



## **THE STUDY OF CHINESE FDI IN AFRICA FROM THE CASE OF DAHENG INDUSTRIAL PARK**

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### **Abstract**

*The growing involvement of China in the Africa has continued to stimulate questions on the impact of the region. This paper attempts to contribute to this debate and also to pursue a development goal by empirically answering the question that if China's FDI in Africa boost the economy of the continent. The data used for this study were obtained from China Africa Research Initiative, the World Bank websites for a sample of 26 economies in Africa over the period of 2007 to 2017. Daheng Industrial Park is a case of investment in Africa to promote local industrialization. The Panel Regression was used to achieve the objective of the Study and to estimate the result that indicates China's FDI in Africa has an insignificant but positive effect on the continent. The conclusion shows that China's investment is not the only factor for the economic prosperity of African countries. Furthermore, it has been found that there is a high involvement of Chinese FDI in Africa due to the abundance of natural resources and market*

size. The involvement of Chinese FDI in Africa has benefited many countries on the continent, there are some complexities regarding economic growth of some countries are caused by Chinese FDI in Africa. Although there is also failure from some countries such as a failure of local industry, unemployment for local people and dominance of Chinese industries on the continent which is the negative effect of Chinese investment on the continent.

*Keywords: China's FDI, Economic Growth, Industrialization, Daheng Industrial Park, Africa*

## INTRODUCTION

FDI is an important mode of international business. Kersan-Skabic (2015) believes that FDI's main aim is to focus on the countries market size, configure its institutions and moreover corporate taxes rate, which influences the FDI rate along with the inward FDI stock. Elboashi (2015) states that despite of huge development in FDI outward and inward flows in many developing countries, the effect of FDI on the economic growth is still considered unclear and vague, and it's also important debate in development and international economics. Global FDI is still developing at a greater degree. But it is still considered that the impact of FDI on the host countries economic growth which received from the fact that FDI inflow as the most important guide for the technology and business system transfer to the host country.

Another importance of FDI depicts the accessibility of human capital quality that plays an important role in economic development. Due to FDI, many capable and professional skilled labours can be transferred from one country to another, which is deprived of skilled labor in their industries or companies.

The inflow of FDI can be the beginning of international economic cooperation of an underdeveloped country, or the beginning of industrialization of local industrial economy. FDI plays a positive role in the development of technology transfer within developing countries, which produces a positive image of those countries developing markets at the global level, to attract foreign traders. It helps in the reduction of technology gap between the home and other countries. Perhaps, because of filling out these gaps more and more competitors, traders, investors and suppliers will be attracted to increase the product growth rate. According to literature studies, FDI development enhances the economic growth through promoting infrastructure development, telecommunication, trade openness and institutional development. Therefore, good infrastructure can promote the production capacity related to economy of the host country. Production capacity encourages the outflow of resources and also promotes the development of existing resources, Resources help in the production of assets and cause increase in business (Otchere, and yourougou, 2016) value along with trade capital. Studies

suggest that technologies are associated with the broadening of the capacity of worldwide competition along with the amplification of the supply side abilities for manufacturing and selling goods with services.

The growing involvement of China in the African regions has continued to stimulate questions of its involvement in the region. This paper attempts to contribute to this debate and also to pursue a development goal by empirically answering the question that can China's FDI in Africa stimulate the industrialization?

