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Offshore finance as statecraft: unpacking the strategic use of OFCs by Chinese capital

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Abstract

Nearly three-quarters of Chinese outward foreign direct investment (OFDI) is routed through offshore financial centers (OFCs), a proportion significantly higher than that observed for most Western multinationals. Offshore finance is typically understood as a mechanism of market escape and sovereignty erosion. This article offers an alternative interpretation. Drawing on corporate-level ownership reconstruction and interviews, and focusing on Chinese investment in Africa, we show that offshore structures form part of a differentiated architecture through which Chinese capital is organized and projected internationally. Hong Kong performs a pivotal upstream function, providing globally legible corporate forms that facilitate access to international capital while buffering mainland regulatory constraints. Yet Hong Kong alone does not account for observed patterns. Chinese firms—state-owned and private—layer additional jurisdictions such as the British Virgin Islands, the Cayman Islands, and Singapore into their corporate chains, each serving distinct governance, financing, and risk-management functions. We argue that offshore operates simultaneously as a mechanism of sovereign outsourcing and as a technology of regulatory arbitrage, positioning it as a governance infrastructure embedded within contemporary global capitalism.

Key words: Chinese FDI; offshore financial centers: state-owned enterprises; Hong Kong; Africa.

1. Introduction

Offshore finance has long been viewed as a zone of exception, an extraterritorial space in which wealthy corporate and individual actors locate assets beyond the reach of governments (Palan 2006; Strange 2015;

Babic, Fichtner, and Heemskerk 2017). Within this framework, offshore is typically understood as a site of deviation: a mechanism through which capital escapes the constraints of the state.

This article argues that such a view is at best incomplete. Drawing on original data mapping the routing of Chinese foreign direct investment (FDI) through Hong Kong and other offshore financial center (OFC) conduits into sub-Saharan Africa (hereafter Africa), we demonstrate that offshore finance functions not merely as an instrument of avoidance, but as a constitutive element of state strategy. The complex and layered architecture through which Chinese FDI is channeled reflects the differentiated interests of state-owned enterprises (SOEs), private capital, and the institutional conditions prevailing in African destination economies. It is precisely this institutional plasticity, the capacity of offshore structures to operate across multiple logics of power, profit, and governance—that renders them structurally central to contemporary capitalism.

Typically, the offshore world is seen within broader sociological and political-science accounts of globalization as a force eroding the power of the nation-state (Agnew 2001; Palan 2006; Sassen 2006). In this view, the state appears as a territorial container, progressively "leaked out" by the rise of offshore spaces of market escape (Strange 1996). Although this perspective remains influential, recent scholarship has begun to reconceptualize offshore not as a collection of homogeneous yet isolated spaces, but as a structured field of circulation, organized through patterned flows, institutional linkages, and differentiated intermediaries that actively reshape adjacent onshore political and economic formations (see Haberly and Wójcik 2015; Fernandez and Hendrikse 2020).

Two related refinements have followed from this shift. First, scholars have recognized that offshore finance is not confined to a small set of exotic island jurisdictions such as the Cayman Islands, the British Virgin Islands (BVI), or Jersey, but encompasses a much broader set of centers sometimes described as offshore-onshore centers, including the Netherlands, Ireland, Singapore, Hong Kong, and Switzerland, and these centers tend to play a different set of functions and roles within the offshore world (Zucman 2015; Tørsløv, Wier, and Zucman 2018; TJN 2019, 2020). Second, this literature has increasingly emphasized not only the functional differentiation among offshore and semi-offshore jurisdictions themselves but also the existence of preferred conduits linking particular source countries to specific intermediary centers (Mintz 2004; Weichenrieder and Mintz 2008; Damgaard, Elkjaer, and Johannesen 2019; Garcia-Bernardo, Jansky, and Torslov 2019). Within this broader offshore ecology, certain patterned relationships emerge with striking regularity. For instance, the Netherlands and Ireland have long operated as key channels for US multinationals investment abroad (Dorfmueller 2003; Eicke 2009; Weyzig 2013; Cnossen and Jacobs 2021); Cyprus has served as a gateway for Russian capital (Repousis, Lois, and Kougioumtsidis 2019); Mauritius for Indian outward investment (Aykut, Sanghi, and Kosmidou 2017).

It is in this context that this article examines the complex case of Chinese outward foreign direct investment (OFDI) to Africa. China's integration into the global economy has been marked by an exceptionally high reliance on OFCs (Zhang 2021; Noked and Wang 2024). Recent data suggest that nearly three-quarters of Chinese OFDI is routed through just three locations: Hong Kong, widely recognized as an offshore financial center, which alone accounts for approximately 60 per cent, alongside the BVI and Singapore (Polak and Roslan 2009; Vlcek 2014; Hong Kong Monetary Authority 2016). Other conduit jurisdictions, including the Cayman Islands, Luxembourg, Macau, and the United Arab Emirates, also play significant, if secondary, roles (Greguras, Bassett and Zhang 2008; Walther, Schulz, and Dorry 2011; Wang 2020). Crucially, unlike typical users of offshore finance, Chinese capital channeled through these hubs is overwhelmingly associated with state-owned enterprises. These firms are deeply embedded in party–state planning and subject to direct political oversight. At least in principle, they face limited incentives to use OFCs in order to circumvent domestic regulations or taxation, given the state's capacity to reshape legal frameworks internally.

In practice, Hong Kong frequently functions as the principal conduit for Chinese OFDI. Yet Hong Kong entities are often supplemented by Singaporean, BVI or vehicles in other OFCs. This pattern suggests differentiated functional roles rather than substitutable locations, pointing to a layered architecture typical of FDI worldwide. While a growing body of scholarship has examined why Chinese capital is channeled through particular OFCs—most notably Hong Kong (Wang, Wang, and Huang 2009; García-Herrero 2011; Wong 2013; Vlcek 2014; Hong Kong Monetary Authority 2016; Wei and Palan 2023), BVI (Maurer 2000; Sharman 2012; Robertson 2021) or Cayman Islands (Roberts 1995; Clayton et al., 2023), what remains underdeveloped is an integrated account of how distinct offshore financial centers operate *in combination* within Chinese corporate structures. Such complex layering of conduit subsidiaries in conduit jurisdictions has been analyzed in studies of American and other Western multinationals (Eicke 2009; Lewellen and Robinson 2013; Coyle 2017; Beebeejaun 2020; Palan 2026), but far less attention has been devoted to how and why Chinese firms organize comparable multi-tier offshore architectures.

Our analysis suggests that the structuring of Chinese FDI operates on three analytically distinct yet interconnected levels. At the first level, we identify a logic of sovereign outsourcing. The Chinese state effectively externalizes aspects of its own legal and financial personality to foreign jurisdictions, most prominently Hong Kong in order to reconcile domestic political control with global market integration (Wei and Palan 2023; Gambino and Franceschini 2025). At the second level, however, a different dynamic emerges. Chinese state-owned enterprises frequently collaborate with private Chinese capital, which itself tends to operate through alternative offshore nodes such as the BVI, the Cayman Islands, or Singapore. As investment moves downstream toward final destination jurisdictions, the logic shifts. Both state and private actors supplement their upstream offshore structures with additional layers designed to minimize local taxation, manage political exposure, and compartmentalize risk.

While this article focuses on Chinese capital, our findings point to a broader structural dynamic: offshore financial centers are no longer merely "spaces of escape" for private actors but are increasingly repurposed as institutional infrastructures of statecraft (for discussion see: Avi-Yonah 2000). Onshore states do not necessarily approach the offshore world solely through the lens of sovereignty loss or regulatory erosion. Rather, they often treat offshore jurisdictions as strategic infrastructures that enhance the international competitiveness of nationally embedded firms (Palan 2026). By instrumentalizing the legal and regulatory regimes of offshore jurisdictions, states can mediate the relationship between domestic political authority and global markets, selectively externalizing risk while retaining strategic influence.

