

CHINESE FDI IN SUB-SAHARAN AFRICA

And its Impact on Development

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List of Abbreviations

FDI = Foreign Direct Investment

SSA = Sub-Saharan Africa

FOCAC = Forum on China-Africa Cooperation

US = United States of America

(The) West = USA and Europe

AU = African Union

BRI = Belt and Road Initiative

AIIB = Asian Infrastructure Development Bank

Abstract

Since the mid-2000s, the relationship between China and Africa has evolved rapidly. They went from having relatively weak ties to China being the number 1 contributor to FDI in Sub-Saharan Africa. This increase in FDI can be argued to be because of the economic rise China has experienced in the last couple of decades. In this thesis it will be found that China is successful in their FDI in SSA due to several factors. These factors mainly consist of what they are doing differently with their development model in contrast to the West. Western FDI has always had several political agendas they wanted to push, such as only giving aid or FDI to nations who follow the Western standards of human rights. This is done differently in China, as it is much more a business decision than it is giving aid. China seeks to expand their Chinese model throughout Africa, and they are susceptible to it because they have seen the model succeed in its country of origin. China also differentiates themselves from the West in the notion that the main investors are the Chinese government, or government related companies. In the West, the FDI comes more so from private investors such as companies and organizations, who want to expand their business to the African continent. The money China are investing in SSA are much more likely to end up in infrastructure and construction projects, whereas Western FDI focuses more on soft power related topics and intangibles, such as health and education.

However, even though China is conducting their FDI very differently from the West, they are also repeating some of the patterns the West has created. The Western FDI model

has been criticized heavily due to how they create dependency in the region. They are covering their true intentions of penetrating an easy market with the positively perceived word “aid”. Although China refuses to view their FDI as aid, because of its negative connotations with dependency, they are still creating dependency in their own way. They are doing this by using Chinese workers for construction projects, thus they are not assisting the local economy, as most money goes back into China. Many of these construction and infrastructure projects are created due to their Belt and Road Initiative, which creates dependency on four different factors: profit extraction, exploitation, the entrenchment of disarticulated economies, and the diversification of dependency.

This rise of China and their FDI in SSA is thus argued to have complexed impact on development in the region, as they are creating positive development by giving back some sovereignty to the SSA countries, while also creating more dependency in their own way. The impact this has on the overall development is mixed, as they are pulling in opposite directions simultaneously.

1 introduction

This thesis aims to explain how the economic rise of China has impacted the development in Africa in contrast to the underdevelopment set in place by Europe back in colonial times. To do this properly, one has to first assess the relationship between the west and Africa throughout history. All the way back in the late 1800s, European countries began what was later dubbed the scramble for Africa. By this time, European imperialists had already sold Africans as slaves for hundreds of years, but the scramble took their activities even further as they made settlements in the African lands.

During the scramble, European countries colonized 10 million square miles of land, as well as the approximately 110 million people living on those lands (Pakenham, 1991). For Africa, this was of course an involuntary acquisition, as the Europeans, especially King Leopold of Belgium, acted horrendously while the colonization took place (Pakenham, 1991). The Europeans ended their endeavours around the 1970s, but they had already left their mark on the continent, setting it up for dependency and by implication, underdevelopment for many years to come. When the Europeans left, Africa was stripped from many of their natural resources, such as gold and rubber, as well as being plagued with economic devastation, confusion about culture, geopolitical division, and an uncertainty of how the political system would continue moving forward (Keller, 1995). This made it even harder for the newly formed African nations to achieve political and economic stability, as they were now forced to create their own European-like government, which they had never done before. This was done because of the west still wanting to influence Africa, but now they do it through funds, called Foreign Direct investment (FDI).

The Europeans, and the US, who at this point had become a unipolar superpower, demanded that for the African countries to receive this money, they still needed to comply with the western capitalist ideology. The different African countries had no choice but to comply, as they had grown dependent on foreign money due to the colonization period, thus leaving almost all of Africa in a severe state of underdevelopment. The funds given to Africa were distributed as FDI in a system dubbed as the international aid system, where Europe and the US would give money to the world bank which would then distribute it throughout Africa, as well as other countries in need. The international aid system is marketed as the West helping third world countries, but as it will come to be analyzed later, it generated serious consequences for Africa.

This pattern of western FDI continues to this day, but since the economy of China began to grow rapidly in the 2000s, they have started to challenge the western FDI model by investing more money as well as focusing on more tangible outcomes, such as infrastructure and institutions. This differs from the western FDI pattern as they tend to also invest in soft power relations such as the education system and healthcare.

It will later be analyzed how these patterns are both repeating the Western model, as well as challenging it. During that analysis it will be seen that China does not care much about agriculture, which is arguably one of the most important exports of Africa since they have such a large amount of coffee and fruit plantations. They do, however, care to invest in energy, metals, construction, and transport. But the more intangible sectors such as tourism are largely ignored. As aforementioned, this pattern differs somewhat from the western philosophy of FDI, which will also be further analyzed at a later point.

Previously, the US was the largest contributor to FDI in Africa, however, as time has gone by and China and Africa have developed more strong ties due to the China/Africa summits as well as the China White Paper, China has since the early 2000s started to invest more and more in Africa for each passing year. Concrete numbers and analysis of them will be provided later in this thesis. This economic rise of China, and their position as the leading contributor to FDI in SSA, has sparked debate throughout the world. It is imperative for this debate to be clarified, so one can understand why their rise could be viewed as problematic in the eyes of the West.

1.2 Literature review

As the overall topic has now been described, this segment serves as a review of the current debate on Chinese FDI in Africa as well as how it compares to the western FDI model. These debates will later be analyzed with backing data.

The trade and cooperation between China and Africa have grown tremendously in recent years, starting with the first China/Africa summit in 2006. This summit cemented the future relations between China and Africa, as China pledged to work alongside the more than 40 African countries which were represented in the summit (King, 2007). This summit also set some ground rules, as the talk was largely based on China giving more aid to African countries. However, right from the start they refused to see themselves as a donor country, thus breaking the western tradition of giving aid.

Chinese officials made it clear that they see themselves as the largest developing country, working together with other developing countries, thus creating a south-south relation instead of a donor/recipient (King, 2007). They further cemented their view on “aid” as the taglines for the summit was “Friendship, Peace, Development and Cooperation” (King, 2007). This phrasing is important due to the subtle “and” between development and cooperation, since there is talk of these concepts separately, instead of it being “development cooperation”, which is just a synonym for aid (King, 2007). Another important subject to analyze in this summit is, that the whole thing was orchestrated and led by the Chinese government, instead of private companies or institutions. This is another differentiation between the western FDI model, as it tends to be on a more private level.

The concept of China not being a donor country has deep roots in Chinese politics, as it can be traced back to the 1960s where Zhou Enlai visited a number of African countries to lay the first ground of these now strong ties (King, 2007). Zhou created 8 principles of foreign aid based on the assumptions that:

“China is not so much a donor as a poor friend pulling on the oars with other poor friends, in the same boat. The principles insist on mutual benefit, and not on one-way alms-giving, as if to a beggar. They talk of the crucial need to respect the sovereignty of the recipient, and of the need not to attach any conditions. The assistance should not place a burden on the recipient, or make them dependent, but rather should allow the recipient rapidly to get results, build income and accumulate capital. If technical assistance is required, then there should be no special privileges for the Chinese experts; they should have the same standard of living as the experts of the recipient country” (King, 2007, p.339).

These principles are mostly the same as what was discussed in the China-Africa summit in 2006, and was a huge milestone in creating the strong ties they have today. The principles can arguably be viewed as a direct critique of the Western FDI, as all the aspects are opposite of what the West had been doing.

The summit also resulted in a concrete policy from China towards Africa, dubbed the Chinese white paper. In this policy the Chinese government states that China will continue to harness their friendly relationship as well as establishing a new type of strategic partnership in which they will focus on political equality, mutual trust, equal economic cooperation as well as cultural exchange (fmprc.gov, 2006).

However, the real debate starts when one analyzes whether or not China has kept their promise of conducting aid based on these principles. As it is true that China has changed some aspects of FDI, they are still repeating some of the Western patterns. Tiwari (2015) argues that economic engagement from China to Africa is fundamentally the same as what the West has always been doing, and therefore will not reduce either dependence or the “asymmetric integration in the global economy” (Tiwari, 2015, p.126). Since the West has colonial ties with Africa and it can be argued that their FDI continues in neo-colonial patterns, numerous scholars argue that China is repeating this neo-colonial pattern. It is evident in Glaister, Driffield, & Lin’s (2020) article that colonialism has indeed been a factor in creating formal ties between the West and SSA. The repetition of this model can be seen in Jauch’s (2011) article which states that Chinese companies tend to employ African workers in lower salary roles while the supervisor and manager roles are remaining Chinese, thus creating an imbalance in the area. This interest is backed up by Delgado (2015) who argues that the implementation of the Chinese model in SSA is equivalent to a silent revolution that challenges the Western civilization and their development model.

The debate surrounding the Chinese FDI in SSA is also heavily centred around the Belt and Road Initiative (BRI), more specifically the maritime part of the giant infrastructure project. It is argued that BRI is a catalyst for China to spread their success in economic development throughout the world, including SSA (Huang, 2016). This can be viewed positively, as it creates multiple opportunities for the involved countries, regarding trade and infrastructure development, but it can also be argued to be a main reason that China is overtaking as the largest contributor of FDI in SSA, and while doing so creating more dependency in the region (Taylor & Zajontz, 2020). The same concerns are put forward by Opoku-Mensah (2009), who argues that the Chinese economic ties to SSA have reconstructed the power relations, not only between SSA and the West, but also between China and SSA since they have attained a more paternalistic role in the partnership than was the initial proposal.

As it can be seen, the puzzle of Chinese FDI in SSA has raised many debates regarding how it has reconstructed and challenged the existing aid system as well as how it has impacted the development of SSA. Different scholars argue whether the impact is positive or negative, which this thesis aims to clarify further.

Due to these findings, one can conclude that the power relation between China and Africa is very much like the one from the West, even though China has strived to challenge these ideals. This debate is what fuels the problem formulation of this thesis, and can be boiled down to;

How is the economic rise of China and its challenge to the existing international aid system generating complexed impact on the development of Sub-Saharan Africa

1.3 Objective

China and the West are two of the biggest economies in the world, which means that they have large amounts of money that can be distributed to the rest of the world. This has made the two actors very important in the world economy since they are able to influence companies in other countries as well as the countries themselves. These funds are being distributed as FDI. As they have the power to influence or change specific aspects, it creates an unequal power relation between the donor and the recipient country. This thesis aims to explore how this power relation affects both sides, as well as analyze how China's new way of conducting these investments challenges the West's more traditional FDI method. This traditional method includes the dependency created by the donor/recipient status that is created with Western FDI, as well as how the funds are distributed, as China is generally investing in more tangible sectors than the West. The new Chinese FDI system, is heavily focused on tangible goods and projects such as infrastructure, buildings, or other hard power contributions, whereas the original Western way is focused more on soft power subjects such as donating to schools, hospitals, or other institutions which care about health or human rights. This, as well as China being a part of the global south, makes this topic interesting, as there is now not as much talk about a donor/recipient relation but a south/south relation. This disparity between FDI philosophies has led the West to view China as a systemic rival to their FDI.

The objective of this research and analysis is, to determine if FDI mainly has positive or negative effects on the development of the countries which receive the money. As well as determining how and why China has tried to overrule the international aid system utilized by the western world.

2 Methodology

2.1 Research design

This thesis is a case study in which there will be analyzed how the rise of China as an economic superpower is challenging the current aid system. The case consists of an in depth analysis of how China has challenged the international aid system, as well as repeated some of its patterns. The analysis is also concerned about how China is conducting FDI compared to how the western world does it. Since China's rise is a relatively new phenomenon this thesis will focus on a contemporary timeline, starting from around the 2000s until today. However, since dependency is rooted in history, there will also be mentioning of the historical aspect between the West and Africa. It will be analyzed how China started doing FDI and how they are doing it today as well as how it has impacted, and continues to impact, development in SSA. As the study focuses heavily on FDI, which is an economic aspect, there will be heavy use of quantitative data such as graphs about FDI and debt from multiple countries. It will also have some qualitative data to gain a deeper understanding of certain subjects. This qualitative data consists of analysis of speeches from officials from the African Union, as well as speeches from African presidents.