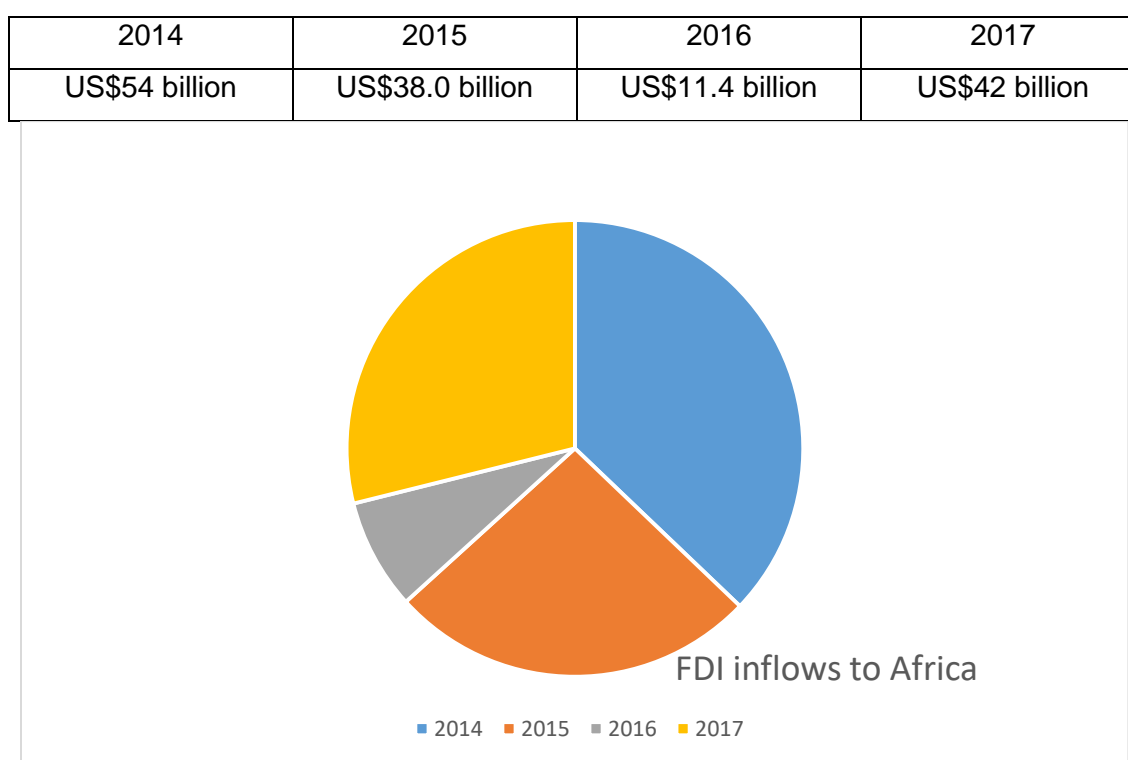
## **FDI**

Researchers Bitzenis (2016) , all around the world has investigated about the FDI and many have even argued about the actual definition and function of FDI at the national and international level. But many theorists (Buettner, Overesch, & Wamser, 2018) believes that, FDI is an investment department which may consist of an individual or a group of people who owns a business and who also owns 10% or more investment of a foreign company. Some researchers (Buettner et al., 2018) also argues that FDI is having 10% or more than 10% t shares in a business, but the problem arises when the ownership is less than 10% of the international monetary fund (IMF).

Therefore, 10% of the ownership does not allow an individual to intervene into the administrative department of company business; neither to let the investor controlling the business interest. But the definition of FDI also explains that those who have 10% ownership in any business, they might have some influence over the company's department like management, operations and policies. According to researchers (Chan, 2016) companies should always keep a track of those investors who are willing to invest in the governmental or private companies, so that they can prevent any misconception and misunderstanding between the company's actual owners and shareholders. FDI and its sources of production have always been a cause of long-standing debates on which various studies carry out empirical analysis. Studies (Buettner et al. (2018); Farla, De Crombrugghe, & Verspagen, 2016) also believe that FDI and economic growth have many things common between each other.

Economic growth rises when FDI rises and economic growth falls when FDI falls. This means that their pros and cons will also be similar depending on the situation and circumstances of investment in business. According to studies (Iamsiraroj, 2016), FDI consists to determine what influences foreign investment in the national and international market; determiners can be labour power, skilled and professional work force, trade openness, and the most important trade and industry freedom growth.

Researchers (Iamsiraroj & Ulubaşođlu, 2015) suggest that FDI is decisive for increasing and emerging markets and countries. It's important in those areas and countries where companies get multinational's funding and investments expertise to develop yearly market's production sale at the international level. These investments will enable different sectors to develop themselves under the international investment; sectors might include water, energy or infrastructure. These sectors can enhance the sale production which might increase the level of employment and remuneration for the people of the particular country. Development of any company does not occur by itself, it has to attract multiple foreign companies who are willing to establish trade and have enough funding and investment to do.



*Figure 1. FDI inflows to Africa*

Foreign direct investment (FDI) inflows to Africa as a whole remained stable at \$54 billion in 2014, with decreases in North Africa being offset by rises in Sub-Saharan Africa, UNCTAD's World Investment Report 2015<sup>1</sup> has revealed. North Africa saw its FDI flows decline by 15 per cent to \$11.5 billion.

FDI inflow figures for 2015, published by UNCTAD, further illustrates this decline as FDI inflows to Africa during 2015 dropped from US\$53.9 billion during 2014 to an estimated US\$38.0 billion in 2015.

FDI flows to West Africa grew by 12 per cent to \$11.4 billion in 2016, supported by recovering investment in Nigeria, although flows remained well below record levels.

Foreign direct investment (FDI) flows to Africa slumped to \$42 billion in 2017, a 21% decline from 2016, according to UNCTAD's World Investment Report 2018.

### Chinese FDI in Africa

As per studies Shan et al. (2018) China has a great impact on the development of FDI value in Africa. Instead of availability of large amount of resources Chinese firms are attracted towards the market size of Africa instead of its resources. In SSA only voice and accountability has a momentous and encouraging effect on attracting Chinese FDI. Chinese investment in Africa is a recent study that is in focus, which is frequently involved in the growth of trade and investment in Africa. Chinese firms and enterprises are interested in Africa also due to the growth performance of economies in this region. According to the past studies (Shan et al., 2018) Chinese FDI in Africa grew at an annual rate of 20.5%.

The graph below shows Chinese inflow of FDI which is compared to US inflow of FDI into Africa throughout different years. Chinese FDI flows to Africa have exceeded those from the U.S since 2014, as U.S FDI flows have been declining since 2010. The top 5 African destinations of Chinese FDI in 2017 were South Africa, Democratic Republic of Congo, Mozambique, Zambia, and Ethiopia.