Given the absence of reliable single-source data, particularly with regards to the complex corporate layering of Chinese FDI, we adopt a triangulated methodological approach combining macroeconomic data, the reconstruction of corporate ownership chains via the Orbis database, and semi-structured interviews with legal and corporate actors. Since Chinese OFDI is too extensive to be analyzed in its entirety, this methodology is applied to the strategic case of Chinese OFDI in Africa. The African context reproduces many of the core sectoral pillars of China's global outward strategy, serving as a useful setting for tracing how corporate structures travel across sectors.

The article proceeds in four stages. We begin by situating OFCs within the broader literature on global capitalism, revisiting the dominant understanding of offshore as a zone of exception and introducing our alternative framework of offshore as a nexus between state strategy and private capital. We then outline the empirical landscape of Chinese OFDI, discussing both observable patterns and the methodological limits of available data, particularly the challenges posed by conduit jurisdictions.

The third section focuses specifically on the role of Hong Kong, followed by analysis of how other OFCs are used in structuring Chinese investment flows, distinguishing between their upstream function in mediating global market access and their downstream role in destination jurisdictions. We conclude by synthesizing these findings to show how offshore architecture operates simultaneously as an instrument of sovereign outsourcing and as a conventional technology of regulatory arbitrage within global capitalism.

2. Navigating the nexus: offshore financial centers in global capitalism

Classical Polanyian theory conceptualizes the expansion of markets as a process of "disembedding," in which economic activity becomes progressively detached from social and political constraints (Gemici 2008). Offshore finance has often been interpreted as the paradigmatic technology of this process: a device through which capital escapes the social and regulatory mould of the nation-state, relocating wealth and contracts into spaces of jurisdictional exception. In this view, offshore financial centers appear as institutional zones in which markets are liberated from the political and social embedding that historically constrained them (Eden 1998; Harrington 2016; Hoang 2022; Binder 2023).

This interpretation has shaped much of the sociological and political economy literature on tax havens and offshore finance. Offshore jurisdictions are typically understood either as havens for private vasion or as regulatory vacuums hollowing out state capacity. The underlying assumption is that offshore represents a centrifugal force: a movement away from the state, away from law, and away from political control (Palan 2006; Kudrle 2019; Avi-Yonah 2022).

There is certainly considerable empirical evidence in support of this contention. Firms from the United States, Europe, and East Asia utilize OFCs not only for tax optimization but also for regulatory arbitrage, including legal protections and financial structuring advantages (Maurer 1995; Sharman 2012; Shaxson 2012; Robertson 2021; UNCTAD 2023). Additionally, OFCs serve as strategic hubs for multinational corporations investing in the Global South, where institutional deficits and high transaction costs present significant challenges (Sharman 2012). As Gabriel Zucman argues, offshore operates as a large sink for the "missing wealth of nations," a hidden stock of capital that systematically drains national tax bases and undermines the capacity of states to govern their own economies (Zucman 2015).

Within this broader research agenda, a distinction exits between so-called "pure" offshore jurisdictions, such as the BVI and the Cayman Islands and a more complex category of hybrid or "onshore–offshore" states. Pure offshore financial centers are typically small jurisdictions with minimal domestic economic bases (Haberly and Wójcik 2015; Cnossen and Jacobs 2021; Palan 2026). While they may impose some taxation on domestic constituents, their fiscal model relies overwhelmingly on license fees rather than income or corporate taxes. Their economic viability depends on attracting a high volume of corporate registrations, often through favorable regulatory environments, low disclosure requirements, and the absence of substantive operational activity. To sustain this model, these jurisdictions must incentivize privately held and shareholder-controlled firms to incorporate subsidiaries or affiliates within their territories (Garcia-Bernardo et al., 2017).

The second group includes jurisdictions such as the Netherlands, Ireland, Luxembourg, Switzerland, Singapore, and Hong Kong. Unlike "pure" offshore centers, these are diversified economies with well-developed financial sectors that serve both domestic and transnational capital. The argument is that these hybrid offshore centers operate through the institutional bifurcation of domestic and non-resident regimes. Comparatively high statutory tax rates are preserved for domestic industry, while specialized legal and fiscal instruments are tailored to internationally mobile capital, allowing these jurisdictions to combine deep onshore financial systems with highly effective offshore intermediation. Ireland's status as an offshore center, for example, has rested not primarily on its headline corporate tax rate of 12.5 per cent, but on the treatment of corporations managed and controlled from abroad as non-resident for tax purposes, allowing firms operating at "remote control" to escape Irish tax residence altogether (Stewart 2005, 2008; Barrera and Bustamante 2018). In Luxembourg, preferential regimes for intellectual property and hybrid instruments have long played a central role (Walther, Schulz, and Dorry 2011). In the Netherlands, the offshore function has been anchored in its extensive tax treaty network and the legal architecture of conduit companies, which facilitate the large-scale channeling of royalties, interest, and dividends through Dutch special purpose vehicles (SPVs) (Papke 2000; Cnossen and Jacobs 2021).

A common pattern in intermediary structuring involves either recurrent multi-jurisdictional constellations or the consolidation of durable dyadic corridors between particular states. The "Double Irish with a Dutch Sandwich" exemplifies the former: a routinized architecture through which U.S. high-technology firms channel profits via Ireland and the Netherlands before transferring them to Bermuda-based entities (Coyle 2017; Beebeejaun 2020). More consequential for the present analysis, however, is the growing evidence of systematic and non-random pairing between particular source countries and specific conduit jurisdictions. Figure 1 drawing on recent UNCTAD analysis of global financial flows, documents persistent associations between certain countries and conduit

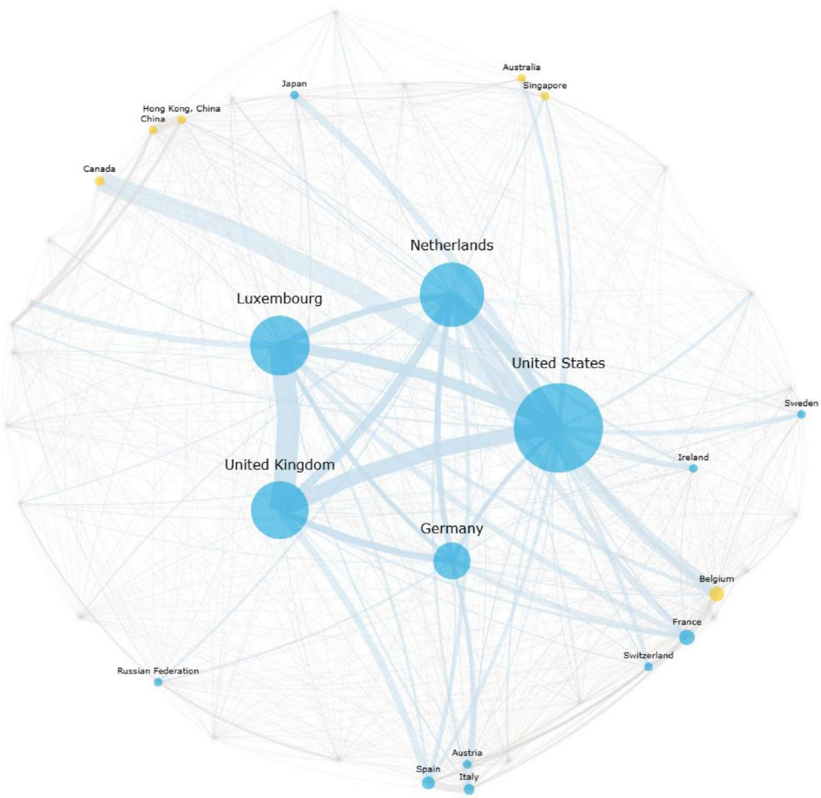


Figure 1. Global Network of bilateral foreign direct investment flows in 2007.