Initially, it was planned to be conducted as a comparative study between how the US and China conduct FDI, but it was changed since I wanted to focus more on Africa and how it has developed. A comparative study would lead the thesis in the wrong direction as it would focus mostly on China and the West. The comparison between these countries will however still be a part of the empirical data utilized in this thesis. Conducting the study as a case study will also help me explaining the historical context of the situation better, as one can dive deeper into the history of both Euro-African and Sino-African relations.

According to De Vaus (2001), case studies are often using qualitative research more than quantitative. However, as this study is focused on an economic aspect, FDI, I will inevitably use more quantitative data, as I have to look at specific numbers. This data will consist of investment statistics and graphs depicting debt between China and the SSA nations. There will be some use of the qualitative method as part of the analysis as well, since dependency theory, and the meaning of it, often is a subjective topic.

The qualitative data will consist of analysis of official African Union (AU) documents and likewise from the world bank, as well as speeches from various officials. De Vaus (2001) argues that quantitative research method provides information and explanations to a broader meaning while the qualitative method provides a more subjective dimension to a case study. This encompasses why both methods will be utilized, as one needs a broad understanding of the topic as well as a deeper, more subjective view on how China is challenging the aid system as well as how FDI has impacted development in SSA. Furthermore, this thesis will be conducted in a deductive manner, in which I aim to test my theories and not creating a new one. It will start in a broader sense where it will be analyzed how China is challenging the existing aid system, followed by an analysis of how they are repeating the Western patterns, and then it will narrow down to how this challenge has impacted the development of the SSA countries respectively. As a sidenote, it needs to be stated that even though this thesis focuses on SSA, the term Africa will sometimes be used when a datapoint or section of analysis entails the entire continent.

2.2 Theory selection

When selecting theories for this thesis, I drew upon my previous knowledge on the subject. In an earlier paper I, and my group, researched how to classify FDI from China, if it could be viewed as international aid, or a new form of colonization. In that study we utilized dependency theory and modernization theory as we felt those were the best theories to use when analyzing this topic. As this thesis consists of some of the same topics, I will again utilize dependency theory. However, I will complement it with a more thorough analysis by utilizing social constructivism. This constructivist theory will also entail Bourdieu's theory of power relations, as it is easily linked to the norm diffusion of constructivism. This addition of theory will make the analysis more coherent as well as create a new focus of the thesis, which is important because of the power relations between the global north and global south.

Both my major theories, dependency and constructivism, tries to explain specific political, social, and economic relationships between states. Contrasting this to some of the major international relations theories such as realism, it creates another perspective of the consequences the donor/recipient relationship has on the global south. With realism one would be more concerned with a broader picture of how the states interact with each other, in addition to being heavily focused on hard power, even though soft power is just as important for this topic.

Another reason for these theories to be selected specifically is, that I needed theories that encapsulates my problem formulation. Since the problem formulation raises multiple questions, I needed theories to explain them all. The first part consists of the Chinese challenge toward the Western FDI, which constructivism can help me analyze by looking at how China conducts their FDI, and by seeing whether SSA has adopted any norms or values from their donors. The challenge to the international aid system will also be analyzed by the use of dependency, as it can satisfyingly explain how the West has created dependency, and thus depict how China is challenging this notion. The second part consists of how China is repeating some of the same patterns the West has had for the past centuries, which will also be based on dependency theory, as the repetition largely consists of this aspect. It is because of these factors that dependency and constructivism were selected to aid my analysis.

Dependency theory will be utilized in order to establish the current and past relationship between the West and Africa, as well as analyze how China is repeating some of the patterns first seen by the west. It will also be utilized to analyze how China has challenged the international aid system, as that system also created dependency in SSA. Looking at these patterns, it can effectively be used when one needs to analyze the development of SSA nations, as it can easily be argued that underdevelopment in Africa stems from their donor countries exploiting them in different aspects, both politically and economically.

The constructivist theory will be used in this thesis to explain the norm diffusion which occurs in Africa, both the western norms they have adapted and if they have already adapted to some Chinese norms even though their relation is relatively new. This norm diffusion can be related to Bourdieu's power relation theory, mainly symbolic power, which will be utilized to analyze how China is taking over as the number one FDI provider in Africa. This means that Constructivism's main role in this thesis is to analyze the impact Chinese FDI has had on the development of SSA.

So, the theories of this thesis have been selected because of how they can be utilized to answer my problem formulation. The role of dependency is to answer the first part regarding FDI, by analyzing the relationship between the different actors, and how they have created dependency, and constructivism will be used to analyze the impact this FDI has had on the development of SSA, and to a smaller degree, it will help analyze how China has created these ties to begin with, regarding norm diffusion and power relations.

2.3 Data Selection

As this study has been done deductively, I have chosen my main theories before starting any data collection, so I could be sure that the articles I found were feasible in testing the theory I had chosen. My quantitative data consist of investment data such as graphs from reliable sources, as well as data that showcases debt or any other economic activity in China and Africa. The qualitative data consists of content analysis of official documents from the world bank and the AU. The qualitative data also entails quotes from various articles surrounding the subject, these quotes are mainly from African presidents or AU officials. When it comes to looking for data to assist one's analysis, there will of course always be the inevitable quest for compelling articles on the internet. This was done at the very start of the thesis writing, where every article or book with any vague relevance to the topic was opened. These articles and books would later be filtered out through critical thinking and search for more relevant titles. In addition to this, I have been provided with material from my supervisor, which has proved helpful to narrow down my topic and filter through my own data findings. This means that this project solely consists of secondary data, as I am only conducting desk research for multiple reasons. The first reason of course being that field research would be impossible due to Covid-19, and the second because this project does not rely on going to Africa and looking at what China has helped build, but rather the methods in which they did it. As a case study, it would clearly have been beneficial in some aspects to do some field research. One could have travelled to a sub-Saharan country and conducted interviews with local people as well as some national institutions, to get a greater understanding of how they view China's endeavours compared to the western aid system.

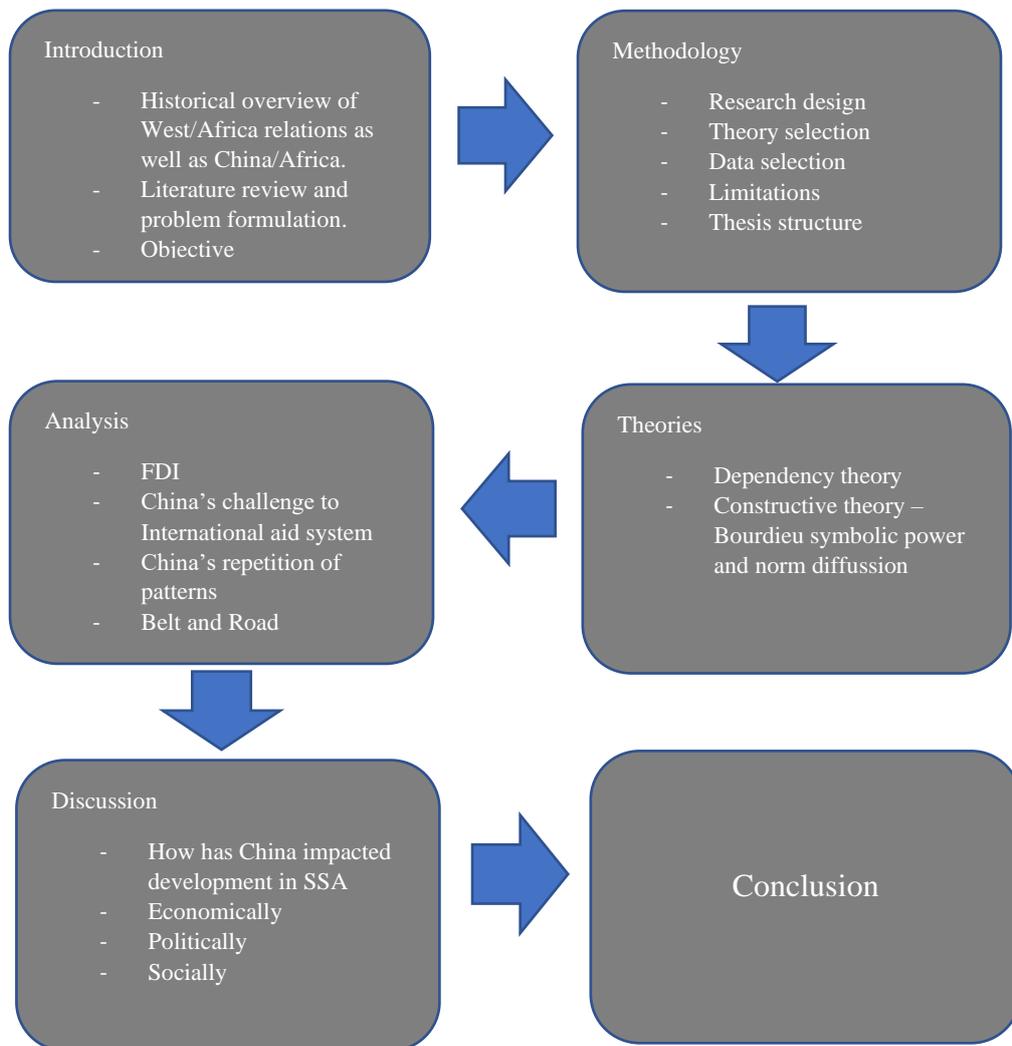
The data I find will be analyzed thoroughly with the utilization of several theories. The most prominent ones being dependency and constructivist theory. These theories have been selected due to the concept of this thesis. By analyzing my data with these theories in mind, one will get a more complete understanding of how FDI has impacted development in Africa as well as how the power relations between the donor/recipient can evolve.

2.4 Limitations

One of the biggest limitations of this thesis consists of how it is conducted. I focus on the development of SSA purely from an external point of view, which can never be the entire reason that a country experiences underdevelopment. It is clear that the investments from the West and China have created dependency, which can be a catalyst for underdevelopment, but underdevelopment can never solely be an external factor as the internal factors are arguably more important. Limitations such as reduced analysis on internal and local politics will thus imply that this thesis cannot thoroughly answer the question of how Africa has become underdeveloped, as I will merely look at the external aspects of this. Another limitation is the fact that not all documents I seek to analyze will be completely transparent regarding the respective nation's economy and so forth. This can make it difficult for the study to be the most precise as I have to just use the numbers and statements which are publicly accessible. It is in my greatest interest to analyze my findings in such a way that these limitations will be hardly noticed, but they are there, nonetheless.

2.5 Thesis structure

To conduct the analysis of this thesis correctly and thoroughly, it is imperative to have a clear vision of how the entire paper will look. This structure has been written before the analysis, and serves as a guideline to the project which one needs to follow in order to achieve coherency and not stray too far away from the objective of the thesis.



3 Theory

This section will provide definitions and explanations of the chosen theories for this thesis. It will start by describing some of the main concepts which are used throughout the thesis, then provide an explanation of the theories which uses these concepts, and lastly, a brief segment of how the theories are applied in the thesis will be provided

3.1 What is Development

Since Dependency theory is tightly linked with development and underdevelopment, one has to properly understand what these words mean. An explanation of the terms has been provided here, to clarify how it is viewed in this thesis.

Formerly, one could describe development as merely being economic growth as presented by McCann & McCloskey (2015) “the gross, or total, national product/income [...] divided by a country’s population to give an average figure which represents a country’s level of economic development” (p. 24). Even though economic growth definitely has a place in the discussion of the development of a state, this definition will not be utilized in this thesis as many scholars have discovered that economic growth is not equal to economic development. Instead, one needs to look at other aspects of the state combined with the economic growth. In this thesis, development is not just viewed economically, but also politically and socially. This means that there are taken many factors into consideration when development is mentioned. One scholar has defined development as “a process of expanding the real freedoms that people enjoy” (Sen, 1999, p.3). Sen herby argues that economic growth, technological advances and industrialization can serve as important means to achieving this freedom, but they are not the sole catalyts of development (Sen, 1999). Instead, one has to look upon social and economic arrangements and institutions, such as the education system, health care, and political and civil rights (Sen, 1999). By looking at these factors, as well as other means such as freedom of speech, it can be concluded that to achieve development, one has to achieve freedom. According to Sen, these terms go hand in hand and cannot exist without each other. This is how development will be viewed throughout this thesis. If an act goes against more freedom for the people, it will be viewed as negative development.

In contrast, underdevelopment is the opposite of development, and the area where dependency has most use, as it is used to analyze how the development of the donor country negatively impacts the development of the recipient country. This negative impact can be defined as underdevelopment and serves great consequences for the recipient.