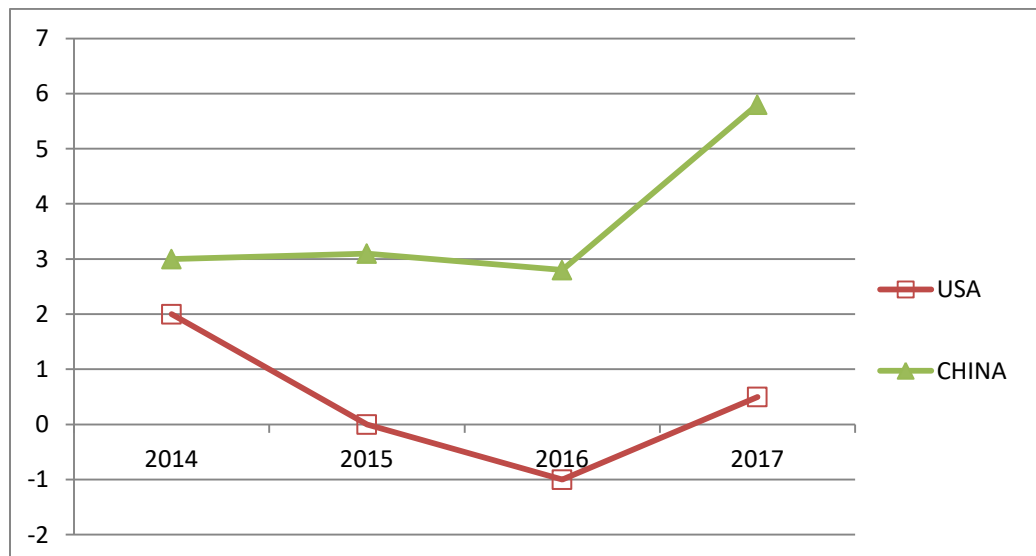


Figure 2. China and USA FDI in Africa

## Determinants and Consequences of Chinese FDI

Study of Mourao (2018) determines the reason behind Chinese investment in Africa. Study of Ado and Su (2016) say that there is a diplomatic system between China and different countries of Africa. China is making itself stronger in African continent by investing in it more than any other country. As a result it is increasing the rate of economic growth for its own country. It is transferring the labour to Africa while it is also educating the labor in African countries to build a stronger influence on the continent. The attraction of China in Africa is similar to the attraction of western investment; there all main attraction is the resource rich country. China's investment in Africa is both big and small because China's investment in Africa has been growing rapidly and its share rises over the time. But still question arises as to whether China's commitment has contributed to economic growth in Africa. The diversification of Africa's conventional trading partners could reduce export instability. As per studies (Kumari & Sharma, 2017) Chinese manufactured firms could displace their African competitors in case they produce similar goods. Rate over evaluation and low-cost competition from China intimidate African suppliers in manufacturing.

There are many risks and threats that arouses from China's various activities in Africa but China never abandon (Adom, 2015) investing in Africa due to Africa's developing economic nature in future. China on the other hand is well aware of the importance of trade and investment in Africa and its countries, that's why China is increasing its influence on Africa with the developing period of time. China supports the market size and resource endowment in Africa (Asongu & Kodila-Tedika, 2015) therefore; it is enhancing its hold on the FDI of Africa. Studies consider that there are three main determinants of Chinese FDI in Africa that includes: trade, aid and business market. It is considered that China has a positive impact on the business growth and investment in Africa Doku et al. (2017).

Studies (van Dijk, 2014/2017) explain the consequences of Chinese FDI on African countries. China's influence over African countries is increasing due to which its involvement in the continent is also increases. There is a possibility that this involvement might affect the relation of investment between China and Africa. Studies believe that FDI is responsible for the transfer of technology and labour across countries. Which as a result increases the total investment in the economy of the host countries? But many researchers' claims that Chinese investment in Africa brings more harm than good into the region due to which Africa might deal with instability politically and financially.

China's is investing in Africa because it is getting straight access to natural resources and China is a biggest consumer of iron core, uranium and coal as compare to others countries. Another reason why China is investing in Africa is because it is getting an easy access to the

African trade market. However, Chinese investment represents African states with the major opportunities for sustainable growth. The future prospectus of investing in Africa can be that Africa should keep the benefits of Chinese investment while redressing its drawback. African tax policies should build up the production sector by sustaining infrastructure and education. African government should increase resource taxes on the dealing of goods and resources with China. Chinese FDI has the ability to industrialize Africa, in case African government and continent as a whole try its best to protect their region from exploitation by the hands of foreign traders.

### **Research Objectives**

- (1) To analyse the effect of Chinese FDI on economic growth of Africa;
- (2) To highlight the Chinese FDI involvement and practices in Africa;
- (3) To highlight the benefits produced through Chinese industries in Africa;
- (4) To examine the complexities faced in economic growth due to the involvement of FDI as a foreign trade and investment in Africa.

### **Research Question**

- (1) What is the effect of Chinese FDI on Economic Growth of Africa?
- (2) What are the benefits produced through Chinese industries in Africa?
- (3) What is the involvement and practices of Chinese FDI in Africa?
- (4) What are the complexities faced in Economic Growth due to the involvement of FDI as a foreign trade and investment partner in Africa?