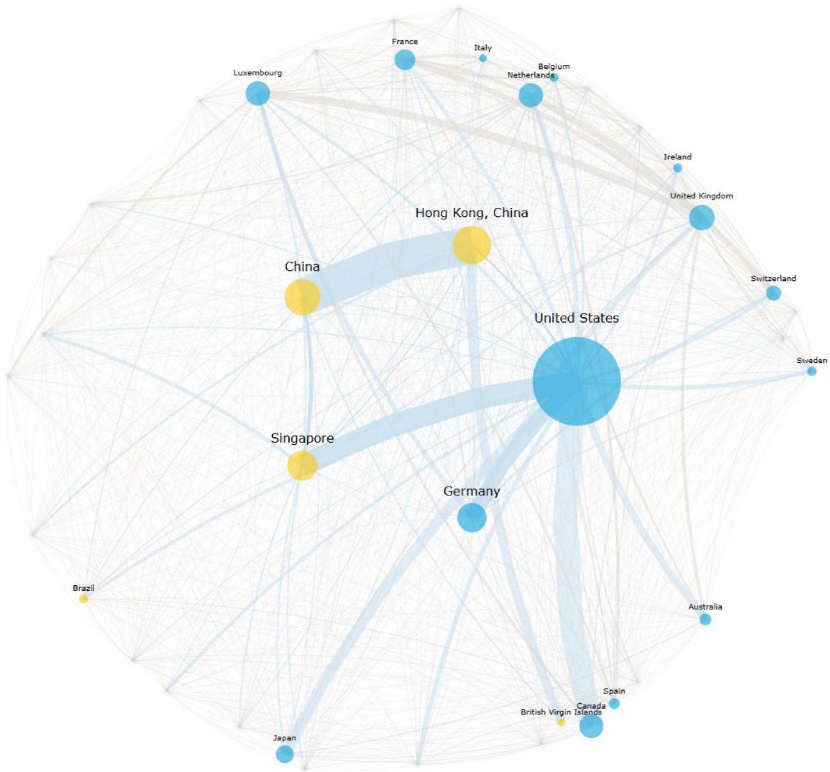


Figure 2. Global Network of bilateral foreign direct investment flows in 2023.

jurisdictions. Before the financial crisis of 2008, the most prominent of these dyads was between the United States and the Netherlands.

Since 2007, the global investment landscape has slightly shifted to global South, where Hong Kong and China link has emerged as the major tunnel of global FDI flows Fig. 2.

A small but growing body of research has begun to account for the emergence of such patterned relationships. Eicke (2009) provides a detailed legal analysis of how the interaction between the US tax system and deferral provisions generated a durable structuring relationship with the Netherlands and Luxembourg while Clausing (2016, 2019) provide latest estimates of US investment in offshore centers. Similarly, Clayton et al. (2023) document the dominance of the Cayman Islands as an intermediary for portfolio investment into China. They attribute this pattern in part to the widespread use of the Variable Interest Entity (VIE) structure, a legal arrangement that allows foreign investors to obtain effective economic rights over Chinese operating companies without holding formal equity ownership, thereby circumventing restrictions associated with China's negative list and foreign ownership limits (Chen 2021).

Beyond such tax- and regulation-centered accounts, a more heterogeneous set of partial explanations has also been proposed, including arguments about institutional complementarities between legal systems and the role of historically embedded professional networks (Harrington 2016). However, these patterns of association are not merely technical artifacts of legal service providers;

they are increasingly recognized as structural features of the global political economy (Avi-Yonah 2000). This raises a fundamental question: why are such arrangements tolerated, and in some cases actively sustained, by the "onshore" states themselves?

Relatively little is known about the motivations of governments in this regard, largely because official discourse is typically framed in terms of blanket opposition to offshore jurisdictions and commitments to anti-avoidance. Yet, the persistence and stability of these conduit relationships suggest that explanations centered solely on evasion or regulatory failure are incomplete. There appear to be elements of state interest and statecraft that remain largely absent from existing accounts, but that warrant systematic investigation.

The debate surrounding the European Commission's enforcement actions against European conduit jurisdictions and U.S. multinational firms provides illustrative evidence of this dynamic. The Commission has interpreted certain offshore arrangements, such as the "Double Irish" and the tax structures used by Apple as conferring "unfair" competitive advantages (CVRIA 2020). By contrast, the United States has frequently intervened diplomatically and politically in defence of its corporations, characterizing such actions as regulatory overreach and disproportionate penalties (Kudrle 2017). These episodes suggest that offshore architectures may be viewed not merely as fiscal distortions, but as instruments embedded within broader strategies of economic competition.

Yet while these dynamics have been examined in U.S. and European contexts, far less is known about how China structures its OFDI through OFCs. In particular, the extent to which Chinese offshore architectures reflect deliberate state strategy, private capital dynamics, or hybrid configurations of both remains underexplored. Existing research recognises that Chinese OFDI statistics and geographical patterns are heavily shaped by conduit jurisdictions. More intriguingly, Chinese investors frequently supplement Hong Kong with additional offshore nodes—such as the BVI, the Cayman Islands, and Singapore (see Fig. 6). However, we still lack a systematic account of why investment is distributed across different OFCs: that is, what distinct legal, financial, governance, and risk-management functions these jurisdictions perform within Chinese corporate chains, and how these functions vary between state-owned and private actors and across destination contexts.

3. Patterns and data limits in Chinese outward foreign direct investment

There is a broad consensus that China's use of offshore financial centers in outward investment has broadly evolved through three distinct regulatory phases (García-Herrero 2011; Hong Kong Monetary Authority 2016; Buckley et al., 2018; Coppola et al., 2021). The first phase, from the 1990s to the early 2000s, was characterized by rapid but weakly regulated expansion. In the absence of a comprehensive legal framework, the evidence suggests that Chinese firms and individuals routinely established SPV chains centered on Hong Kong and OFCs such as the BVI and the Cayman Islands (Buckley et al., 2018). These structures facilitated overseas listings, mergers and acquisitions, and round-tripping investment, and became an ingrained commercial practice that established durable templates for Chinese outward investment (Coppola et al., 2021).

The second phase, from the early 2000s to around 2017, marked the formalization and institutionalization of these offshore structures under central supervision. Offshore listing of major state-owned enterprises, most notably the listing of China's large state-owned commercial banks in Hong Kong, legitimized the Hong Kong–OFC corporate chain as an officially recognized investment architecture. This period also saw the introduction of capital-control regulations by the State Administration of Foreign Exchange (SAFE), beginning with Circular No. 75 (2005), which defined

SPVs as offshore entities controlled by domestic residents and formally integrated offshore financial engineering into China's regulatory framework (Buckley et al., 2018).

The third phase, from 2017 onwards, reflects a shift from regulatory accommodation to regulatory consolidation. Under Circular No. 37 (2014) and the Measures for the Administration of Overseas Investment of Enterprises (2017), the use of offshore SPVs has transitioned from a commercial option to an institutional requirement. Chinese firms and individuals must now register and route overseas investment and financing activities through approved SPV structures in order to access foreign exchange and conduct cross-border transactions. Regulation in this phase focuses less on offshore intermediation per se than on monitoring the packaging and return of domestic assets—particularly through VIE and round-tripping structures—into the mainland economy (Buckley et al., 2018; Coppola et al., 2021).