3.2 What is the international aid system

As constructivism will be utilized to analyze the norm diffusion caused by China in SSA, one has to know which norms they had before, as they were being influenced heavily by the western powers. Therefore there will be provided a description of the international aid system, to define what this system entails and how it could have impacted SSA

The system was first founded after world war 2, to ensure the development of the less fortunate countries, also referred to as the global south (Opoku-Mensah, 2009). Within this system, the global north collects large amounts of funds to distribute across the south, with the aim of aiding them in development. Opoku-Mensah (2009) further elaborates how the system

“has become a distinct, very powerful and new type of international system, reflecting global power relations, and continuously developing and framing regional, national and local subsystems and organizational landscapes all over the world” (p.2).

This means that the international aid system possesses power over the recipient countries of the south, and it can be used to alter politics and norms within them. The international aid system receives its funds from multiple places, both official institutions and private actors. Most of the donations are made bilaterally, but some donations come from multilateral channels such as the UN.

As well as using the funds on very tangible things such as building roads, railways, or other infrastructural advancements, the international aid system is also a value system. This means that they invest in schools, hospitals and provide cheap loans for the recipient country. These more soft power related investments are different from how the Chinese invest in Africa.

To simplify, one can view the international aid system as having 4 dimensions; Social system, international regime, merchant system, and power relations. The social system can be

understood as the power to shape institutions and policies around the world. It is thus able to alter entire countries and how they behave internationally (Tvedt, 2006). The international regime dimension consists of the thought that the international aid system can in some cases affect principles, rules, and norms worldwide, making it a set of “laws” that every country has to abide by. These rules and norms have been set in place in order to defend certain economic and ideological interests (Van der Walle, 2001). The third dimension, the merchant system, clarifies the fact that development has become increasingly more organized, and consists of multiple institutions. It can be argued that development has become more of a sale, as the north “sells” their development aid to the south and treating it more like an expansion of their business. This expansion of business is also related to the fact that most Western FDI comes from private businesses, in contrast to China whose FDI mainly comes from the state (Opoku-Mensah, 2009). The fourth and final dimension, power relations, can be argued to be a combination of the former dimensions, as it plays a huge role in every aspect of FDI. By aiding the global south with money, it creates an unequal power relation, both with hard and soft power, as well as symbolic power. These power relations are always in play when the global north conducts business with the south, thus it should always be considered in the international aid system.

These two concepts, development and the international aid system, will be referenced throughout the thesis as they are important aspects of both theories. Development is concerned with the impact of FDI and dependency, while the international aid system serves as a counterpart to the Chinese model. With these two concepts explained, the next segments will focus on the theories themselves, in which the concepts will be utilized.

3.3 Dependency theory

Dependency theory stems from the 1950s, as a response to the fact that even though poorer countries experienced economic growth, they did not experience economic development (Agbebi & Virtanen, 2017). This means that dependency theory is tightly linked with the colonization of Africa, which is the region that arguably has experienced these consequences the most. This also links dependency theory with a historical aspect, since it can be utilized to analyze how and why countries have acted like they did in the past, as well as how their behaviour has changed over time.

The term dependency refers to one nation being dependent on another. This means that there exists a relationship between two nations in which one of the nations cannot develop without the interference of the other, while the other nation can develop solely with internal factors. It can be further explained by stating that

“poor countries exported primary commodities to the rich countries who then manufactured products out of those commodities and sold them back to the poorer countries. The "Value Added" by manufacturing a usable product always cost more than the primary products used to create those products. Therefore, poorer countries would never be earning enough from their export earnings to pay for their imports” (Ferraro, 2008, p. 58).

This shows that there will always be a donor and recipient country, and only the donor benefits economically in the transaction as the recipient is dependent on the donor to buy their products, while not being able to process their goods in the same way.

When talking about FDI in any country, dependency theory is impossible to overlook. This theory of underdevelopment explains how there always will be a gap between the poor and the rich countries (Velasco, 2009). This means that the rich country will give money, favours, or manpower to the poorer country to such a degree that the poorer country becomes dependent on those actions. This then creates problems for the poorer country as they cannot sustain themselves economically without these investments, therefore they end up owing the donor country a significant amount of either money or political compliance. When talking about dependency, there exists a donor and a recipient country, and generally the donor country benefits way more from this dependency than the recipient country does.

Dependency can however be viewed from different aspects. The radical dependency is what I just described, where the donor country is directly linked to all the issues FDI creates, and they grow at the expense of the recipient country (Velasco, 2009). Some scholars suggest that the only feasible way to avoid this, is to completely detach the donor country from the world economy. This method has only been implemented by Albania and North Korea, to varying degrees of success. The other school of thought explains how, under capitalism, both rich and poor, or donor and recipient, could grow, but would never benefit equally (Velasco, 2009).

It is hard to come with a definitive explanation of what dependency theory consist of, as there are different, sometimes disagreeing views of what the theory entails. However, some key features of the theory can be agreed upon; the world is divided into two parts, the centre-industrialized (donor) countries and the periphery (recipient) (Agbebi & Virtanen, 2017). Another key feature is, that “trade between the centre and periphery is characterized by unequal exchange, which has resulted in underdevelopment of the periphery” (Agbebi & Virtanen, 2017 p 430). And finally, it is also agreed upon that the underdevelopment of the global south can be linked to the expansion of capitalism in the north (Agbebi & Virtanen, 2017). So, without any definitive description of dependency already existing, one could boil it down to its key principles and describe it as a theory in which a donor and recipient country participates in unequal exchange of goods, money, or knowhow. In this unequal exchange it will always be the donor country that gets the best deal and the recipient experiences some form of underdevelopment.

Dependency theory’s main focus is a historical aspect of how unequal exchange between two parties can lead to the creation underdevelopment in the recipient country, which is why the theory will be utilized in this thesis to analyze the economic aspect of Chinese FDI, and how the unequal exchange of the donor and recipient country can explain how China has both challenged the international aid system as well as repeating some of the patterns it has created.

3.3.1 Application of dependency theory

In order for the theory to make sense in this thesis, there will now be provided an explanation of how dependency theory will be utilized in the analysis.

Since the main focuses of this thesis are the challenge of Chinese FDI in relation to their Western counterpart, the repetition of Western patterns in Chinese FDI, and the impact this has on the development of SSA, one need to have theories which match these statements. Dependency theory correlates with the repetition part, as the theory talks about underdevelopment an unequal exchange. It will also be utilized to analyze how China challenges the international aid system by viewing the dependency they create in a more positive light compared to how the West has done it in the past. In this context, there will be analyzed how China is conducting their FDI, and why that seemingly new method creates unequal exchange, while still challenging the Western model.

Dependency theory will be used in this context to explain the more positive outcome of dependency, since it can be argued that the Chinese model creates less dependency than the West's.

The creation of unequal exchange is puzzling, as China has made it clear from the very beginning of their strong ties with SSA, that they are not working as donor/recipient, which according to dependency theory is a main factor of a state becoming dependent which can also be viewed as a catalyst for underdevelopment. Therefore, dependency theory will also be utilized to analyze if China and SSA relation really is as equal as they want to be.

3.4 Constructivism

Constructivist theory emerged in international relations throughout the 1990s and has since been one of the leading theories in multiple fields, including international relations (Simpson, 2002). The basics of the theory entail that “no statement can be taken as true beyond reasonable doubt” (Simpson, 2002, p 347). In broad terms, this means that everything you hear or see has to be questioned as everything is merely a construct of humans and their behaviour. Just like dependency theory, one cannot claim that constructivism is just one thing, as there exist multiple schools of thought on the subject. Although hard to define precisely, there can always be found some key aspects of the theory. In its essence, constructivism is a theory about learning and knowing. It explores what knowing is, and how one knows (Glaserfeld, 2007). It can be argued that the theory describes knowledge, not as truths to be transmitted or discovered, but a means for humans to engage in meaning-making in cultural and social surroundings. These meanings are emergent, developmental, and non-objective constructed explanations, utilized by humans to gain understanding on the world around them (Glaserfeld, 2007).

This means that humans are responsible for how other humans perceive a subject. When Constructivism first was developed, it aimed to prove as a competitor to the existing dominant theories, realism and liberalism. It serves as a great counter to especially realism, which claims that reality is how it is, and cannot be manipulated. This is where constructivists argue that reality of social behaviour can be whatever the group decides. Constructivism focuses heavily on norms, and how norms can change a community. These norms are not determined by any government, but internalized unwritten rules in a society, big or small.

These norms can then be altered rather quickly due to outside influence or a sudden change on the inside of the community, thus altering the reality of those experiencing it. A great example of norms and norm diffusion is the current Covid-19 pandemic, in which more or less every country has adapted a new set of norms of social contact, almost overnight. So, constructivism can be boiled down to the notion that the world is not strictly business related, but it is likewise a social world in which actions can determine reality, meaning that if one actor acts a certain way it can create norm diffusions in the recipient actor.

In this thesis, constructivism will be used to explain how the international aid system (world bank) and later the Chinese FDI impacts SSA in terms of norm diffusion and other changed behaviour. As constructivism is a theory of learning, it can be utilized to analyze how the people of SSA have learned these new norms. It will be analyzed if and how China has imposed their own values upon them.

3.4.1 Bourdieu's power relations in constructivism

As constructivism in this thesis aims to analyze the impact of FDI regarding the development of SSA as well as the challenge of Chinese FDI in relation to the Western method, one must also analyze the different power relations in both cases. This thesis will mainly utilize Bourdieu's symbolic power, as he says in his own words; "Symbolic systems' are symbolic forms, instruments for constructing reality" (Bourdieu, 1989, p. 77). This means that his theory of symbolic power is heavily related to constructivism, as symbolic power has the means to influence or construct new realities. The theory of symbolic power is a useful tool to assist constructivism, as it simply explains how the power relations within constructive thinking works. Bourdieu (1989) also states that "objectivity is defined by the agreement of subjectivities" (p.77). This means that in order for something to be an objective truth, enough individuals just has to see it as legitimate. This notion will aid the constructivist analysis as it also claims that norm diffusions can occur due to change in behaviour or language.

A further explanation of symbolic power entails, that language is a key factor in power relations. One is deemed legitimate based of how he speaks, what he says, and how he conducts himself while speaking (Bourdieu, 1989). If enough people deem the speaker legitimate, that is what determines that he is objectively legitimate.

An objectively legitimate speaker has then attained symbolic power, as he, until losing the legitimacy, has the full trust of his listeners. This means, that symbolic power is an intangible power, that can be obtained by being an expert, or by being extremely convincing. In short terms, one can define symbolic power as someone or something that has proved themselves legitimate in the eyes of the dominant percentage of citizens in a given area. A great example of symbolic power could be how China is using language to seem more legitimate in the eyes of SSA, as they claim to challenge the not-so-well-liked FDI from the West.

3.4.2 Application of constructivism

As aforementioned, there are several focuses in this thesis. The challenge and the repetition of Chinese FDI will be analyzed with dependency theory with the challenge aspect partly supported with constructivism. More specifically, how the Chinese FDI challenges the existing Western international aid system. In this case, constructivism can analyze how satisfied the SSA countries are with Chinese intervention in contrast to the Western method. This can be done due to the constructivist notion that reality can be manipulated with words and behaviour. This means, that because the west has underdeveloped the African continent for so many years, China can convince many African leaders that their method of FDI is way better, as it is pure business instead of aid. This also entails an analysis of a possible spill-over effect of Chinese norms into SSA. Under the headline of constructivism, which focuses heavily on norm diffusions, there will also be used some of Bourdieu's theory of symbolic power. This will be utilized by analyzing how the power relation between the West and Africa are, in contrast to the power relation between China and Africa. Symbolic power will also help analyzing the challenge of Chinese FDI, as its notion of norm diffusions due to change of language and behaviour correlates well with constructivism.

This notion of norm diffusions and spill-over effect will also be utilized in constructivism's main purpose in this thesis, the impact of FDI regarding the development of SSA. Constructivism will be utilized in this aspect by analyzing exactly what China has done with their FDI which impacts development positively or negatively. It will be utilized in an analysis about social, political, and economic development in SSA. This means that the main use of constructivism surrounds the idea of norm diffusions and how FDI has affected SSA, and what consequences it has had.