## **METHODOLOGY**

### **Research Philosophy and Approach**

The research philosophy adopted in the current study is pragmatism which is a combination of positivism and interpretivism in a single study. The present research has adopted this philosophy because the current researcher has adopted amalgamation of positivism and interpretivism in order to collect data and to interpret data. The philosophy of the research is determined through the objective of any research therefore, the current pragmatism philosophy adopted in the current study is the requirement of the purpose of this research. Since, the purpose of the current study is to analyze the effect of Chinese FDI on African economic growth and at the same time, another purpose is to highlight the Chinese FDI's involvement and practices, the benefits produced through Chinese industries, and the complexities faced in the economic growth due to the involvement of FDI as a foreign trade and investment in Africa, the current study needs to interpret the results with positivism as well as interpretivism philosophy.

The mixed objectives of this study lead the researcher to adopt pragmatism philosophy; as far as the research approach of the current study is concerned, it is deductive because the current study does not intend to develop a new theory and the purpose is to study the already existing general concepts in context of Africa.

### **Research Method**

According to the research method, a study can be regarded as “qualitative, quantitative or mixed study”. In a qualitative study, the data is collected and analysed in qualitative ways while in a quantitative study, the data is collected and analysed in quantitative ways. The mixed method study is a study in which data is collected and analysed in qualitative and quantitative ways in a single study. The research method of a study must be aligned with its purpose and approach. For instance, the deductive approach is normally associated with quantitative method while inductive approach is normally associated with qualitative method. The current study has adopted mixed research method because the qualitative as well as quantitative research methods have been used to accomplish the objectives of the current study. The mixed method approach has been adopted in the current study because it purposes to analyse the impact of Chinese FDI on economic growth of Africa and at the same time, it purposes to highlight the Chinese FDI’s involvement and practices in Africa, the benefits produced through Chinese industries on the continent, and the difficulties faced in economic growth due to the involvement of Chinese FDI in Africa.

To analyse the impact of Chinese FDI on economic growth of Africa, the quantitative data and analysis were needed while to understand and highlight the benefits, issues and involvement of FDI in Africa, the qualitative data and analysis were needed. Therefore, to achieve all the objectives of the current study, the researcher has used mixed research method in which the secondary data about Chinese FDI in Africa and its economic growth was collected and analysed in quantitative way while the interviews were conducted from experts of Africa in order to understand the benefits, issues and involvement of Chinese FDI in Africa.

### **Nature of Study**

The nature of study is determined by its purpose and objectives. A study can “descriptive, exploratory, or explanatory” according to its nature. In an exploratory study, the purpose of the researcher is to develop or explore some new theory while in an explanatory study, the purpose of the researcher is to explain and enhance an already existing theory. The exploratory study is normally associated with qualitative study which ends with theory forming and the explanatory is normally linked with quantitative study which ends with theory testing. In contrast, the



descriptive study neither develops nor tests any theory but it is associated with in-depth description of some theory. The current study is an explanatory as well as exploratory study because it explains the impact of Chinese FDI on African economic growth. The impact of FDI on economic growth is an existing theory which has been further explained in the current study. Furthermore, the current study has also found and described the complexities and benefits of involvement of Chinese FDI in Africa therefore, the current study can also be regarded as descriptive study because it has described the particular factors in context of the Chinese FDI in Africa.

### **Data Collection and Procedures of Study**

The procedure of research means the ways through which the required data for research will be collected. The manners and techniques through which the data is collected are procedures of a research. For instance, the data in questionnaire based study can be collected by adopting telephonic approach, email approach, online questionnaires etc. Since, the current study has used interview method for data collection so, the telephonic interviews have been conducted in this study. The four experts from Africa were accessed online and appointment was taken for their telephonic interviews. Through telephonic interviews, the information about the involvement, complications, issues and benefits of Chinese FDI in Africa and Daheng industrial park, Botswana was gathered. Furthermore, the secondary data about the Chinese FDI in Africa and GDP of Africa was collected from website of “World bank” from which the ten year macroeconomic data was extracted.

### **Data Analysis**

The current study has adopted qualitative as well as quantitative approach so the mixed method approach was used to collect as well as to analyse the data. The qualitative analysis of the current study involves the framework analysis while the quantitative analysis of the current study involves the descriptive as well as regression analysis. Through quantitative analysis the impact of Chinese FDI on economic growth of Africa was analyzed while qualitative analysis helped to highlight the benefits, issues and complications associated with involvement of Chinese FDI in Africa.

The current study is a mixed method study in which the relationship of Chinese FDI with economic growth of Botswana, Africa has been analysed along with highlighting the key issues, benefits and complexities of involvement of Chinese FDI in Africa. Therefore, the current chapter has elaborated all methodological points of the current study.

## **Ethical Consideration**

The current research maintained its ethical consideration in appropriate way to ensure the ethical feature of current research and to ensure its originality. For this purpose, the sample was decided with full honesty so that the authentic information could be gathered. At the time of data collection, it was made sure to respondents that their responses and information provided about the benefits and complications of Chinese FDI in Africa will be used for research purpose only. The ethical considerations were maintained during whole writing process because the previous studies used in current study have been appropriately cited and quoted. All data provided in the current dissertation is original because quotes and citations have been properly referred.