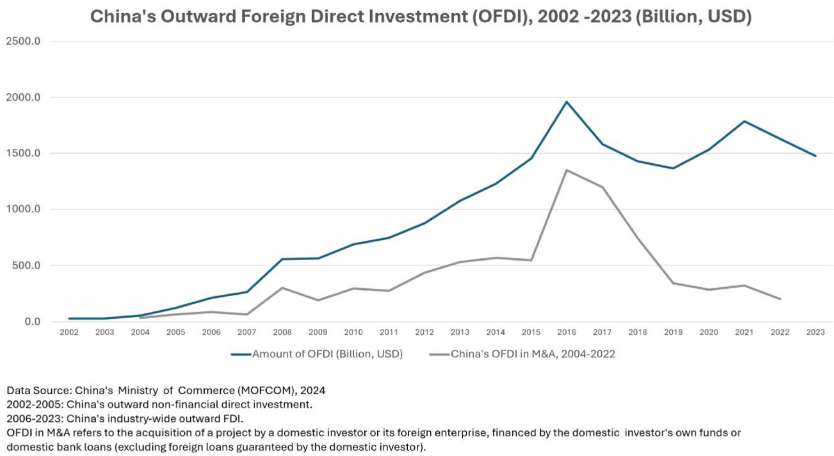


Figure 3. China's FDI 2002–2023.

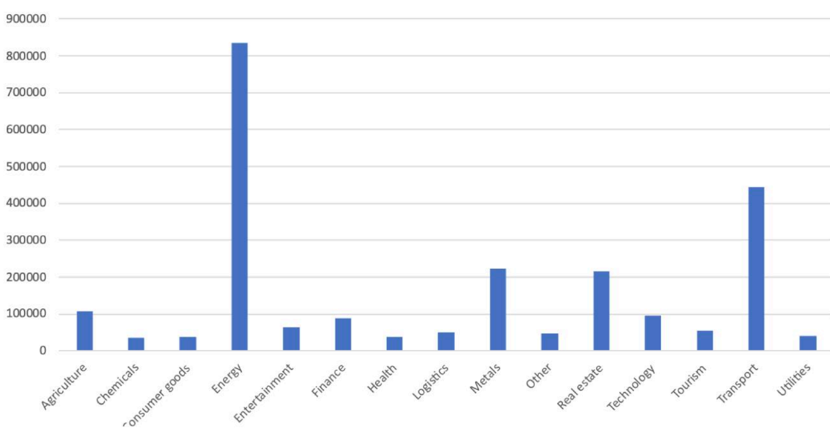


Figure 4. Chinese investment by sector, Millions USD (2005–2023). *Source: Chinese Investment Tracker*

These phases broadly coincide with the rapid rise of Chinese OFDI since the mid-2000s. Following WTO accession, outward investment expanded sharply, peaking around 2018 (see Fig. 3). With limited exceptions, Chinese OFDI in developing countries clusters in broadly the same sectors as Western multinationals, notably extractives, commodities, and commercial agriculture (Fig. 4). By 2006, China had become Africa's third largest trading partner. Two-way trade now exceeds USD 200 billion annually, and Chinese OFDI into Africa rose from USD 74.8 million in 2003 to a peak of USD 5.4 billion in 2018, before recovering to USD 4.2 billion in 2023 (China Global Investment Tracker, 2024).

These aggregate figures, however, require careful interpretation. The principal recorded destinations of Chinese OFDI are not final host economies but offshore financial centers, most notably Hong Kong and Caribbean jurisdictions (for discussion see UNCTAD 2024). These locations function primarily as conduits rather than endpoints, and are widely used for regulatory arbitrage, legal protection, confidentiality, and financial efficiency (Morck, Yeung, and Zhao 2008; Sharman 2012; Buckley et al., 2018; Robertson 2021; Wei and Palan 2023). Furthermore, despite successive rounds of regulatory tightening, a significant regulatory gap remains. In practice, requirements to "look through" complex corporate structures are applied largely reactively rather than proactively. Owing to the jurisdictional opacity and secrecy inherent in offshore financial centers, a substantial share of SPVs ultimately controlled by Chinese residents remains unreported to the authorities. Many firms only confront the full complexity of their legacy offshore architectures during the due-diligence phase of an initial public offering, when regulatory scrutiny compels comprehensive disclosure.

This regulatory configuration helps to explain, first, why the existing literature on China's offshore finance has focused disproportionately on portfolio investment and listed firms. Disclosure requirements apply primarily to publicly listed entities, rendering their offshore structures visible and tractable for empirical analysis. Yet listed firms typically represent only one segment of much larger multinational enterprise groups. The privately held components of these groups also make extensive use of OFC-based SPVs, but do so beyond the reach of comparable disclosure and reporting requirements, leaving a substantial share of Chinese offshore activity analytically obscured.

Second, more distinctive, is the composition of the actors that have come to dominate Chinese OFDI. The Chinese state has long privileged SOEs through preferential access to finance, regulatory protection, and diplomatic support (Milhaupt and Zheng 2015). The expansion of China's domestic market enabled SOEs to accumulate the liquidity required for overseas expansion (Buckley et al., 2007; Rui and Yip 2008). By the end of 2024, China's non-financial state-owned enterprises collectively managed over USD 56 trillion in assets (Global Times 2025). Their investment decisions serve primarily party–state strategic objectives and only secondarily commercial ones (Morck, Yeung, and Zhao 2008; Song, Yang and Zhang 2011; Buckley et al., 2018).

Although there is a substantial literature on Chinese FDI, a central limitation remains. Most available figures derive from Chinese government sources, including the Ministry of Commerce (MOFCOM), state-owned banks, and individual state-owned enterprises. These sources report aggregate volumes but provide limited transparency on the structuring of Chinese FDI through OFCs. We know where Chinese OFDI is recorded, but far less about how it is assembled.

In response, we adopt a multi-source strategy to dataset construction, integrating multiple data sources and analytical methods. First, we analyze official Chinese data from MOFCOM, state-owned banks, and SOE publications, and cross-check these with host-country records and international statistics from the World Bank, UNCTAD, and the IMF. We then triangulate these sources with project-level data from specialized trackers, including the China Global Investment Tracker and

Table 1. List of Chinese enterprises we investigate in greater depth.

Tag	Industry	Ownership	Investment project
Enterprise 1	Construction	SOE	Highway and Bridge
Enterprise 2	Construction	SOE	Power Station
Enterprise 3	Communications	Non-SOE	Information and Communication
Enterprise 4	Construction	SOE	Construction Materials
Enterprise 5	Metal	SOE	Metal Smelting
Enterprise 6	Mining	Non-SOE	Minerals Mining
Enterprise 7	Mining	SOE	Minerals Mining
Enterprise 8	Energy	SOE	Petroleum Exploitation
Enterprise 9	Chemical	SOE	Agrochemical Product
Enterprise 10	Agriculture	Non-SOE	Agricultural product
Enterprise 11	Textile	Non-SOE	Textile Printing
Enterprise 12	Manufacture	Non-SOE	Petroleum Exploration Machines
Enterprise 13	Agriculture	Non-SOE	Agricultural product
Enterprise 14	Agriculture	Non-SOE	Agricultural product
Enterprise 15	Real Estate	SOE	Industrial Park
Enterprise 16	Manufacture	Non-SOE	Glass
Enterprise 17	Internet	Non-SOE	E-Commerce Platform
Enterprise 18	Commercial Service	Non-SOE	Supply-Chain Management
Enterprise 19	Healthcare	Non-SOE	Medical Supplement
Enterprise 20	Manufacture	Non-SOE	Agricultural Technology

Infrastructure Consortium for Africa reports (Figs 3, 4; Table 1), covering infrastructure, energy, natural resources, manufacturing, and services.