4 Analysis

The constant influx of funds into SSA countries has caused inequality in the partnership with China. Ian Taylor (2021) argues that since China invests so much in Africa, they now partly dictate how the SSA countries operate. The division of labour does not let Africa escape their role as primary producers, which means that they are entangled in the global system in an unfavourable way. By being locked into producing goods such as coffee and minerals, they can never receive the large profit margin which exists when companies handle and alter a product, thus making most of Africa dependent on FDI.

These topics will be analyzed and discussed in the context of FDI in Sub-Saharan Africa. This region entails most African countries but are separated from their northern neighbours due to the Sahara desert and its impact on climate and trade routes. Of course, every country cannot be deeply analyzed when it comes to its specific development in all aspects, but the project will attempt to find common denominators, as well as some more specific information about select countries within SSA. This will give a great understanding of the overall patterns of FDI in the region.

SSA has been chosen as the focus of this paper as it contains some very important locations, such as the African Union (AU) headquarters in Addis Ababa, Ethiopia, the dangerous coast of Somalia, as well as one of the most developed (westernized) countries on the continent, South Africa. Throughout the project, it will be analyzed how FDI from China and the West has impacted these locations, as well as SSA as a whole. This analysis will be based in dependency theory and constructivism. It will be analyzed if FDI generally have a positive or negative effect on the three main development aspects, economic, social, and political. Furthermore, it will be discussed if China and the West are handling FDI differently, and if they hope for different returns of the money they spend. It will also be analyzed how the emergence of China as an economic superpower is challenging the current western aid system, and how this impacts the outcome of FDI. Firstly, however, one needs a thorough explanation of how SSA became dependent on the West's FDI in the first place. This explanation will be based in a historical perspective, outlining the evolving relationship between the West and SSA.

4.1 Historical perspective

As this thesis focuses on contemporary events, based in a larger historical timeline, it is imperative that one knows how the underdevelopment of Africa came into place. This segment will provide the historical perspective of how the West took over Africa and halted their development all while boosting their own. It will be done by first outlining how Europe came to colonize the continent, to gain a thorough understanding of how their history has progressed, which will lead into a description of their economic history. It has earlier been explained how and when the scramble for Africa took place, but this part seeks to further explain these events as well as provide further context of the history between the parts all the way until contemporary time.

The interest of western society in Africa began to take full fruition around the 1500s where European sailors started to buy African people and sell them as slaves, mostly to the Americas (Michalopoulos & Papaioannou, 2016). It is estimated that between the start of the slave trade and its ending in the 1800s, more than 20 million slaves were sold around the world (Michalopoulos & Papaioannou, 2016). This period of time was the first catalyst for underdevelopment in the continent as being sold as slaves always, understandably, meant that the African people had bigger issues than to evolve and adapt to western society. However, the Europeans and Americans started in the early 19th century to abolish slavery, even though some forms of forced labour was still existing (Michalopoulos & Papaioannou, 2016). This rather long period of slavery left Africa in shambles for many years to come, as it can be seen by research done by Nunn (2008) “countries that suffered most from enslavement have underperformed economically after independence” (p. 139.). As well as a later study, also performed by Nunn, which claims that the slave trade has had multiple long lasting negative consequences, such as lowering the trust of the heavily raided countries (Nunn & Wantchekon, 2011). This means, that already before the colonization of Africa took place, there were already grounds to argue that western society had underdeveloped Africa. This ground just became bigger as history moved forwards and we arrive at the late 1800s where the scramble for Africa started. Belgium and their King Leopold II was one of the first countries to invade, followed closely by the British, French, Germans, Italian and Portuguese.

It can be argued that the scramble began because of how unknown the territory was, as no European had ever really ventured to the African inlands, and they found it fascinating to explore as they regarded it largely as vacant or *res nullius* (Pakenham, 1991). However, a more realist point of view could explain the scramble as a consequence of the Anglo-French rivalry which would only grow stronger due to the tensions created by dividing an entire continent like pieces of cake, where countries could freely take whatever they wanted, granted they were quick enough. The scramble happened rather quickly, as it took only half a generation for Europe to have conquered every single country, except Ethiopia who managed to withstand the Western powers (Pakenham, 1991).

The next era of European-African relations was now cemented, where Europe had almost full control of the entire continent. The reasoning behind the sudden urge for Europe to colonize remains somewhat unclear, as there are multiple different theories on the subject. Some scholars say it was done because of a surplus of capital in Europe, where others claim it had to do with already existing sub-imperialisms in Africa (Pakenham, 1991). Even though historians and other scholars has tried to come up with reasons to why this scramble took place, there are a general acceptance in the community that no one will ever truly know why it all happened, and why it happened so quickly (Pakenham, 1991).

As the general history has now been defined, one needs to know how the economic history between the actors has progressed in the same timeline. This is imperative due to the rest of the analysis' focus on economic aspects due to its roots in FDI. This economic history starts just like many other parts of history, with the Europeans exploiting SSA. Since the slave trade began to dig into the African continent, it has been prone to economic underdevelopment because they simply lacked the technology to advance any further (Nunn, 2008). It can also be argued that the slave trade was equal to corruption as there existed extensive amounts of theft, bribery and use of force (Nunn, 2008). After the slave trade stopped, the economic relationship between the West and Africa did not, as the scramble for Africa took place, cementing Africa's economy in its current state in the world, being dependent on external forces (Nunn, 2008). With Africa colonized, their economy could not develop as the locals had no say in what happened to their country, which resulted in lack of innovation and development of institutions to help their economy. From colonial times, and arguably further back, the economic relationship between Africa and the West has been based on aid packages. Many Western countries gather money each year and send them to Africa with certain conditions attached.

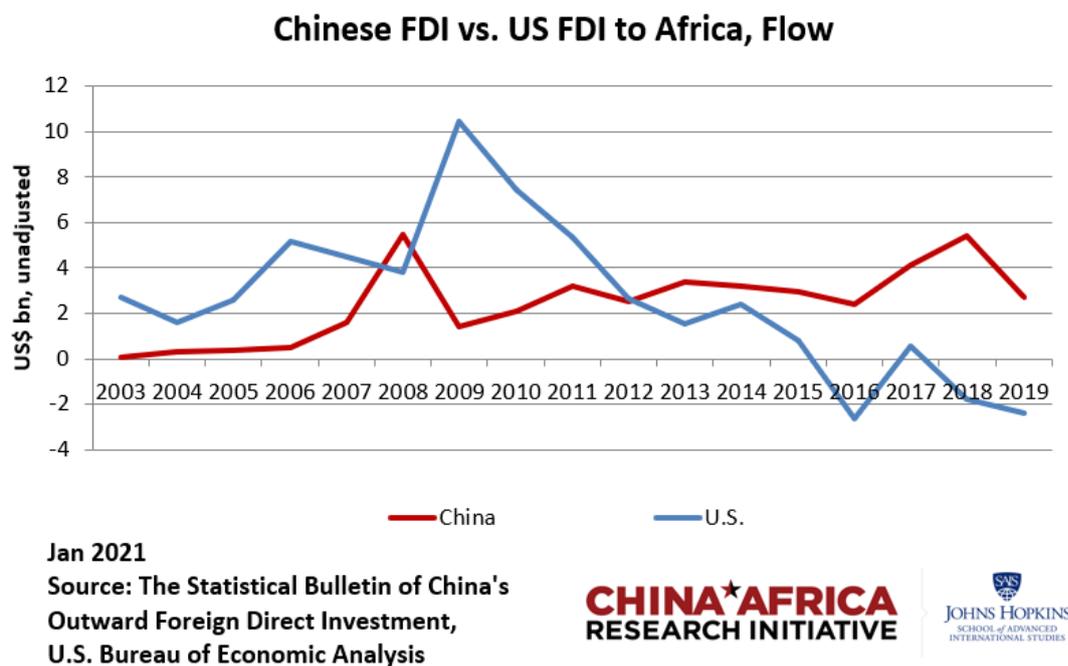
This means that the economic history between the actors are rooted in exploitation and creation of dependency since the West has never really left Africa to develop their own independent economies.

As it can be seen, Europe and Africa do not have the most positive history with each other, and it is all because Europe took advantage of Africa for so many years. The goal of Europe was to expand their ideology of capitalism throughout the world, and went to Africa in search of labour, resources, and markets they could penetrate. The colonization of Africa is, however, a finished chapter in that story and it has been like that since Europe started decolonizing Africa in 1955, following heavy criticism from the newly emerged superpower of USA. Even though the period of colonization is long gone, Europe has continued to drain Africa of their resources and left them in a perpetual state of remaining as primary producers for the western markets. It is this interaction that makes it interesting to look at, and the following chapter will try to analyze how China as one of the new world leaders has tried to combat the exploitation by Europe, while at the same time withholding many of the same principles toward Africa that have left the entire continent in an underdeveloped state. To analyze this satisfyingly, one has to understand both Western and Chinese FDI, what they invest in, and how they conduct their investments. These next segments will clarify the differences and similarities in both forms of FDI.

4.2 Western FDI and Chinese FDI in comparative perspectives

Earlier it has been established that China has started to invest more in SSA than the West. This segment serves as proof of this statement, as well as an analysis of how the funds are distributed.

Firstly, this graph will show the development in FDI from both the US and China, so it can be seen exactly when China overtook as the largest contributor to FDI in SSA.

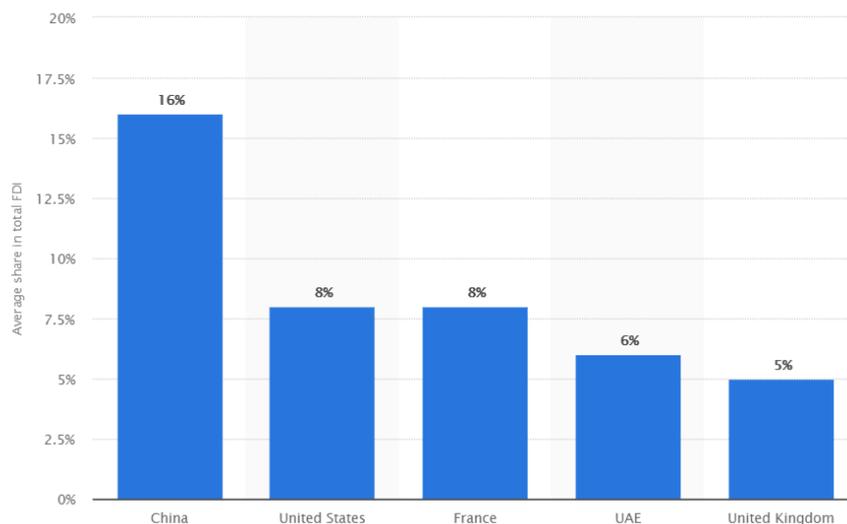


(China Africa Research Initiative, 2021)

As it can be seen on this graph, Chinese FDI to Africa has been extremely minimal until the middle of 2006 where the first China/Africa summit took place as well as the introduction to the China/Africa white paper. This paper mentioned how the Chinese and African governments would work more closely together in the future, as well as establishing that China would give more funds to Africa from that date forward. The term “give more funds” is used in this context as China also established that these money would not be aid, because they wanted to combat the traditional view of FDI. In their eyes, they are in a strategic partnership where both parties gain simultaneously (King, 2007).

From 2006 and onwards, China kept spending increasingly more on Africa, and in 2008 they overtook the US as the largest contributor for the first time.

It can then be seen on the graph that the following year the US invested record high amounts of money in Africa, perhaps as a statement to China that they would not be overtaken in that regard so easily. After 2008, however, China calmed down a bit and has maintained a somewhat stable degree of FDI since. So, the reason for China has overtaken the US as the largest contributor of FDI in Africa is not because they have battled the US on who could spend the most, but because the FDI from the US started to dwindle down in 2012 while China kept their relatively stable level. Come 2019, and the US investments in Africa are now in the negative, while China saw their highest amount spend in recent years, which has established China as the largest contributor to FDI in Africa in current times. It needs to be said, however, that even though China is depicted as contributing vastly more than the US in this graph, the US is not the only country in the debate when talking about the West. The West also includes European countries, which was the region who started the entire aid system. With that being said, the story of Europe is not much different from the US, as they have also been overtaken by China. This graph from [statista.com](https://www.statista.com) shows FDI in Africa by investor country. The graph has used numbers from 2014-2018.



(Statista.com, 2020).