## **CASE STUDY**

### **Introduction of the Company**

The company has concentrated researching, developing and producing kinds of filter cloth for air or liquid leaking. Applying for many international modern weaving machines, they can produce many types of standard filter cloth, such as: polyester series, polyvinyl series, Nylon series, cotton-made, pressure filters, belt filters, and centrifuges. And also types of stainless steel wire mesh, nylon net, special ventilating plate for conveying mesh belt are in the scope of the business. The width of industrial cloth can even reach 5m. In addition, they also have the ability of producing now-women needle punched, filter cloth, inorganic glass filers, costing membrane, and compounded treating filter cloth. The products are widely used in: chemical industry, sugaring, pharmacy, metallurgy, iron, building materials industry, non-ferrous melting, carbon black, machineries, foundries, electricity, and also some other fields, No pains, no gains, after years and hardworking, they have got the certificate of ISO 9002. This can help to protect customers 'rights further. Their motor and also their goals are holding responsible for high quality, to satisfy customs with good service the principle of hard-working, innovation, environmental protecting. This will encourage them to devote themselves to Human beings and environment in future.

Daheng Holdings Group Co, Ltd. It was originally founded in 1981, mainly engaged in mining investment, industrial investment, textiles, clothing production and sales, Group's business in=s mainly distributed in United kingdom, United States, Canada, Hong Kong and Africa such as Botswana, Nigeria, South Africa, Mozambique, and has offices or subsidiaries in these countries. In 2008, the Group's total assets of more than 700 million Yuan, sales worldwide more than 180 million US dollars, ranking zhuji city, the textile and garment industry exports the first one, the group employed more than 2000 people. Daheng Golding Group Co, Ltd is one of the earliest private enterprises after China's reform and opening, China and

Botswana in 1998 to enter the set point of sale, and in 1999, their menstrual waimao Zhejiang Province approved the establishment of joint textile company in Africa, the first two in Zhejiang Province to overseas investment enterprises. 2005 added \$2.6 million investment in Botswana established Daheng Group (Botswana) Limited, currently employees 500 people has become a local textile enterprise. In Africa more than 20 countries have established business relationship, Haida way International Trade Co., Ltd was established in 2002, is touch road international holdings, the main business is a collection of International trade, investment, logistics, cultural exchange, tourism, real estate, free trade zone operations, resource development one of the multinational companies. The company subsidiaries in the UK, USA, Canada , Belgium, and Nigeria, South Africa and Botswana and other countries, 2008 touch road was named 2007 china's most influential foreign trade enterprises, China CCPIT was named the shanghai Pudong New Area People's Government in 2007 foreign-invested enterprises advanced, 2009 Haida way international Trade Co., Ltd. is a strategic joint ventures, investment and development in Africa has more than 10 years, is already the largest amount of investment in Botswana enterprises, to invest in local enterprises reached Heng Group ( Botswana) limited is one of the national large-scale enterprises, investment in Botswana established a good achievement of business localization and the Botswana government and also the people to establish a good relationship for local economic development. Fourth, the overview and status of the park has been listed as a national project the Government of Botswana, get the attention of the government and people of Botswana.

### **Advantages of the Company**

Here there are: high quality infrastructure such as road, rail and air network development and improvement of products can efficiently access to global markets. The popularity of fibber-optic communication networks, from time to time to facilitate the international and domestic exchanges. In addition, the excellent education system and health service system for the people who live and work here provide a lot of convenience.

Botswana, Zambia, South Africa, Zimbabwe and Namibia border. In 1992, the Southern African Development Community (abbreviation: SADC, SADC) was established.

The organization by the Southern African region composed of 14 countries is a high level of economic integration of the African regional organization headquartered in Gaborone, Botswana.

Under the GSP, part of Botswana products into the US market may be exempted from customs duties, other products can reduce tariffs. "African economy growth and Opportunity Act" to allow duty-free and quota at the time of some of the products into the US market.

## **Competition and Motivation of the Company**

Companies from South Africa and some European countries had long dominated the construction in Botswana before the Chinese companies arrived. The government of Botswana thus gained substantial saying in its public infrastructure projects, which in turn bring in broader benefits to the taxpayers of Botswana. The cost saved is estimated to be about one fourth to as much as one third. For the construction industry in Botswana, Chinese firms are seen as an alternative choice to the European or South African firms. Moreover, many government departments in Botswana welcome the participation of Chinese companies. In a country that lacks of capacity to develop its own infrastructure, Chinese firms add value to the competitiveness of the tendering process. More recently, the presence of Chinese companies in the infrastructure sector in Botswana has been growing, as many South African firms are operating at full capacity to meet the infrastructure demands for the soccer World cup in South Africa that was held in 2010.