We further supplement these sources with two authoritative reports: the *2022 Statistical Bulletin of China's Outward Foreign Direct Investment* (MOFCOM 2024) and the *Chinese Enterprises' Investment in Africa 2023* report issued by the China–Africa Business Council (2023). From this broader evidentiary base, we select 20 Chinese enterprise investments in Africa for detailed structural analysis. Case selection follows a purposive logic designed to maximize analytical leverage rather than statistical representativeness. Specifically, we select cases that (1) span core sectors of Chinese outward investment in Africa (infrastructure, energy, extractives, manufacturing, telecommunications); (2) include variation in ownership form (central SOEs, provincial SOEs, and private firms); (3) exhibit identifiable use of offshore intermediary jurisdictions; and (4) provide sufficiently detailed corporate registry data to allow reconstruction of ownership chains through Orbis and related filings.

We combine semi-structured interviews with legal and corporate actors with systematic review of corporate reports, regulatory filings, and media disclosures to trace patterns in investment methods, financing strategies, and subsidiary structures. While the ownership chains reconstructed rely primarily on publicly available data, interview material informed our interpretation of restructuring decisions and offshore layering strategies. Finally, we conduct semi-structured interviews with commercial lawyers and bankers, Chinese project managers, African business partners, and government officials in both China and Africa.

Taken together, this triangulated design allows us to reconstruct the mechanisms through which Chinese enterprises structure their OFDI in Africa, and in particular their reliance on offshore financial centers for financing and regulatory optimization.

4. Hong Kong's as a gateway for Chinese global investment

The first question this article addresses is the specific role Hong Kong plays in facilitating Chinese OFDI. The use of Hong Kong as a gateway between the mainland and global markets is well established (Sharman 2012; Robertson 2021; Wei and Palan 2023), though its precise implications for the organization and governance of Chinese outward investment remain less clearly specified in the literature.

In *Red Capitalism: The Fragile Financial Foundation of China's Extraordinary Rise*, Walter and Howie argue "Chinese" corporate activity in global markets is often mediated via Hong Kong-incorporated (or Hong Kong–listed) vehicles rather than directly through mainland legal forms (Walter and Howie 2012). The underlying reason, they suggest, lies in the historical underdevelopment and political contingency of mainland financial and corporate institutions during the reform era. Hong Kong offered a mature capital market, internationally recognized accounting standards, convertible currency, and a common-law framework that provided greater predictability for foreign investors. Structuring through Hong Kong therefore enabled Chinese firms, particularly large state-owned enterprises, to access global capital while operating within a jurisdiction that foreign financiers regarded as institutionally legible and legally credible.

During the early 2000s, a substantial cohort of financial executives migrated from Hong Kong to the mainland (Rithmire 2022). These professionals transplanted Hong Kong banking practices as a de facto code of conduct within China's emerging financial industry, while also contributing to regulatory design, policy development, and professional training (Wei and Palan 2023). As a result, Hong Kong evolved in addition into a uniquely positioned financial center capable of serving simultaneously the Chinese domestic financial system and international investors seeking exposure to mainland China (Lai 2012).

What is less clear, however, is whether Hong Kong's status as an offshore financial center (OFC) played any systematic role in the structuring of Chinese outward FDI, rather than simply reflecting the historical limitations of mainland legal and financial institutions. With this respect timing is important. In the early phase of Chinese internationalization, private Chinese capital faced systematic discrimination relative to foreign investors. Preferential tax treatment and stronger property-rights protections were available only to foreign firms, creating powerful incentives for Chinese companies to engage in "round-tripping" through Hong Kong in order to qualify as foreign capital (Sharman 2012). During this period, Hong Kong functioned unambiguously as an offshore financial center for private Chinese capital, providing legal form, fiscal advantages, and international credibility.

The situation was somewhat different for Chinese SOEs. The "Going Out" strategy was centrally directed and required case-by-case approval from both the State-owned Assets Supervision and Administration Commission (SASAC) and the National Development and Reform Commission (NDRC) (Luo, Xue, and Han 2010; Voss, Buckley, and Cross 2010). Following China's accession to the World Trade Organization in the early 2000s, outward investment was overwhelmingly confined to state-owned enterprises. Many of these SOEs adopted corporate forms recognizable to international investors by incorporating in Hong Kong and listing on its exchange. Their principal motivation during that time was to attract foreign investment under legal and governance arrangements perceived as more familiar and predictable to global financiers (Buckley et al., 2018).

As SOEs set up Hong Kong subsidiaries, the legal separation from the mainland provided, whether intended or not, a degree of flexibility in navigating domestic constraints on capital mobility and foreign participation, while allowing firms to retain access to state-backed financing and political support onshore. At the same time, this arrangement arguably reduced the immediate pressure to align mainland corporate and regulatory institutions fully with global corporate law standards. In this respect, Hong Kong can be understood as facilitating engagement with global capital markets without requiring the direct and simultaneous transformation of the mainland legal system (Buckley et al., 2018; Coppola et al., 2021).

This regime began to shift after the 2008 global financial crisis, when both private- and state-owned enterprises increasingly pursued overseas expansion. The launch of the Belt and Road Initiative in 2013 further institutionalized this outward turn (Morck, Yeung, and Zhao 2008; Song, Yang and Zhang 2011; Buckley et al. 2018; Rithmire 2022). In 2014, the Chinese government moved from an approval-based regime to a "light-touch" registration system based on simple notification, marking a decisive relaxation of formal controls over OFDI (Jin 2015). During this time a range of Chinese service providers, including law firms, boutique financial firms, and accounting firms, have established operations there to support Chinese enterprises.

A third phase began as the Chinese government began to tighten rules on foreign investment. In 2017 it introduced the Measures for the Administrative Measures for Enterprise Overseas Investment Order No. 11 of 2017. The measure required companies to submit comprehensive applications prior to embarking on foreign investment outlining their business plans. Additionally, enterprises had to provide a supplementary deposit of 5% of their overseas investment to the central government (NDRC 2017). These layers of oversight significantly constrained corporate flexibility in conducting international business directly from mainland China.

An additional development that affected the role of Hong Kong as conduit was the *Circular on Issues Relating to Supporting the Development of New Types of Offshore International Trade* issued by the *State Administration of Foreign Exchange (SAFE)* and the *People's Bank of China (PBOC)* in 2021. The measure states that:

> "The same offshore trading transaction should, in principle, be conducted through the same bank and settled in the same currency (either foreign currency or RMB). Other circumstances require approval from the authorities" (SAFE, 2021, authors' translation).

Given the various restrictions that were introduced, Chinese companies, both state and private, were incentivized to keep as much capital as possible outside the domestic financial system, primarily in USD, in order to maintain financial independence while expanding internationally.

SOEs faced, therefore, a choice between using a mainland or Hong Kong-based financial institution. Due to the greater flexibility and fewer regulatory hurdles offered by the Hong Kong branch, they consistently opt for it as their preferred financial partner. For example, the 2022 financial statement of one of the selected enterprises engaged in the cultivation and trade of agricultural products in Zambia that was among the 20 enterprises we examined in greater detail, highlights how the company mitigated exchange rate risk by conducting foreign exchange transactions through local Zambia commercial banks and the Hong Kong subsidiaries of Chinese banks. This case illustrates how Chinese firms strategically utilize Hong Kong's financial infrastructure to navigate currency conversion challenges and enhance financial stability in international markets.

Hong Kong, however, began to play a more nuance role in Chinese FDI. Hong Kong subsidiaries provide Chinese SOEs with a mechanism to process expenditures not explicitly included in formal contracts, most notably, consulting fees. In several African markets, hiring intermediaries or "fixers" for market entry and bid-winning is a common practice. These payments, often categorized as "consulting fees" in formal accounts, can amount to as much as 10% of a contract's total value. Rather than disbursing these payments from mainland China, SOEs typically route them through their Hong Kong subsidiaries—even in cases where projects are financed by the Export-Import Bank of China.