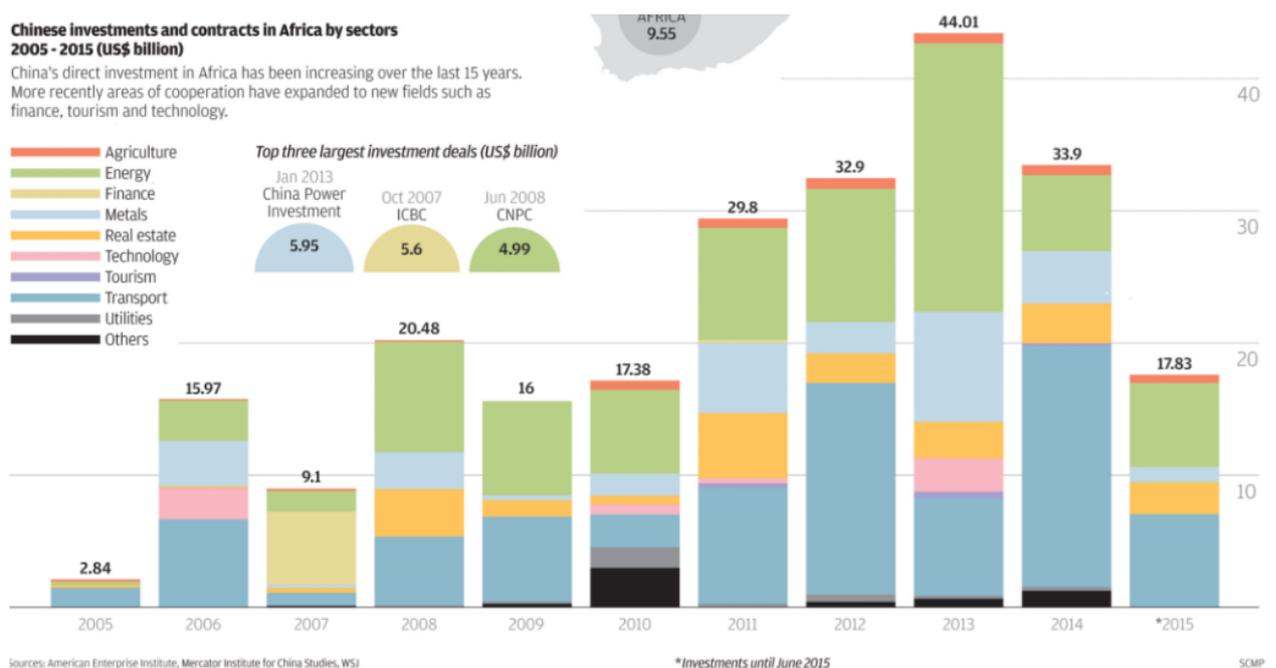
Here it can be seen that China serves as the largest contributor with a total of 16% of all FDI in Africa coming from them. Coming after them is the recently overtaken US, and France who both present 8% of the total FDI in Africa. This means that the 2nd and 3rd largest contributors only equal China when they are added together.

With this, it can also be estimated that with all other European countries added in the equation, their FDI percentage is above that of China, however, since China is a single country, it would not be reasonable for them to square up against an entire continent.

This data is found and put together by the China Africa Research Institute, who claims that they have used several different methods to collect the data, but they are still to be taken with a grain of salt, since Chinese investment data is hard to come by, and can easily be either under- or overestimated. This can be due to FDI researchers including the data of an initial agreement, assuming that this agreement will lead to the flow of money, which is not always the case (CARI, 2021). This could cause an overestimation in the numbers. However, they are also underestimated since there is no account for Chinese money in offshore accounts, which is estimated to be around 60% of where China's FDI comes from (CARI, 2021).

4.2.1 Distribution of FDI

As the amount of funds flowing into SSA from China and the West respectively has been analyzed, one needs to understand the difference between how the money is spent. It has earlier been mentioned that China seems to focus their FDI on more tangible sectors such as infrastructure and energy, whereas the West has a tendency to also invest in more soft sectors such as tourism and education. A more thorough view of how China distributes their FDI can be seen in the following graph.



(Desjardins, 2015)

This graph shows how Chinese FDI has been distributed by sector from 2005 until the middle of 2015. Although the graph is rather cluttered, one can manage to decipher that it is color coded, and each color represents a sector of investment. The previous statement of Chinese FDI being distributed to more tangible sectors is validated here, as one can see that almost every year the biggest sectors are energy and transport, whereas tourism, utilities and agriculture represent a very small amount each year. The most surprising of these sectors is, arguably, the very small amount of funding going into agriculture and metals, as many SSA countries has this as their primary export (Trade4devnews.enhancedif.org, 2019). This shows that China is not really concerned with the export market of SSA, but will rather invest in the sectors which could benefit themselves in the longer run. Sectors like transport, or infrastructure is beneficial for China to invest in since they can utilize these new roads and make their endeavours in Africa more efficient, as well as creating a monopoly in this sector (Tiwari, 2015). In a study from Tiwari (2015) about Chinese (and Indian) investments in Ethiopia, a part of SSA, it is mentioned that Chinese companies, with heavy backing from the government, had taken complete control of the infrastructure and construction sector in Ethiopia. It is also argued that since Ethiopia can be regarded as the de facto capital of Africa, China can use this country to send a message to every other nation in the world that they are able to transform a very poor country into the rising star of Africa (Tiwari, 2015). China have had special focus on Ethiopia for this reason, and they even helped with great sums to build the African Union (AU) headquarters in the Ethiopian capital, Addis Ababa (Tiwari, 2015). This investment in the largest political institution in Africa has made China sit on top of African politics, which means they can lobby for projects or laws which benefit themselves. This is a great example of how China is repeating some of the same patterns as Western FDI has had for many years prior.

As aforementioned, this pattern of Chinese FDI, although repeating some patterns, also differs massively from how the West is conducting it. Western FDI is more so “directed into capacity building and soft infrastructure such as healthcare, education, awareness programmes etc.” (Tiwari, 2015, p. 131). The West also puts more pressure on the countries they want to invest in, by demanding them to follow certain guidelines in terms of human rights or other political aspects. This practice is not enforced by China with the exception of their policy around the One China Policy. This can be seen from the very first China/Africa summit where it was stated that

“The Chinese Government appreciates the fact that the overwhelming majority of African countries abide by the one China principle, refuse to have official relations and contacts with Taiwan and support China's great cause of reunification” (Fmprc.gov, 2006, part III).

With this as their only political requirement for investing in a country, it becomes clear that China is much more business-minded than the West.

4.3 the diffused impact of the international aid system by China's FDI challenge

The recent increase in Chinese FDI has been raising concerns from, especially, the West. This is due to the notion that China is challenging the existing aid system in terms of power and development of the African continent. The implications of this rise in FDI are hard to determine as some scholars think that they intend to change the entire landscape of overseas development assistance, while others think that they are simply there to help out their neighbours and to secure them a better life (Opoku-Mensah, 2009). No matter what their intentions are, it can easily be argued that they are changing the world, as their portion of FDI is now the biggest in Africa. This section seeks to analyze how China has conducted their FDI in such a manner that they are challenging the Western model of FDI.

Firstly, one has to address where the FDI is coming from. Earlier in this thesis, an explanation and definition of the international aid system was given, in which it was also mentioned that most Western FDI comes from private investors who sees the aid as an extension of their business. This vastly differs from the Chinese model, as it is largely the state, state-owned, or state-funded companies which conduct the FDI (Opoku-Mensah, 2009). As well as the funds coming from a different place, it is also utilized differently.

“Initially, Beijing's aid was concentrated on national stadiums and 'People's Palaces'. This has given way to a more practical focus: constructing roads, dams and government buildings; upgrading power distribution systems; installing methane generating plants; and so on. The sending of medical teams and agricultural specialists continues to be a mainstay of Chinese assistance to Africa. Chinese foreign aid has tended to concentrate on these basic infrastructures and education, areas where Western donors have cut back substantially (Lyakurwa, 2008 p.17, as cited in Xing, 2010)

It is argued further that Chinese FDI also differs in the way that it is less likely for their funds to end up in a corrupt rulers hands, as it is often going directly into these infrastructure projects, instead of letting the local government decide how to spend the money (Opoku-Mensah, 2009). These are all some key differences of how China is conducting FDI compared to the West, however, the international aid system is challenged on more than just where the money ends up. It has been mentioned earlier that the West views China as a systemic rival to their international aid system, which means that the very ideology behind the system is challenged. China does not care about human rights, so if China wants to build a road, they do it. This pattern puts less pressure on the African countries, which means that most governments are increasingly contempt about China. This can be seen by the Senegalese president stating in an interview that

“China offers Africa the same thing that Europe has been offering at a better price with excellent conditions. And this ‘better conditions’ include the absence of intrusive conditionalities often associated with Western aid. As a number of analysts argue, China’s aid to Africa, while not disinterested, is not used as a political tool in the same way as aid from Western political actors in Africa (Opoku-Mensah, 2009, p.12).

This statement is partially true, as it can be argued that the West does impose more substantial conditions for their recipient country, but as aforementioned, China will not give any sort of aid to anyone who does not comply with their One China Policy. This challenge of the international aid system results in a rather comprehensive change in the power relations of all actors. As constructivism argues that norms and values can be changed due to language and behaviour, it can be seen in the quote from the Senegalese president that the norms of the countries have indeed been altered. They do not view themselves as dependent on the West anymore, which means that they have received a new way to develop themselves, where they are not forced or heavily assumed to convert themselves into more westernized countries. The Chinese FDI does not require them to become communist, and they have never (except for the One China Policy) suggested that they should change any existing policies (Opoku-Mensah, 2009). This change in norms has also entailed a change in power relations as the power of the West has started to dissipate. And exactly because China does not impose any traditional form of power, like the west has done for centuries, China has achieved more symbolic power in SSA. This means that SSA governments trust the Chinese model more as they are not conditioned to change for the sake of receiving investments.

4.3.1 Chinas attractiveness to Africa

In the previous section it was analyzed how China has challenged the international aid system, including that Africa likes the political freedom they are given by China. This section seek to analyze this further by bringing forth more statements from SSA presidents and AU officials.

In September 2018 FOCAC (Forum on China-Africa Cooperation), the Rwandan president and chairperson of the AU, Paul Kagame, stated that he views the Chinese investment strategy as initializing a deep transformation in SSA (Maru, 2019). Kagame further argued that the relationship between China and Africa is rooted in mutual respect, and that they indeed are in a symbiotic state with both parties gaining equally (Maru, 2019).

“I also want to say a few words from the heart. The growing relationship with China is based as much on mutual respect as on mutual interests. That is evident in your personal commitment to our continent, Mr. President. More generally, China relates to Africa as an equal. We see ourselves as a people on the road to prosperity. China’s actions demonstrate, that you see us in the same way. This is a revolutionary posture in world affairs, and it is more precious than money” (Maru, 2019)

In this welcome speech by Paul Kagame, when the Chinese president Xi Jinping and his wife visited Rwanda, he stressed that it means a lot to them personally that China contributes so much to the Rwandan (and African) development projects. It is clear that the Rwandan president have high hopes for their future collaboration, and he is not alone in that regard. The Ethiopian prime minister has also commended Xi Jinpings work on multiple occasions. One of the most recent comes from 2020 where he praises the Chinese president for his efficiency in fighting the Covid-19 pandemic and managing to keep it mostly within China (Fmprc.gov, 2020). Whether this appraisal is valid is up for debate, but it nevertheless happened, which shows that Ethiopia stands behind China in many situations.

In the West, however, there exist a vastly different opinion on the Chinese endeavours in Africa. The majority of Western leaders view China as being predatory and exploiting the African continent for their own personal gain.

This notion will be analyzed further in a later chapter. Even though the West dislikes how China is conducting their investments in SSA, the SSA governments seem to be quite satisfied. According to Maru (2019), many African countries view China as being a saviour and a trustworthy ally of the continent. Their no-strings-attached policy about investments are agreed among SSA leaders to be the best strategy for them, as it can be seen as predatory when the West tries to impose their own norms and values on the SSA countries. It can be further argued that the reason Africa prefers China as a partner instead of the West, can be boiled down to four key principles. The first principles have already been elaborated on, being the unconditional cooperation (Maru, 2019). Within this first principle there also exist the possibility of Chinese soft loans, which has enabled SSA governments to relieve some of the pressure put on them by institutions such as the world bank (Maru, 2019).

The second principle is quick delivery of services and cheap goods (Maru, 2019). This principle is self-explanatory, as it is easier for China to deliver quickly as the service does not have to be approved by multinational institutions and go through months of bureaucratic work for it to be approved. Since most of China's FDI stems from the state itself, it is easily approved and delivered. It also helps that the Chinese people are in general more productive than the West, which is a testament that they are reusing their own development method in Africa. The part about cheap goods, is possible due to the lower wages in China. If they can produce it cheaper, they can also sell it cheaper.