## **ANALYSIS AND RESULTS**

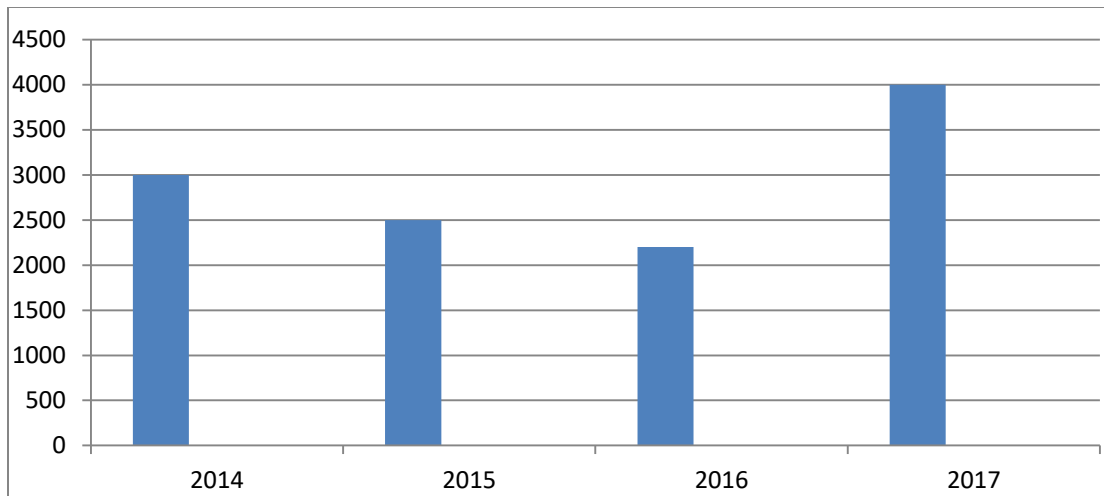
This part covers the qualitative as well as the quantitative analysis in which the impact of Chinese FDI and the economic growth of Africa is analysed and the benefits, issues, complexities and involvement of Chinese FDI in Africa are highlighted and described. The first portion of the current study is about the quantitative analysis in which the descriptive, correlation, and regression analysis are conducted to assess the impact of Chinese FDI on economic growth of Africa. The later portion of this chapter covers the qualitative analysis in which the data collected through interviews is analysed through framework analysis.

### **Quantitative Analysis**

The quantitative analysis was conducted based on the secondary data. First of all, stocks of FDI of China in Africa are found and plotted on graph to present the increasing involvement of Chinese FDI in the country. Furthermore, the descriptive statistics are found for data followed by correlation and regression.

### ***Involvement of Chinese FDI in Africa***

The data was collected about the Chinese FDI in Africa for previous ten years and it also presents the rising involvement of Chinese FDI in Africa during last five years.



*Figure 3. Chinese involvement in Africa*

All forms of Chinese engagement in Africa so far are (trade, investment, lending and aid). Trade flows are bilateral, with African countries both exporting to and importing from China. The same holds for investment into Africa; China has been the main source of imports for African countries from as early as 2007, and in 2014 it became the main export market for the African continent. China-Africa trade relations are unbalanced in terms of volumes, composition and origin. African countries have run a trade deficit with China since 2012. African exports to China, 90% are fuels, minerals and metals, while import cover a wide variety of goods. In 2017, the top four African exporters to China (Angola, South Africa, Republic of Congo and Ghana) were providing over 80% of the total export; this unbalanced trade relationship is potentially damaging for Africa's diversification and industrialization prospects. In terms of investment, Chinese companies are a growing presence on the African scene. China is the fifth largest foreign investor after France, Netherlands, US and UK, with a \$ 43 billion stock of FDI in Africa in 2017.

### **Descriptive Statistics**

Descriptive analysis is a very important part of data analysis because it is crucial to test data descriptively to ensure its descriptive characteristics to avoid any issue in further results. In this regard, the normality, missing value, outlier, skewness, mean value etc. are assessed to ensure that data is normal and adequate. The mean value of descriptive statistics should be between the range of rating scale; minimum and maximum values of the data should also outside the range of rating scale to ensure that there is no outlier in the study. Outlier is actually an extreme value that goes beyond the rating scale and it ultimately creates troubles for results. Therefore, there should not be any outlier in the study. The standard deviation value of the data should also be acceptable thus confirming that there is not too much and unacceptable deviation in the

data. The normality of data is assessed by looking at value of skewness and this value must be between the ranges of -1 to +1. When the value of skewness for all variables does not fall below than -1 and does not exceed +1 then data is said to be normal. The descriptive analysis is mainly conducted to assess the normality and suitability of the data. The key indicators to analyse the descriptive statistics of data are “Mean, median, kurtosis and skewness” so these indicators have been calculated for the current data.

Table 1. The descriptive analysis of the current study

	Mean	Median	Maximum	Minimum	Std.Dev	Skewness	Kurtosis
Chinese FDI	233.20	225.52	437.500	65.2600	105.2	0.307977	2.8051
GDP	3.8667	4.3799	11.3434	-7.65231	5.307	-0.70526	2.6576

The results of descriptive statistics are showing that data is normal and acceptable because the mean values of both variables are within the acceptable ranges. The mean value of Chinese FDI is 233.204 which is in between the minimum value and maximum value of Chinese FDI. The mean value of GDP is 3.8667, which is also between its minimum and maximum value. It means that there is Africa no outlier or “extreme value” in the current data of Chinese FDI and “gross domestic product” of Africa. The skewness of both variables is falling between -1 to +1 that indicates the normality of data. It means that the data of Chinese FDI and “gross domestic product” of Africa is normally distributed. The values of kurtosis for “Chinese FDI” and GDP of Africa are further proving the normality of current data because both values are also more than 1 and less than 3 so, it can be said that the current data is normal and acceptable for conducting main analysis.

### Correlation Results

The correlation of variables is computed to see if there is any relationship between two variables. To assess the correlation, the method of calculating “Pearson Correlation” is used. Similar method was used in the current study in which the “Pearson correlation” along with the “p-value” and “t-statistics” was computed.