In sum, our analysis suggests that Chinese companies utilize Hong Kong intermediaries less to circumvent domestic political constraints but to fulfill the very objectives that the Chinese state expects from them. At the upstream level, Hong Kong functions as an institutional buffer between the domestic and the global. As one SOE manager explained, “SOEs operate with state money; there is no need to evade taxes, and it is not politically correct.” By interposing a Hong Kong subsidiary, the Chinese state can permit state-owned enterprises to operate as de facto global corporations. The Hong Kong branch can issue equity, contracting under English common law, and transacting in U.S. dollars, without altering the legal foundations of the mainland order. Hong Kong thus operates as a liminal legal space in which Chinese capital can be constituted in internationally legible form while remaining politically anchored in Beijing.

At the downstream level, this legal mediation confers a further advantage. Because the operating entity is formally a Hong Kong company, it carries a “badge of legibility” for global counterparties. African governments, international banks, and multilateral lenders transact not with a mainland entity subject to opaque party–state authority, but with a firm regulated by the Hong Kong Securities and Futures Commission and embedded in a common-law jurisdiction. This lowers perceived sovereign and enforcement risk and facilitates contractual closure in jurisdictions characterized by weak legal infrastructure.

5. Beyond Hong Kong: the central role that funding strategies play in determining the pattern of Chinese OFDI

The puzzle, then, is why Hong Kong is often not sufficient. Why is Chinese outward FDI sometimes routed not only through Hong Kong but also through additional jurisdictions? Addressing this question requires a more granular, corporate-level analysis.

In a standard multinational model, a Chinese parent company would establish a Hong Kong, or other OFC intermediary, which would in turn incorporate a legally autonomous subsidiary in the African host country. Under such a structure, host-country filings and end-of-year reports might shed light on the ownership configuration, capital structure, and operational purpose of the OFC intermediary. In principle, this reporting should allow researchers to infer whether the offshore layer serves primarily fiscal, financing, governance, or risk-management functions.

As we demonstrate below, however, this inferential pathway is frequently blocked in the Chinese case, complicating attempts to map corporate chains using conventional data sources. To begin with our reconstruction of corporate ownership chains revealed remarkably limited information on Chinese subsidiaries in Africa in major corporate databases such as Orbis. In many cases, the trail either terminates in offshore intermediaries or leads to entities for which minimal financial or ownership data are publicly available. The absence of Chinese subsidiaries in Africa in the Orbis data is only partly technical. Non-standard registration practices and recent regulatory constraints—most notably the 2022 “Measures for the Security Assessment of Data Export,” have further limited external access to Chinese firm-level data. Yet these factors cannot explain the near absence of African subsidiaries in Orbis prior to 2022. A more plausible interpretation is that Chinese firms prefer not to establish direct, legally autonomous subsidiaries in Africa, but instead rely on alternative corporate architectures that reshape patterns of accountability and state power.

This is consequential. When firms avoid creating formal local subsidiaries, they operate instead through contracts, representative offices, or SPVs, typically based in offshore hubs such as Hong

Kong or the BVI. This renders firms legally legible to global markets but locally opaque to host-country regulators. At the same time, it helps explain the extensive use of offshore: by eschewing the standard subsidiary model, state-owned enterprises can project state capacity upstream while insulating the Chinese state from the liabilities of downstream African operations. In this sense, Chinese firms appear to be pioneering a model of "perpetual transience"—operating at scale without ever fully embedding themselves in the legal order of the host jurisdiction.

This organizational form not only complicates empirical analysis; it is reinforced by the financing structures through which Chinese OFDI is typically conducted. A critical finding from our interviews is that another reason for the lack of transparency arises from the dominant use of credit-based financing routed through Hong Kong. Credit financing involves a contractual arrangement in which a borrower receives a pre-approved credit line from a bank, with an agreement to repay it later, typically with interest. It is a bit like a credit card. Unlike direct loans, credit lines function as a pre-approved capital reserve that can be drawn upon as and when needed. Theoretically, as long as transactions are completed within the bank's credit line period, companies should not encounter difficulties in settling payments or meeting financial obligations.

Unlike traditional loans, credit financing allows enterprises to draw funds without requiring separate approval for each withdrawal, granting them significant autonomy over the timing and purpose of fund utilization. Within the approved credit limit, loans can be accessed and repaid flexibly, depending on an enterprise's cash flow needs. Furthermore, until these funds are utilized and converted into actual loans, they do not constitute a financial transaction and, under Chinese accounting standards, do not appear on a company's financial statements (Luo and Ying 2014). Crucially, in Hong Kong (as in many other OFCs), related-party credit structures may be structured to limit disclosure, especially when not consolidated or when exploiting local standards. Companies Ordinance (Cap. 622) and Hong Kong Financial Reporting Standards (HKFRS) do not mandate full transparency on intra-group credit transactions or offshore finance flows.

Credit financing is known in the West as well, but in China such credit-based loans are often substantial and are typically subject to non-disclosure agreements or lack public transparency, making it difficult to assess the precise terms, interest rates, or conditions associated with the financing (Cull and Xu 2003). Figure 5 illustrates the various financing pathways available for foreign investments, highlighting the central role of Hong Kong's financial infrastructure in facilitating Chinese OFDI.

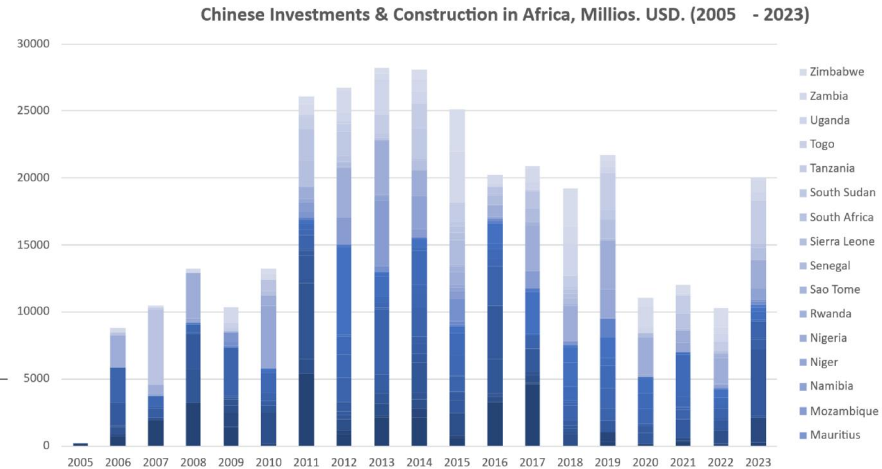
Another key advantage of credit financing is that it eliminates the need to establish a subsidiary in the host country. Instead, it remains a private financial arrangement between the Hong Kong (or occasionally Singapore) branch of a bank and the Hong Kong subsidiary of the SOE. This may also help explain the lack of data on Chinese subsidiaries in Africa in the Orbis database. One of the main incentives for establishing a subsidiary in a host country is that it can raise capital independently, without directly impacting the parent company's balance sheet (Ferran 1999). Since many Chinese enterprises structure their investments through credit financing at preferential rates, they do not see the need to establish local entities in host countries for financing purposes. The result: further opacity as their presence may not be formally recorded in local corporate registries.

Chinese SOEs' heavy reliance on credit financing helps explain many of the apparent anomalies in data transparency uncovered during our investigation. Whether intentional or not, the widespread use of this funding structure ensures that the full extent of China's global investment flows remains opaque. Moreover, since credit financing is typically provided by the Hong Kong branches of Chinese state banks, the type and availability of credit can potentially be politically driven or strategically motivated. However, because the contractual terms of these credit arrangements are not publicly disclosed, it is impossible to determine the extent of such an influence.

The top five industries by China's stock of FDI in Africa

Industry	Stock Amount, Billion USD
Construction	136.2
Mining	97.2
Manufacturing	50.6
Finance	44
Leasing and business services	21.6
Total	349.6

Data Source: China's Ministry of Commerce (MOFCOM), 2024



Data Source: China's Ministry of Commerce (MOFCOM), 2024

Figure 5. Chinese investment in Africa by industry.