The third principle is funding of peacekeeping (Maru, 2019). In recent years, China has started to engage more in peace and security projects in Africa (Maru, 2019). China has troops in 5 different UN peacekeeping missions in Africa, as well as being the largest financial contributor to these missions (Maru, 2019). China then sends a signal to SSA, that they are concerned with more than just their products, as they also want to help in a humanitarian aspect.

The fourth and final principle is that China offers a different development model (Maru, 2019). As it was touched upon before, China has exported aspects from their own development model into Africa. The SSA countries has, like every other nation in the world, watched how China has become an increasingly larger power during the past 20 years or so. The fact that China is using their knowledge of how they themselves has become powerful, is intriguing for SSA, as it creates hope that they can achieve the same.

These principles are all reasons why China is more attractive to Africa than the West, and thus some of the reason that China is challenging the existing aid system. The West cannot keep up with the productivity and price of Chinese goods or services, and since China has used this method to develop themselves, it creates a better understanding of why SSA is not as interested in Western FDI anymore. Laying these principles out in a theoretical context, social constructivism can be utilized to explain exactly why Africa finds China attractive when it comes to FDI.

As social constructivism is used as a basis of this part of the analysis of how China has generated complex impact on the development of SSA, one has to clearly define what elements of the theory are present in the contemporary relationship between the two parties. As social constructivism believes that reality is constructed through human activity (Hoffman, 2010), one needs to look at the human activity of China and its people. It has earlier been established that China is very well-liked in SSA, due to what they have accomplished in a short amount of time, and they always deliver with no strings attached. When one country initialized so many projects in a region there is bound to be a cultural spill-over effect. With China investing heavily in SSA, they also send lots of personnel to Africa, who can influence the citizens, as well as their local governments.

This spill-over effect of norms and values will only continue to grow as China invests in more projects. This all seem to be huge benefit for Africa, but the reality is more polarized. In fact, there are different aspects that China wants to achieve with these investments (Delgado, 2015). In a later segment, it will be analyzed how China wants the natural resources and political power of SSA, but this segment will focus on the more intangible goods, such as prestige and national pride. It all boils down to the construction of image. China needs to construct a good image of themselves in Africa, in order for them to achieve some of their other goals with the continent (Delgado, 2015). This image is constructed on the basis of shared ideas. All the development projects which has been mentioned before has come from this notion that China and the SSA countries they operate in, has a shared idea of what they want to do. In short, they discuss how both parties view development, and what specific actions to do for this goal to be achieved. Because China is having a more active dialogue with the SSA leaders, they are viewed as being more equal, instead of the Western model who controls more about how the aid is conducted without as much cooperation and discussion. One can argue that the West has a paternalistic method, while China is more like a brotherly connection.

“Social reality and how it is perceived influences the way in which social groups in turn perceive themselves and others—creating, shaping, or strengthening their own identities. In the case of states, identity defines preferences and therefore dictates actions: a state relates to others according to its own identity—one which is attributed to them—while simultaneously reproducing their own identity through everyday social practice” (Delgado, 2015).

This quote sums up the perceived relationship of China and SSA, as it mentions how the identity of a state defines what the state wants. This means that if SSA countries view China and their actions as just and legitimate, that is what they are. It can be seen from the earlier quotes from different presidents and leaders of Africa, that they do in fact view China as a great ally, which means that in the eyes of most of Africa, that is what they are. Another principle of constructivism regards how language and discourse are helping to shape reality. This principle is further backed with African leaders, speaking for the entire continent as an AU representant, mentions how happy they are to get visits from the Chinese president as well as how happy they are for everything he has done. These speeches are important due to the notion that language has a fundamental role in perception of someone or something, meaning that positive language towards China from a well respected individual are helping the general public to also perceive China as just and legitimate (Delgado, 2015). Onuf (1998) backs this claim up by stating that “saying is doing: talking is undoubtedly the most important way that we go about making the world what it is” (p. 59). This all shows that actions and words are one of the most important aspects in international relations, as these factors can determine whether or not something is perceived as positive or negative. The same principle can be found in Western media as they portray China as predatory towards Africa and the rest of the world, largely due to their new Belt and Road Initiative (BRI), which seeks to be a new kind of Silk Road, where China can transport goods and services more efficiently throughout the world. This initiative will be explained further in a later chapter.

4.3.3 Sub-conclusion

To round this section of the analysis off, a brief conclusion on the findings will now be given. The section wanted to explore and analyze how China has challenged the international aid system, and it was found that they do it in multiple ways. Firstly, it was found that Chinese aid comes largely from the state, in contrast to the heavier focus on private investments from the west. This is a challenge to the international aid system in the sense that the Chinese state has fewer conditions regarding where they want to invest. Western private companies only want to invest in countries who fit their political views and maintain basic human rights. China, however, does not care about these specifics as they conduct a no-strings-attached policy in which the only requirement is political backing regarding the One-China-Policy. It can thus be concluded that China is challenging the international aid system by not making SSA pool their sovereignty as much as the West has been doing, which is clearly a huge positive for the perception of China in SSA, as well as the impact on development in the region.

Another challenge to the aid system comes in the fact that China generally invest in different sectors. They are heavily interested in construction and infrastructure in contrast the West's softer investments in social issues and education. This makes China's investments more tangible, and as they work quickly, the development seems grow at a faster rate compared to when the West was the main contributor to FDI. This was also found to be one of the reasons that SSA countries seem to like China. They work quickly and can do it for less money. Since China has utilized the same method for developing themselves, it also creates some form of credibility when proposed to the African leaders.

The last prominent factor in how China has challenged the aid system comes from the use of language. China started from the very beginning by referring to themselves as just another developing country who wants to help their neighbours. This rhetoric same kept on going and thus created legitimization of the Chinese acts in the eyes of the majority of SSA leaders and public. So, it can be concluded that since China has established a better relationship with SSA since the very start of their economic cooperation, they have created a better bond with the region in contrast to the history of Europe and SSA, which is deeply rooted in colonisation.

Simply by implementing their own development method into SSA, they have challenged the international aid system, because SSA was never completely satisfied with how the West conducted their FDI which lead to pooling of their sovereignty.

This analysis has painted the Chinese FDI as being far superior to the Western FDI, but as it has been stated before, it has caused a complexed impact on development in SSA. This complexed impact comes from the fact that even though China is challenging the international aid system, they are also repeating some of the patterns it has created.

4.4 How is Chinese FDI repeating the patterns of the international aid system

In the previous section some positive aspects of Chinese FDI was found, so this segment will focus on the negative aspects, which will provide a stronger argument to how China has impacted the complexed development of SSA. As the thesis seek to answer how Chinese FDI in SSA has generated complexed development in the region, one needs to explain both sides of Chinese FDI. In the last section, it was analyzed how China challenged the existing aid system, so this section seeks to analyze how they are also repeating some of the patterns of Western FDI. Earlier an explanation of how the West distributes their FDI has been given, which means that this section will implement that knowledge into a more analytical framework based on dependency theory. To understand this aspect to its full extend, one needs to first look at Western FDI more thoroughly and analyze how they conduct it specifically as well as what they intend to achieve in SSA. It can be argued that the colonial ties Europe had with SSA still impacts FDI to this date, and that FDI is just another way to maintain the colonial relationship between the regions (Glaister, Driffield, & Lin, 2019).

4.4.1 A mirror to Western FDI

It was earlier established that the West had more criteria for conducting FDI in SSA than China had. These criteria included that the countries needed to follow specific guidelines, such as maintaining some level of human rights as well as following other political agenda from the West (Delgado, 2015). These obligations are interesting to analyze due to the historical background of Europe and Africa.

It can be argued that the history between the two continents is the reason why there exist such a number of formal ties today (Glaister, Driffield, & Lin, 2019).

This can be due to the similarities in formal institutions developed by Europe when they colonized Africa (Glaister, Driffield, & Lin, 2019). These similarities of institutions can promote greater trust between countries, thus making SSA more susceptible to receive FDI from the West (Glaister, Driffield, & Lin, 2019). This means that because of the colonization period, many African countries have yet to completely alter the institutions set up by Europe. These institutions have not changed, both due to the fact that it is hard to fundamentally change, but also because of Europe persisting that the institutions are there to help development (Glaister, Driffield, & Lin, 2019). By this, it can be argued that the European FDI in SSA is a reason for the underdevelopment of the region, as they are not allowed to change the existing institutions if they want the influx of money that they are dependent on. As well as formal ties, the colonial history has also left some informal ties in the form of norms and values. By being so exposed to the European values for so long, it is clear that it has had some spill-over effect in many SSA countries (Glaister, Driffield, & Lin, 2019). This has made it easier for the former colonizer to conduct FDI in the specific country, as they already know how the system operates. It can then be argued, that one of the reasons the West conducts FDI in SSA is, that they want an easy market to get into. By continuing to provide money to a specific country, the spill-over effect of norms and values become higher, thus making private firms' entry point a little easier. This relationship is highly unequal, as it often leads to dependency and thus an implication of underdevelopment in the recipient state.

So, even though much of Western FDI is portrayed as aid, it is also a tool used to penetrate the market easily. This relationship can be traced back to the colonial history of Europe and Africa, which means that even though the SSA countries are independent nations today, they are still being affected by their history as they are stuck in a dependent loop of FDI.

4.4.2 The limits of Chinese FDI – Belt and Road Initiative

As it has now been established that Western FDI has contributed to underdevelopment and dependency, it will be analyzed how China is doing the same, even though their development method is completely different. Earlier in this project, the Belt and Road Initiative (BRI) (sometimes referred to as One Belt One Road or OBOR) was touched upon briefly.

This section seeks to provide a better understanding of this initiative as well as analyzing how it is a key factor in China repeating some of the same patterns as Western FDI.

The BRI started as an idea in 2013, where Chinese president Xi Jinping made the proposal during his visit to Kazakhstan of establishing a new regional Silk Road economic belt (Huang, 2016). A month later, he also proposed a “21st century maritime silk road” to the Asian Infrastructure Development Bank (AIIB) (Huang, 2016). These proposals were later dubbed BRI and implemented as a key policy for the Chinese communist party. The global reception of this plan was mixed, as some compared it to the Marshall plan of the US after world war 2, others claim that it is to be used as a tool for international cooperation, and some argue that it is China’s attempt to overthrow the US as the dominant world leader, by implementing the Chinese model throughout the world (Huand, 2016). Before analyzing further, one needs to get a complete understanding of what this new silk road entails.



(asia.fes.de, 2020, Sergio Grassi)

This map of the BRI shows all the paths which are intended to work closely together economically, as well as marking some of the most important trade centres and the maritime section of the new silk road. In short terms, the land paths on the map will work as transportation routes for China to export and import goods very easily. The maritime path will do the same, but with ships.

From this map it is important to note that Africa is only included in the maritime part of the BRI, so the land-based route has little to do with what this analysis will focus on. This initiative secures China and their partners a quick and easy delivery of goods as well as more efficient transportation since all the big trade centres are incorporated into the routes. As it can be seen on the map, Africa is also included in this project, however, only on the maritime line. This serves as proof that China has some sort of reason to invest in Africa as they want to maintain their healthy relationship so their BRI can succeed. It is also evident from the map that Mombasa, Kenya will be one of the important trade centres, possibly serving as a centralization of their African endeavours.

This initiative serves as an easier access port for China to the rest of the world, including SSA, which is of course what will be the focus of this analysis. The BRI has the potential to reproduce underdevelopment and dependency in SSA, as they start to invest increasingly more in the countries which encompass this new silk road (Taylor, 2021).

Chinese FDI Flows to BRI African Countries (\$ millions, unadjusted)

	Djibouti	Ethiopia	Kenya	Tanzania	Total
2003	0.00	0.98	0.74	0.00	1.72
2004	0.00	0.43	2.68	1.62	4.73
2005	0.00	4.93	2.05	0.96	7.94
2006	0.00	23.95	0.18	12.54	36.67
2007	1.00	13.28	8.90	-3.82	19.36
2008	0.00	9.71	23.23	18.22	51.16
2009	3.40	74.29	28.12	21.58	127.39
2010	4.23	58.53	101.22	25.72	189.70
2011	5.66	72.30	68.17	53.12	199.25
2012	0.00	121.56	78.73	119.70	319.99
2013	2.00	102.46	230.54	150.64	485.64
2014	9.53	119.59	278.39	166.61	574.12
2015	20.33	175.29	281.81	226.32	703.75
2016	62.24	282.14	29.67	94.57	468.62
2017	104.64	181.08	410.10	132.46	828.28

Source: CARI, 2019.