The correlation results of current variables have been presented in table 2 in which it can be seen that the correlation of “Chinese FDI” with GDP of Africa is significant because the p-value is less than 0.05 and t-statistics (i.e. 5.15) is more than t-tabulated therefore, it can be stated here that Chinese FDI is significantly positively correlated with its economic growth. This correlation of “Chinese FDI” with “GDP” of Africa is much strong because change in one variable causes the 75% positive change in other variable so, it indicates that there is significant, positive and strong correlation between “Chinese FDI” and “GDP” of Africa.

Table 2. Correlation Result

	GDP	Chinese FDI
GDP	1.0000000	
t-Statistic	.....	
Probability	.....	
Chinese FDI	0.745341	1.000000
t-Statistic	5.154135	.....
Probably	0.0000	.....

### Regression Results

After proving that there is significant and positive association of “Chinese FDI” and “GDP” of Botswana through correlation results, there is need to assess the type and nature of the relationship. The objective of the current study requires assessing the impact of “Chinese FDI” in Africa on its “economic growth” for which the regression results have been generated through EViews. The results of regression are presented in table 3 that are depicting that there is significant impact of “Chinese FDI” on the “economic growth” of Africa. The findings shows that the current model is fit because the “adjusted R-squared” is 0.51425 which is more than 50%. It means that more than 50% variation in the dependent variable (i.e. GDP) is explained by the independent variable (i.e. Chinese FDI) of the current study.

Furthermore, these regression results are significant because “F-statistics” (i.e. 31.0) is more than “F-tabulated” and the p-value of the “F-statistics” is less than 0.05. The t-statistics against the regression coefficient is depicting that the impact of Chinese FDI on economic growth is significant and positive because the value of “t-calculated” is greater that “t-tabulated” and p-value against this coefficient is less than 0.05.

Table 3. Regression Results (Dependent Variable: GDP)

	Coefficient	Std. Error	T-Statistic	Prob.
FDI-INWARDSC	0.45981	0.084537	5.429134	0.0000
	-0.01748	0.054605	-0.320186	0.6795
R-squared	0.53438	Mean dependent var	Mean dependent var	3.8667
Adjusted R-squared	0.51425	S.D.dependent var	S.D.dependent var	5.3079
S.E. of regression	0.22176	Akaike info criterion	Akaike info criterion	-0.2015
Sum squared reside	1.33446	Schwarz criterion	Schwarz criterion	-0.1251
Log likelihood	5.16754	Hannan-Quinn crite	Hannan-Quinn crite	-0.1716
F-statistic	31.0143	Durbin-Watson stat	Durbin-Watson stat	1.4958

The regression results are depicting that 1 unit increase in “Chinese FDI” causes the 46 % increase in “GDP” of Africa because there is positive relationship between both variables. This strong regression is showing that there is strong and positive influence caused by “Chinese FDI” on the “GDP” of Africa. Hence, the results of regression are significantly suggesting that there is positive influence of Chinese FDI on the economic growth of Africa.

### Framework Analysis

In this part of analysis, the responses received from interviewees have been tabulated, distinguished and then explained. The responses have been divided in common and unique responses against each question and then conclusion has been derived through analysis.

The framework analysis shows that most of the respondents are in favour of Chinese FDI due to their contribution to the “economic growth” of Botswana. For instance, the very first question was asked about the role of Chinese FDI in the overall “economic growth” Africa. All experts/respondents agreed that there is significant contribution of “Chinese FDI” in the economic growth of the country because these FDIs are followed by improved infrastructure, increased capital, high productivity and increased employment opportunities. There are many Chinese industries in Africa that are providing employments to a large number of populations. There was no unique response against this question in any interview.

Table 4. Respondents’ responses

Questions	Common Responses	Unique Responses
Role of Chinese FDI in economic growth of Africa	Chinese FDI industries have derived the high economic growth of Africa due to the contribution to infrastructure, financial resources, employment and productivity in Africa.	-
What are the benefits produced through Chinese FDI in Africa?	Chinese FDIS are not just beneficial for Africa because of several issues and complexities associated with it.	
Involvement and practices of Chinese FDI in Africa	The increased FDI by China in Botswana have incorporated several benefits in terms of improving the productivity to economic growth of Africa	
Complexities in economic growth due to the involvement of FDI in Africa.	The increased involvement of Chinese FDI raises the concerns for domestic industries and workforce and thus for economic growth of Africa.	There are no considerable complexities faced in Africa due to the Chinese involvement.



The second question was about the Involvement and practices of Chinese FDI in industrial park in Africa to which all respondents responded that there is high involvement of Chinese FDI and industries in Africa. It is found that China has always shown positive concerns towards FDIs because this business is successful in Africa due to the abundance of natural resources. There is more than 51 million dollars' FDI that has been made by China in industrial park. Furthermore, experts agree that this investment is further increasing and going to increase in future. Therefore, it can be concluded that there is high involvement of Chinese FDI in industrial park in Africa.

The third question of interview was about the benefits of "Chinese FDI" in Africa. Most of the respondents agreed that there are many benefits to "Daheng industrial park" caused by Chinese FDI in terms of increased capital, revenues, productivity, workforce, and technology based on which the performance and financial position of the Chinese FDI has significantly improved and is further improving. However, an expert has given unique response to this question because according to his opinion, the benefits of Chinese FDI to Africa are suppressed by the issues associated with high involvement of "Chinese FDI" in Africa".

