preferential policies; D. Local potential for economic development

E. Local demand for your products; F. Other ______________________________

3. What are the main sectors you invest in locally:

A. Resources and Energy; B. Infrastructure; C. Manufacturing; D. Agriculture; E. Logistics and transportation;

F. Technology, media and telecommunication (TMT); G. Finance; H. Industrial park construction; I. Other ____________

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4. In the host country, you plan to:

A. Make additional investments; B. Maintain the status quo; C. Gradually expatriate profits; D. Gradually withdraw and reduce investment.

E. Suspend operation; F. Apply for bankruptcy/liquidation /reorganization; G. Other ______________________________

5. Your major sources of funds for outward investment (multiple choices are allowed):

A. Self-owned funds in China; B. Loans from a bank in China; C. Back to back loans; D. self-owned funds overseas; E. Overseas financing

F. Other ______________________________

6. Your major barrier when it comes to the fund for outward investment:

A. Limited access to finance; B. High cost of capital; C. forex control in China; D. Other ______________________________

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7. What is your opinion on outward investment facilitation (multiple choices are allowed)?

A. limited facilitation offered by the domestic competent authorities; B. limited facilitation offered by the inbound investment approval departments in the host countries

8. How do you think about the current business environment in the host country?

A. Keep improving; B. Remain unchanged; C. Start to deteriorate.

9. Which area are you concerned most about with respect to the business environment of the host country (multiple choices are allowed)?

A. Starting a business; B. Getting space and premises; C. Getting credit; D. Daily operation; E. Legal environment

10. In your opinion, what are the challenges in your cross-border operation (multiple choices are allowed)?

A. Forex risk; B. Political risk in the host country; C. Legal risk in the host country; D. Social culture in the host country;

E. Insufficient reserve of international talents in your company; F. Other ____

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13. In your opinion, what bring up the opportunities for future development locally (multiple choices are allowed)?

A. Potential for economic growth; B. Industrial structure upgrade; C. Consumer market expansion; D. Mobile internet sector;

E. Infrastructure construction; F. Other ____

14. What is your main source of business lead (multiple choices are allowed):

A. Friends; B. Intermediaries; C. Self-sourcing; D. Workshop by Host Country; E. Chamber of Commerce; F. Other _____

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15. In your opinion, who are your main competitors locally?

A. Other Chinese businesses; B. Host country businesses; C. Third country businesses

16. How relevant is your overseas business to your domestic one:

A. High; B. Moderate; C. Low

17. What are your main advantages for development in the host country (multiple choices are allowed):

A. Strong financial strength; B. Advanced technology; C. Mature management experience; D. Close ties with the domestic industrial chain;

E. Preferential policies with China; F. Other ____

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20. What do you, as an overseas member, think will be key functions of the China-Africa Business Council as a platform (to be completed by overseas business members)?

A. Protect the interests of Chinese businesses overseas; B. Interlink information between domestic and overseas markets; C. Promote local business leads

21. What are the challenges faced by your company when operating locally?

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