6. Singapore and BVI: secondary gateways of Chinese offshore investment

Why, then, do Chinese SOEs, and increasingly private firms, also route investment through secondary OFCs such as Singapore and the BVI, rather than intermediating OFDI exclusively through Hong Kong? To our knowledge, the literature does not yet offer a systematic explanation of this pattern. Our interviews suggest that the explanation lies less in corporate law per se than in the financing architecture through which Chinese state and private capital internationalize.

As we have seen, Chinese firms, including SOEs, are incentivized by domestic rules and compliance practices to concentrate transactions in a single currency, and crucially, through a single bank, which in principle facilitates monitoring and control. In practice, however, reliance on a single institution does not always ensure timely access to sufficient liquidity in the relevant market, currency, or deal window. Access to funding can also be shaped by the internal segmentation of China's financial system: different banks are embedded in distinct political networks and policy mandates, which can constrain or delay capital mobilization for particular projects.

For all these reasons, SOEs frequently seek supplementary sources of funding, often from international markets. This explain, we believe, the connection between Chinese capital and BVI (Robertson 2021). As a result, since the early 1990s, when Chinese enterprises first gained access to the global financial market, some important overseas public financing, including initial public offerings (IPOs) and debt financing, have involved the use of 'pure' OFCs such as BVI or Caymans Islands. This mode of financing increasingly incorporates familiar Western financial techniques, such as the targeted issuance of additional shares and offshore bonds, further embedding Chinese capital flows within the global offshore financial system. In these instances, Chinese SOEs behave more like traditional multinational corporations.

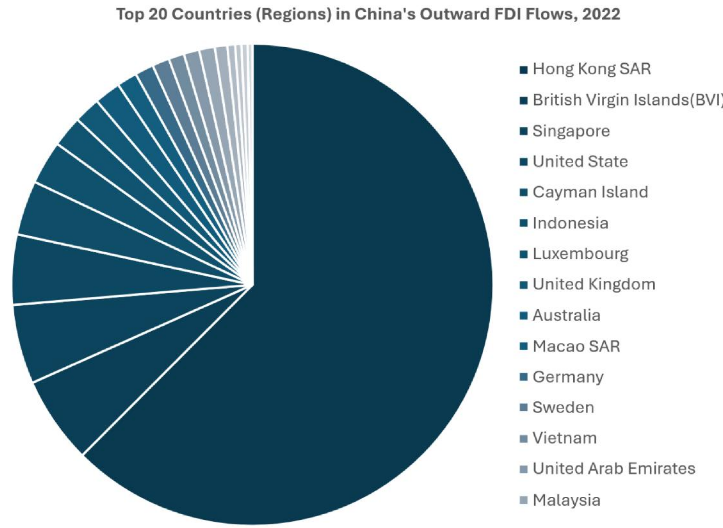
Another reason for the use of alternative financing arrangements, revealed in our interviews, is that uniquely to China, as far as we can tell, Chinese private capital tends to act as an institutional investor in SOEs overseas ventures. Wealthy private investors and non-SOEs have traditionally established family offices in Singapore. Chinese family offices are increasingly expanding into other jurisdictions, such as Dubai and Mauritius (see also Fig. 6). These family offices typically gain control through asset transfers facilitated by trusts, serving multiple strategic functions. The family offices are set in known OFCs to act as risk isolation layers for controlling families, shielding assets from regulatory scrutiny and potential financial risks. The provide a discreet mechanism for Chinese private capital to transfer and protect wealth offshore. Finally, they offer essential liquidity support for SOEs by guaranteeing loan repayments for their international operations, thereby reinforcing the financial stability of China's overseas investments.

Beyond their role in direct investment, these Chinese service providers also serve as critical intermediaries in structuring financing and co-investment through other OFCs. As illustrated in Fig. 6, BVI and Singapore have emerged as key destinations for Chinese overseas investment (Vlcek 2014; Robertson 2021). These loans are typically structured through intermediary centers including Hong Kong, Singapore, and the Cayman Islands. These complex financial arrangements are employed to optimize funding strategies, enhance operational efficiency, and maintain greater control over their international investments.

This trend has gained momentum in recent years as the expansion of U.S. sanctions has increasingly restricted the export of products manufactured in China to overseas markets. To circumvent these constraints, Chinese firms have begun to deploy offshore structures not only for financing but also for trade intermediation. Products are repackaged, relabeled, or re-exported through intermediary hubs such as Singapore, Hong Kong, and Dubai, allowing firms to preserve market access while

Top 20 Countries (Regions) in China's Outward FDI Flows, 2022

Countries (Regions)	OFDI Flows (Billions, USD)
Hong Kong SAR	975.2
British Virgin Islands(BVI)	91.2
Singapore	83.0
United State	72.9
Cayman Island	57.6
Indonesia	45.5
Luxembourg	32.5
United Kingdom	28.2
Australia	27.9
Macao SAR	21.3
Germany	19.8
Sweden	18.5
Vietnam	17.0
United Arab Emirates	16.1
Malaysia	16.1
Thailand	12.7
Turkey	7.5
South Africa	6.8
Cambodia	6.3
Niger	5.7



Data Source:
China's Ministry of Commerce (MOFCOM), 2024

Figure 6. FDI spread across countries, showing 75% in three countries.

formally altering the jurisdictional identity of origin. In this way, offshore and onshore functions are recombined into a new form of regulatory arbitrage, in which production remains onshore while legal, commercial, and trade identities are shifted offshore.

We conclude that, paradoxically, Chinese SOEs access to private Chinese capital through financial hubs such as Singapore and BVI has encouraged the integration of Chinese capital into global financial networks. By leveraging private capital through these offshore channels, Chinese SOEs gain additional financial flexibility while maintaining the strategic objectives of state-backed investment. This approach not only enhances their global competitiveness but also enables them to navigate regulatory constraints more effectively, ensuring continued access to international capital markets.

7. Host country conditions: the ground realities shaping Chinese FDI

A third dimension that helps explain the complex structuring of Chinese OFDI in Africa through series of OFCs is the role of host-country conditions. While some African governments implement tax incentives to attract foreign investment, it is often forgotten (but not by the companies) that Chinese companies often remain subject to value-added tax (VAT) on raw material purchases and product sales. In addition, certain jurisdictions such as Mozambique, have introduced stringent local content requirements, mandating domestic sourcing and labor utilization. These regulations can increase operational costs and impose additional compliance burdens on foreign investors (Toews and Vézina 2022).

One favored response by Chinese enterprises, including state-owned ones, are tax strategies that are commonly used by their Western counterparts. A Chinese SOE, for instance, might establish a subsidiary in Singapore to purchase raw materials from an African supplier. These raw materials are then sold to the SOE through a local African entity that is in reality a shell entity created and controlled by the SOE itself. By structuring transactions this way the SOE can avoid value added tax. Our interviews revealed that one Chinese SOE has established a company in Mozambique with local elites as silent partners. These elites, often wielding significant political influence and high-level connections, play a crucial role in facilitating smoother operations by helping the company bypass bureaucratic hurdles, gain preferential access to resources, and secure favorable regulatory treatment.

To further optimize its operations, the Chinese SOE has also set up local suppliers in Mozambique, partnering with shadow stakeholders who manage international activities. These shadow partners are not overtly linked to either the Chinese parent company or the local elites, effectively obscuring the true ownership structure. This layer of opacity allows the company to operate with greater flexibility while minimizing regulatory scrutiny and potential political risks.

Typically, these operations are registered in official databases under the category of "leasing and business operations," making them less conspicuous in official investment records while still enabling strategic business maneuvering. This classification allows the company to maintain a low profile, navigate investment restrictions more efficiently, and continue leveraging local and offshore financial networks to support its broader international expansion strategy.