The last question was asked to achieve the last objective of the current study about highlighting the key complexities caused by Chinese FDI in "economic growth" of Africa. Most of the experts agreed that "Chinese FDI" and industries are dominating the local industries in Botswana due to which the domestic industries can collapse. Furthermore, the Chinese workforce in Botswana is increasing which can cause serious concerns regarding employment in Botswana in future. However, an expert has given unique response to this question according to which there is no noticeable complications faced in Africa due to the Chinese FDI and industries.

### ***Chinese FDI and Economic Growth of Africa***

In response to the first research question of this study, the data was collected about "Chinese FDI" in Botswana and "GDP" of Botswana for past ten years and the analysis was performed on collected data through EViews. The analysis and results revealed that there is significant impact of "Chinese FDI" in Africa on the "economic growth" of Africa. Furthermore, the qualitative results also revealed that "Chinese FDI" has incorporated many benefits to the economy of Africa by providing employment opportunities, productivity, trade effects, and improved capital. These results of the current study are practically as well as theoretically justified because these results are in line with findings of previous researchers. Several past studied and their findings support the positive role of "foreign direct investment" in the "economic growth" of the host country e.g. (Doku et al., 2017; Elboiashi, 2015; Iamsiraroj, 2016; Iamsiraroj & Ulubaşoğlu,

2015; Kersan-Škabić, 2015; Ndiaye & Helian, 2017; Sakyi & Egyir, 2017). All these studies have supported the positive relationship between FDI and “economic growth”. Therefore, it can be stated here that “Chinese FDI” in Africa enhances the Economic growth of Africa”.

### ***Involvement of Chinese FDI in Africa***

The second objective of the current study is to study the involvement and practices of “Chinese FDI” in Botswana for which the data was collected from expert in order to understand this involvement. The qualitative results revealed that Chinese FDI is highly involved in Africa and particularly in industrial park in Africa It is found that abundance of natural resources and availability of workforce in Botswana attracts many “Chinese FDIs” in the country.

Furthermore, the market size for industrial park enhances the attraction for FDIs therefore, the involvement of Chinese FDI has significantly increased in Botswana in past and is further expected to increase in future. It is found that more than 50 million dollars were invested in 2009 as FDI by in Africa. These findings are also in line with past findings e.g. (Busse et al., 2016; Chizema & Nyathi, 2018; Doku et al., 2017; Moahi, 2016; Mourao, 2018; Pigato & Tang, 2015; Shan et al., 2018) because all these studies also discussed the positive involvement of China and its FDI in African countries

### **IMPLICATIONS OF THE STUDY**

The current study has important implications in theory and practice because the current study enhances the literature of FDI and “economic growth” with significant empirical findings. Primarily, the literature about the impact of “Chinese FDI” on “economic growth” of Africa is enhanced through current findings. Furthermore, different theories related to FDI will get significant contribution from the current study e.g. “Capital Market Theory”, “FDI theory” and “Theory of internalization”. The empirical finding of the current study provides theoretical guidelines about the role and involvement of Chinese FDI in industrial park in Botswana, some other parts of Africa.

Besides theoretical contribution, the current study can also help policymakers of Africa as well as China to direct their policies according to the circumstance highlighted in the current study. The policy makers of Africa will come to know the concerns associated with “Chinese FDI” in Africa so they can make proper policies to address those concerns. Furthermore, the policy makers will be better able to make policies to capitalize the benefits of “Chinese FDI” in Africa.

The strategies and policies will be formulated to enhance the benefits for in Africa through the theoretical guidelines and discussions of the current study.

## CONCLUSION

The current study is analysing the effect of “Chinese FDI” on “economic growth” of Africa and highlighting the Chinese FDI’s involvement and practices in industrial park in Africa, the benefits produced through Chinese industries in Africa and the complexities faced in economic growth due to the involvement of FDI as a foreign trade and investment in Africa. For this purpose, the current study has adopted mixed method approach in which the secondary data was collected about Chinese FDI and “GDP” of Africa for past ten years and the interviews were conducted from four experts of Africa. The results of the current study answered all research questions and revealed that “Chinese FDI” has potential role in the “economic growth” of Africa. Furthermore, it has been found that “Chinese FDI” has incorporated many benefits to the economy of Africa by providing employment opportunities, productivity, improved skills, trade effects, and improved capital. Furthermore, Chinese FDI is highly involved in Africa due to the abundance of natural resources, availability of workforce and good market size. However, there are different complexities associated with Chinese FDI in Africa including increasing dominance of “Chinese FDI” and industries in Africa, challenges for local industries and local workforce.

## LIMITATIONS AND FUTURE STUDIES

The current study has certain boundaries that should be eliminated by future researchers. For instance, this study has studied the impact, involvement, benefits and challenges of “Chinese FDI” only in Africa. There are certain other sectors as well in which there is a large portion of “Chinese FDI”; so, the future researcher should conduct such type of studies with cases of other sectors and business. Furthermore, the current study has selected a small sample size for interviews (i.e. only four experts) due to time constraints. The future researchers should enhance the sample size so that the maximum understanding can be set about the impact, involvement, benefits and challenges of “Chinese FDI” in different African countries.

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