(CARI, 2019).

This graph shows the development of FDI outflows from China to the SSA countries who are part of BRI. It can be seen that all countries have experienced massive growth in FDI inflows, with Kenya attracting a massive 410 million dollars in 2017, possibly because of the important trade centre located in Mombasa. This graph also cements that the Chinese/African summit in 2006 had great impacts on FDI, as the numbers started to rise rapidly from 2007 and onwards.

As aforementioned, the BRI project began to form in 2013, which can also be seen in some of the countries here, especially Djibouti which rose from 2 million dollars of FDI in 2013 to 104 million in 2017. This extreme rise in attraction of FDI is most likely due to the ports of the country in which China has invested heavily, as seen by the next graph;



(DW.com, 2019).

This picture shows the SSA ports in which China has either funded it, are operating it, or both. It can be seen that there are two ports in Djibouti which was funded by China, hence the massive increase in FDI. As evidenced by the previous graph, Tanzania has maintained a relatively large inflow of FDI since 2012, which makes better sense when one can see from this graph that China has funded one of their ports as well as funded and operating another. A noteworthy detail from this map is, that even though the BRI operates mainly on the east coast of Africa, China has also invested heavily on western ports. This could arguably be a sign that China seeks to expand BRI in the future.

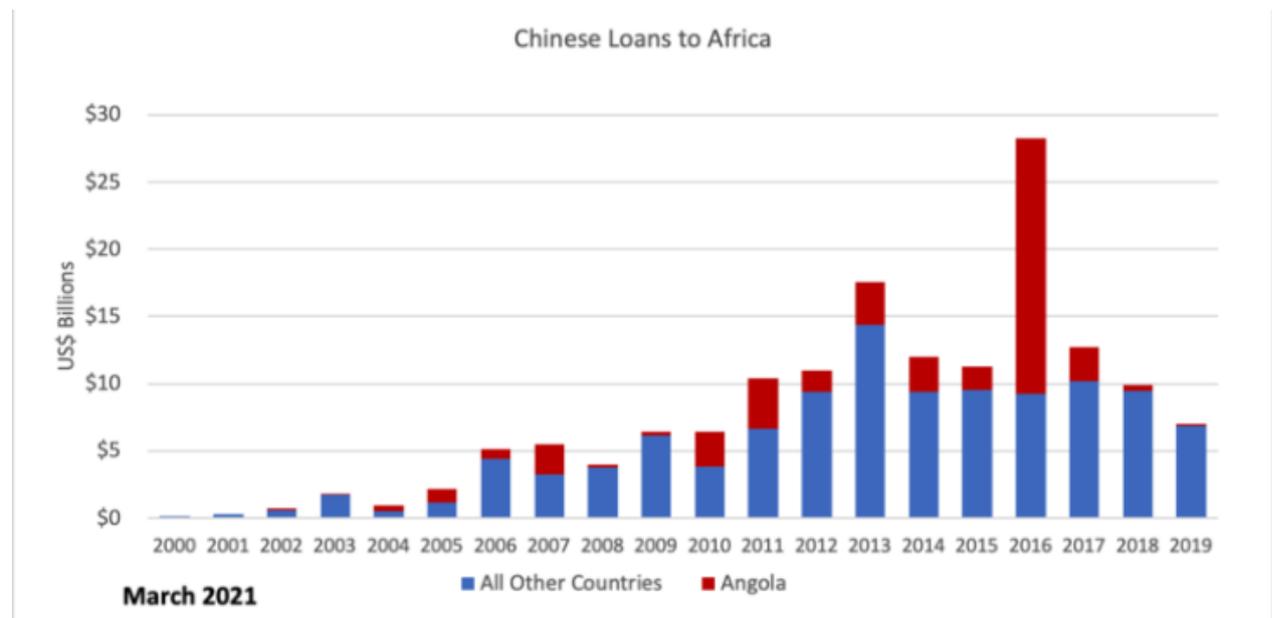
However, this alone does not provide an explanation on how China is repeating some of the same patterns of Western FDI. Here we need to analyze the underlying motives of the BRI in Africa, and how it can possibly create more underdevelopment and dependence.

Taylor and Zajontz (2020) argue that there are 4 key factors contributing to BRI being seen as a vector of underdevelopment. These factors consist of; profit extraction, exploitation, the entrenchment of disarticulated economies, and the diversification of dependency (Taylor & Zajontz, 2020).

Profit extraction contributes to underdevelopment due to the high profit margins of Chinese companies in SSA. This is cemented by an interview conducted for a report on Chinese firms in Africa, where almost 25% of interviewed companies said that they had covered their investment in less than a year (Taylor & Zajontz, 2020). In the same report it was mentioned that more than half the interviewees had covered their initial investment in the first three years as well as one third of interviewees stating that their profit margins for 2015 was 20% (Taylor & Zajontz, 2020). In the report where these numbers come from, the data was portrayed as a net positive for SSA, stating that it truly is a win-win scenario for China and SSA (Taylor & Zajontz, 2020). However, it can also be argued that China benefits the most in this scenario as the investing firms typically does not find the necessary equipment to build or construct what they have invested in in the African country. The lack of expertise and resources in the recipient state means that the Chinese firm will use other Chinese firms to fill this gap, provide the necessary goods, and ultimately benefit economically. This will not be seen as a net gain in Africa, as it is essentially just a Chinese project, with Chinese workers, being built or manufactured in Africa. This results in “an expansion of the advanced country’s internal market, rather than a widening of that of the underdeveloped country” (Baran, 1957, p. 320). So African companies does not benefit from the presence of the Chinese, as they tend to use mainly domestic materials and workforce for their projects, while still retaining the high profit margin of 20%. This profit margin is understandably not distributed to any African cause as well, but goes directly back into the Chinese economy, leaving China as the clear winner in this exchange (Taylor & Zajontz, 2020).

The second key factor of underdevelopment is Exploitation. Taylor & Zajontz (2020) argues that underdevelopment is a dynamic condition fuelled by a relationship of exploitation in which one country exploits another. In historical terms it has been the West who have exploited the SSA markets, but the new BRI arguably does the same thing.

This exploitation relates to the previous factor of profit extraction where it was argued that China received the most profit from their investments in Africa. This unequal exchange leads to an unequal power dynamic where China can exploit SSA. The exploitation by China consist of locking Africa into their role as primary producers, because they never receive the needed technology to expand into other markets (Taylor & Zajontz, 2020). By not letting Africa escape their current role in the international market, China can continue to exploit them for their tropical agriculture and raw minerals (Taylor & Zajontz, 2020). This is arguably the same pattern of exploitation that the West has utilized in SSA since their political independence. An example of this exploitation can be seen in the debt-traps China has put several African countries in. The FDI they contribute with is largely consisting of loans to African governments, attached with conditions they are not able to disclose to the public (Broadman, 2021).



(SAIS-CARI, 2021)

As it can be seen on this graph, the loans to Africa has steadily risen from 2002. When the BRI was initiated in 2013 the loans was at an all time high only to recede a little in the following two years. However, in 2016 the loans from China to Africa almost doubled their previous record, which could pose a problem for the governments if they are not able to pay it back. It can then be seen that the loans have receded even further in the next years, which could be an indication that African governments have started to realize the consequences with taking up so many large loans.

It can also be seen from the graph that the reason 2016's numbers are so astronomically high is, that more than half their loans went to Angola alone. In the years prior to 2016, Angola has also been a huge part of the total loan amount, which could indicate that they have been stuck in a debt-trap. In 2015 CARI identified 17 African countries at risk of not being able to pay these loans back, which means they could be stuck in a debt-trap, borrowing money to pay off their debt, and then continue that hopeless cycle forever (BBC, 2018). By being trapped in a debt-trap the recipient country is harnessing even more dependency as they have to take up loans from other nations, give up more of their sovereignty, and ultimately destroy their economy completely.

Thirdly, the next vector for BRI contributing to underdevelopment is disarticulated economies. After the colonial period ended in Africa the economic structures of the continent emerged in such a way that the international division of labour created obstacles to development (Taylor & Zajontz, 2020). These obstacles include the disarticulation of their economy, which means that they consume what they are not producing, and producing what they are not consuming (Taylor & Zajontz, 2020). This disarticulation can be argued to be an obstacle for development due to the consumption and production sectors being completely separated. In an articulate economy multiple sectors work together and are intertwined so if development happens in one sector, it is bound to happen in another sector. Development in this regard creates a ripple effect that is not present in most SSA economies as they are stuck in their primary producer roles. By not having the desired technology to process the goods, they are forced to not consume, they are being locking them into even more dependency, as they now need to rely on outside sources for their processed goods. Since SSA is a disarticulated economy, the investments of China only helps growth in the specific sector they invest in, which means that there exists unequal development in many SSA countries. So, even though Chinese investments may cause expansion of the internal market in an SSA country, to create true development, and not underdevelopment, there needs to be obtained a level of economic, social, and political development to such a degree that there is a possibility for an evolution to industrialization (Taylor & Zajontz, 2020).

“Otherwise such virtual sources of external economics as may appear in the economic system will only strengthen the forces keeping the economic and social structure in whatever mould it happens to be in, or will remain mere potentialities – available but not utilized – and join other productive forces that are not employed, and contribute little if anything to the country's economic development” (Baran, 1957, p. 333).

Baran argues here that by Africa having a disarticulated economy, the investments from outside sources will only aid this system to continue, and concludingly not contribute to the positive development of the nation. Since China and BRI mostly focuses on investing in infrastructure, this sector becomes much more developed than any other sector in Africa, meaning that their development is halted and dependency strengthened.

The fourth and final aspect of BRI contributing to underdevelopment is the diversification of dependency. As Africa is the continent with the most natural resources such as oil, gas, uranium and cobalt, it places the region of SSA in an interesting spot in the world economy (Taylor & Zajontz, 2020). China on the other hand has become the largest producer of industrial products as well as the second largest economy in the world (Taylor & Zajontz, 2020). This means that the two regions complement each other nicely, as China can purchase the natural resources from Africa, to help them maintain their status as the largest industrial producers. So, in theory SSA and China could have a win-win cooperation system with both parts covering each other's weaknesses.

“Both China and Africa must get rid of the dependence on Western markets and seek new and more stable capital markets, commodity markets and investment markets. [The] high degree of complementarities between the two markets provides a comprehensive cooperation space for the upgrade of cooperation mode, and for the new situation of development of win-win cooperation (Lei & Liqiang, 2017, p.76).

However, it can be argued that the ‘upgrade for cooperation mode’ mentioned in the quote above, can be viewed as Africa getting rid of the western dependency, and introducing dependency on China instead (Taylor & Zajontz, 2020). As Africa has been placed in the global market as a primary producer, due to their abundance of raw materials, the BRI will not result in a mutually beneficial relationship. It will strengthen all the previous mentioned dynamics which keeps Africa as locked in their unfavourable role in the global economy. This means that a big part of what BRI is doing is diversifying the dependency SSA already had, shifting the dependency from the Western powers to China (Taylor and Zajontz, 2020). This is done by continuing the practices of unequal exchange and exploitation already performed by the West for many years. It is leaving SSA in a state of perpetual dependency, which can be a key factor in securing underdevelopment.

Within this context, it can also be argued that China presents a form of neo-colonization or neo-imperialism. Colonization can be defined as “the control by individuals or groups over the territory and/or behavior of other individuals or groups” (Horvath, 1972, p. 46). As it has been found throughout this analysis, China controls large amounts of economic, political, and behavioural aspects of SSA, mainly by conducting so much FDI that they create dependency in the region. It can be viewed as neo-colonialism or neo-imperialism due to the nature of how they have conducted it. China has created jobs in SSA, hiring some locals in their different construction and infrastructure projects, while still remaining as the main beneficiary because most of the money goes right back into the Chinese companies who hired them. In short terms, China is exploiting the African economy by giving loans, exploiting the African people by hiring them for cheap, as well as outcompeting the local firms who could have gotten the jobs instead, thus giving more money to their local government.