Similar patterns were observed in Tanzania, where Chinese SOEs have adopted offshore financial strategies to navigate procurement challenges (CCPIT 2021). Due to difficulties in directly sourcing fertilizers, nutritional supplements for poultry feed, and pharmaceutical additives essential for agricultural production in Tanzania and neighboring countries, these SOEs rely on bulk imports via sea and air freight from their parent company's supply chain in mainland China. To minimize tax liabilities and transaction costs, these SOEs channel their import and export operations through subsidiaries registered in BVI. This offshore structure enables them to optimize financial flows, reduce customs duties, and maintain operational efficiency while preserving access to essential agricultural inputs.

This practice also helps explain why a significant portion of China's OFDI in the Cayman Islands is classified as "leasing and business services" sector. These jurisdictions offer the financial and regulatory flexibility necessary for intermediary operations, allowing Chinese enterprises to structure transactions efficiently while obscuring direct ownership ties. By leveraging these offshore financial centers, Chinese SOEs can enhance cost-effectiveness, bypass regulatory constraints, and sustain their commercial presence in African markets (China-Africa Business Council 2023).

Chinese suppliers and shipping companies frequently register vessels in offshore jurisdictions such as Singapore and BVI, effectively classifying these registrations as Chinese investments into these jurisdictions. Singapore, in particular, is Asia's most significant shipping and commodity trading hub, making it a preferred location for vessel registration.

To minimize operating costs, bypass government controls and trade restrictions, and benefit from tax incentives, many shipping lines register vessels under subsidiaries in low-tax flag-of-convenience countries or open registry jurisdictions with minimal registration fees (Chen and Hwang 2024). These jurisdictions offer financial and regulatory advantages, including lower compliance requirements, reduced labor costs, and fewer restrictions on vessel ownership, allowing Chinese enterprises to enhance operational efficiency while maintaining financial flexibility.

Since 1990, the number of ships owned by both state-owned and private Chinese enterprises has surged, rising from 20% of total fleet ownership to 50% by 2015 (Chen et al., 2017). Hong Kong and Singapore are among the primary jurisdictions providing open vessel registration services (Ng and Yip 2010). Vessels used for commodity transportation are most commonly registered through a Singapore–BVI–Ireland structure. This arrangement enables Chinese shipping companies to minimize costs, enhance operational flexibility, and optimize their tax and regulatory positioning, while maintaining a strong presence in global shipping markets.

By leveraging these offshore registration practices, Chinese shipping companies can reduce their tax burden, circumvent international shipping regulations, and maintain competitive advantages in global trade. This strategy also reinforces the broader pattern of Chinese outbound investment being routed through offshore financial centers, further integrating China's global commercial activities into the offshore economy.

8. Key insights and final reflections

This article set out to challenge a prevailing assumption in the literature that treats offshore finance primarily as a technology of disembedding and market escape. Our findings suggest a different interpretation. In the Chinese case, offshore is not simply a technology of exit; it is also a technology of governance. It provides a differentiated legal space in which corporate form, jurisdictional layering, and regulatory arbitrage are actively deployed to mediate the relationship between domestic political authority and global markets.

More specifically, we show that offshore structures enable what we term sovereign outsourcing: the externalization of selected legal and financial functions of the Chinese state into foreign jurisdictions in order to facilitate capital mobilization, treaty access, risk compartmentalization, and reputational buffering. Through Hong Kong in particular but also through other offshore nodes, Chinese state-linked firms acquire globally legible corporate forms without requiring wholesale transformation of mainland legal institutions. Offshore thus becomes an instrument of statecraft—not in the sense of direct geopolitical coercion, but as a mechanism for extending state-supported capital into international markets under conditions of legal and financial credibility.

At the same time, our analysis demonstrates that these offshore architectures do not operate exclusively as instruments of sovereign delegation. As investment moves downstream into destination jurisdictions, the same structures are repurposed to minimize taxation, manage political exposure, and insulate assets. Offshore therefore operates across dual registers: as a vehicle of state-mediated market integration upstream, and as a conventional technology of regulatory arbitrage downstream.

While this article focuses on the Chinese case, the broader implication is that offshore financial centers should be understood not only as arenas of sovereignty erosion, but as institutional resources within competitive state strategies. In a fragmented global legal order, states may selectively leverage offshore jurisdictions to reconcile domestic control with international competitiveness. The Chinese case makes this dynamic particularly visible, but it is unlikely to be unique.

Offshore financial centers, most notably Hong Kong, do not operate as external refuges from the state, but as delegated extensions of state capacity. Through offshore structuring, the Chinese state selectively dis-embeds its firms from foreign legal and fiscal regimes while simultaneously embedding them more deeply within the political and financial logic of the party–state upstream. Dis-embedding here is neither spontaneous nor market-driven. It is a managed and differentiated strategy of statecraft.

Empirically, this study offers a clearer account of the mechanisms through which Chinese enterprises structure their OFDI in Africa. We show that China has developed a bifurcated and highly differentiated offshore strategy. Hong Kong occupies a unique position as both a Chinese-controlled jurisdiction and a common-law financial center. Its primary function is not simply to facilitate tax minimization or regulatory arbitrage, but to act as a financial shield that structurally separates China's domestic monetary and regulatory regime from its international expansion. By leveraging Hong Kong, the Chinese state can pursue domestic financial and regulatory reform without constraining the global competitiveness of its firms, and can project state capital abroad without importing global legal norms wholesale into the mainland system.

At the same time, Hong Kong is only one element within a more complex offshore ecology. Chinese SOEs predominantly favor Chinese-controlled jurisdictions because of the distinctive funding structures available there, but they increasingly supplement these channels with international bond issuance, syndicated loans, and co-financing arrangements routed through Singapore, the BVI, and other neutral or Western-controlled OFCs. Chinese private capital, by contrast, more closely mirrors conventional offshore strategies, using these jurisdictions for capital mobility, tax optimization, and regulatory flexibility. The frequent collaboration between SOEs and private firms produces multi-layered corporate structures in which state-controlled and neutral offshore hubs are combined within a single investment chain.

A second central contribution of this article is to show that China's engagement with the offshore world is not accidental or peripheral, but actively supported and cultivated by the party–state. While much of the literature emphasizes the role of Western states in constructing the offshore system, our findings situate China among the new group of non-Western powers that have become central architects and beneficiaries of offshore finance. Since the global financial crisis, offshore expansion has been increasingly driven by BRICS economies, with China emerging as one of the largest and most sophisticated users of offshore structures. In this context, both China's critiques of offshore finance and expectations of a future "de-offshorisation" appear overstated. Offshore is not a pathology that Beijing seeks to eliminate, but an institutional infrastructure that it has learned to exploit strategically for the benefit of its SOEs, even while it seeks to curb some forms of offshore usage by Chinese citizens.

Our findings also carry important implications for African host states which we aim to study further in subsequent work. Beyond the specific domestic motivations that lead Chinese firms to use OFCs, Chinese SOEs and private firms deploy offshore for many of the same reasons as Western multinationals operating in frontier markets: to mitigate legal and political risk, navigate ownership restrictions, reduce tax exposure, and enhance financial efficiency in weak institutional environments. In this respect, Chinese OFDI in Africa is not exceptional, but highly convergent with global corporate practice (Alden, Large, and Soares de Oliveira 2008). At the same time, this convergence carries significant distributive consequences. Offshore structuring creates conditions conducive to transfer pricing, profit shifting, and tax avoidance, with direct implications for African fiscal capacity (Soares de Oliveira 2022). The apparent widespread avoidance of formally incorporated local subsidiaries further limits regulatory oversight and weakens host-state leverage over large-scale infrastructure and resource projects. Although our evidence suggests that Chinese SOEs primarily use offshore for strategic and operational purposes rather than for illicit activity, the institutional architecture they employ systematically reduces transparency and accountability.

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