With these 4 factors of BRI being viewed as a vector for underdevelopment, one can now understand that BRI in Africa is a clever way for China to repeat the patterns produced by the West. They leave them in the same dependent and underdeveloped state even though they portray it as helping their neighbours. This is not much different from the Western method as they portray their FDI as aid, meaning that all the money goes to aiding the continent in development aspect, while they are doing the complete opposite.

4.4.3 Sub-Conclusion

In this chapter it was found that China is repeating many of the same patterns as has been produced by the West since the end of colonial times. The most prominent of these patterns were the exploitation of the markets and consumers which recreated dependency by securing underdevelopment. The BRI has been found to be one of the biggest catalysts for this underdevelopment as the entire concept seeks to make it easier for China to trade with the world, as well as spreading the Chinese model throughout SSA. It has also been found that another reason that China repeats some of the Western patterns is, that both BRI and their other construction and infrastructure projects have created an unequal exchange between the actors as well as an unequal power relation, not dissimilar to how one can view neo-colonialism or neo-imperialism. China has effectively put themselves in the donor position even though they have successfully shifted the discourse in a more positive direction, stating that they are merely neighbours helping each other.

These unequal exchanges and power relations is also heavily embedded in Western FDI, hence China is repeating the same patterns. Concludingly, it can be argued that the Western FDI has put SSA in a dependent loop of underdevelopment, and in attempt to escape their grasp, SSA started a, in some aspects, very similar relationship with China.

4.5 How has Chinese FDI impacted development in SSA

As it has now been analyzed how China is both challenging the existing international aid system, as well as how they are repeating some of the patterns, it will now be analyzed how their investments are creating complexed development in SSA. As it was found earlier, China's FDI in SSA is positively viewed by local governments in Africa, as they see them as a friendly neighbour helping them out. However, it was also found that the intentions of China are not as clear, since the BRI has resulted in increased dependency and underdevelopment. By comparing these findings, it will be analyzed if Chinese FDI in SSA results in net positive – or negative development in the region. To get the most fulfilling perspective, there will be looked at political, economic, and social development.

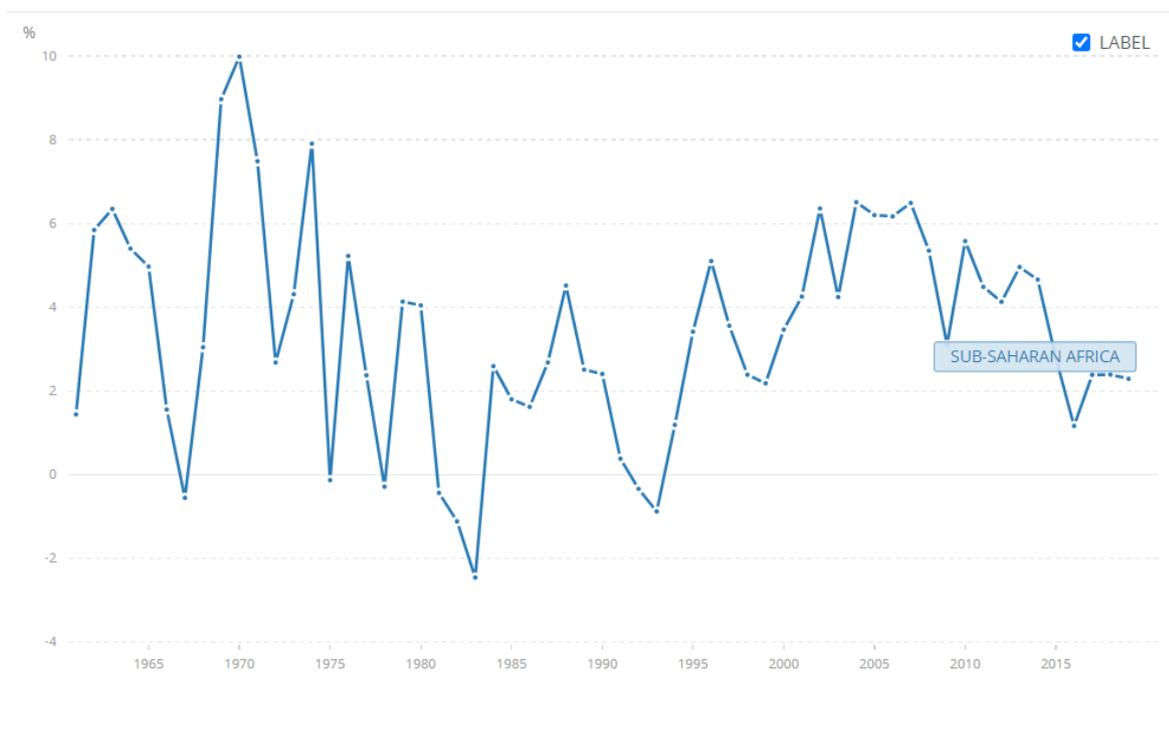
Firstly, though, a general overview of the development of SSA will be considered. As this thesis views development as freedom, it is imperative to discuss if SSA can be considered free. According to Sen (1999), a country can only develop when the citizens have the freedom to do what makes them happy. Earlier it was found that the Chinese commodities coming into the SSA markets have had serious consequences for local farmers or producers because of the insanely low prices China can offer. This is a prime example of how development is negatively affected since it takes away the jobs of local farmers and streams more money into the Chinese economy (Jauch, 2011). Some scholars have linked China's economic ventures in SSA as neo-colonial due to the nature of how they are exploiting the industries and overtaking them. This is not much different from the Western markets as they have tried to do the same thing for many years. It is easy to argue that a neo-colonial tie between China and SSA impacts the development of SSA negatively as it takes away large portions of their freedom. However, before China was the main FDI contributor in the region, the West held that title, and as aforementioned they had more political conditions tied to their investments, which arguably made SSA even less free and sovereign than they are with the possibly neo-colonial tendencies of China. It then needs to be mentioned that the political conditions from the West was largely based on human rights, which would make the state less free, but the citizens more free.

It is thus hard to come to a definitive conclusion on what serves the nation the best. The next segments of the thesis will break down the development of SSA into economic, political, and social aspects, to find out how the Chinese FDI has really impacted development in SSA.

4.5.1 Economic development

Starting with economic development, one first needs to look at the economic growth of SSA, as it is indeed an important factor of economic development.

Annual GDP Growth (%), Sub-Saharan Africa



(data.worldbank.org, 2020)

This graph shows the annual GDP growth in % for SSA. It can be seen that before China took over as the main contributor to FDI in 2006, the growth rate of GDP was very varying with huge swings up and down. The growth rate somewhat stabilized in the early 2000s, possibly due to the investment agreements made with China. However, even though GDP growth is a useful tool to get an overview of an economy, it does not tell the whole story. It was mentioned earlier that China could complete their projects quickly and cheaply, which is one of the main reasons SSA continues operations with them.

However, the quick building projects can have negative consequences as the structural integrity sometimes suffers due to lack of expertise. An example of this can be seen in Angola, where Chinese firms, using Chinese employees, built a hospital which needed to be shut down after a few months of use due to cracks in the wall (Moss, 2015). This mishap turned out to be an expensive repair, ultimately costing more time and money than initially expected. However, the biggest detriment to economic development in that story, is how China used their own workers instead of African workers. By conducting their investments like this, it only leads to more money in China instead of strengthening development of SSA. In recent years, however many African governments have become more aware of this issue, and started to hand out work-permits more scarcely (Moss, 2015). China has also started to realize that since their cooperation with SSA are a long-term project, they need to boost capacity building in the region. Now, many infrastructure projects are being overseen by a small handful of Chinese workers, while the majority of the work force is local (Moss, 2015). Since some African countries began to implement quotas that a specific percentage of workers should be local (Moss, 2015), it could seem like the FDI from China had an overall positive effect on economic development in SSA. However, this research from Moss does not include any mentions of BRI, which suggests that he has not been concerned with the criticisms and praise this initiative has received.

It was found earlier that BRI poses a serious threat to local markets, as this huge infrastructure project secures easier transportation of good and services for China. This means that it becomes easier for China and Chinese firms to offer even lower prices for future projects, which can completely outcompete local markets. Even though they may hire local workers, it is still the Chinese company who earns most of the money, creating an economic disparity between donor and recipient country. This is a huge threat as China could create a monopoly on building projects in certain countries or regions, thus impacting the economic development negatively. SSA as a region is especially susceptible of this, due to the dependency they already have on Chinese FDI. This also means that if China chooses to tighten their relationship, and invest more money in SSA, most governments will be forced to comply with future possible restrictions of China. In that regard it can be argued that SSA countries could try to attract more Western FDI again, but as it was discovered earlier they do not comply with the Western FDI model as it takes away more sovereignty.

The economic development of SSA can then be argued to be at complete control of their main investor as they are stuck in a dependent loop, not able to escape their role as primary producers in world economy. It can thus be stated that the economic development of SSA is affected both positively and negatively by China, but it is in many cases more positive than the Western counterpart, as China has started to utilize more local manpower in their projects.

4.5.2 Political development

Analyzing how the political development of SSA has been impacted by Chinese FDI stems in large terms from the economic aspect, as it is the economic ties between the countries which have shaped the political landscape. It was earlier discovered that the economic ties between China and SSA has made a positive impact on the governments of SSA. They like China because they view them as just and legitimate. This had made the governments of SSA more likely to implement some policies which pleases the Chinese government thus altering their political stance in world politics. So, China has huge impact when it comes to political decisions in SSA, which is evidenced by some of the projects they have taken on in recent times. An example of this can be seen when China spent around 150 million USD to help constructing the AU headquarters in Addis Ababa, Ethiopia (Adem, 2012). By contributing with such a huge amount of money to the biggest political institution in Africa, it can be argued that they had motives other than diplomacy and aid. This could help China in getting a foot in the door at the AU and control some of the policies being made. The political aspect of China and SSA is also influenced by the power relations between the actors, as China has the power to stop the FDI inflow at any given moment if African governments refuse to pamper to their political needs e.g., not supporting the One-China-Policy. From a constructivist standpoint, it can be argued that the political development of SSA has been impacted because of the position of China. They seek to have an equal relationship, like neighbours, which has made China very legitimate in the eyes of SSA, and by using this legitimacy in political talks, there will be created norm diffusions in the region. These norm diffusions can benefit China massively as there exists a spill-over effect of Chinese politics to SSA.

Since Africa was colonized for many years, they have not had an opportunity to create and develop their own political institutions. Most of the institutions today are just offspring of the former colonial power, which has halted their development (Lawal, 2007). These institutions has also been heavily afflicted by corruption, which is one of the greatest factors of political development. In numbers presented by Transparency International, an organization who creates a corruption perception index every year, it can be seen that the issue has not become significantly smaller since 2006 where China began their FDI (transparency.org, 2021). In 2006, the highest scoring, which means the least corrupt, in SSA was Botswana with a respectable 37th place among 163 countries assessed (transparency.org, 2021). This score was only slightly improved in 2020 with a 35th place. The rankings are given on a score between 0-100, with 100 being the least corrupt. The average score of SSA in 2020 is 32, which makes it the most corrupt region in the world, showing little improvement from previous years (transparency.org). So it can be seen that the Chinese FDI does not affect some parts of political development, which can arguably be because of their no-strings-attached policy, not demanding the countries they invest in to do better in certain areas.

Because of these factors, the impact of Chinese FDI in the political development of Africa is hard to analyze, as there are many areas to considerate. They have not impacted corruption positively, but they arguably have huge political power over the entire region as their economic activities has created an unequal power balance, with China holding the most power. By having this power, China can more freely impose their Chinese model into SSA, and thus change their politics accordingly. However, a change in politics is not equal to political development. It can be argued that one of the reasons there exist little to no political development in SSA, is exactly because of how China conducts their FDI. By not attaching any type of political condition to the FDI, it is easier for SSA to remain corrupt and remain underdeveloped (Toye, 2008).

“The issue is about preventing aid from doing harm to the people whom it is intended to assist. Most people oppose genocide and the abuse of human rights, and acknowledge that these practices are by no means a monopoly of developed nations. By implication, attaching political conditions to offers of aid may be necessary and desirable in the future” (Toye, 2008, p. 21).

Here Toye argues that what the West has been doing with their political agenda attached to their FDI can actually help to promote political development in SSA, as there exists so many issues in the country that the governments will not resolve otherwise. It also ties back to the high corruption in SSA, as it will not change unless something is done about it on a political level. This means, that by China not attaching any conditions to their investments they are effectively creating negative political development in SSA, while strengthening their own political power due to their economic ties.

4.5.3 Social development

When it comes to social development, it is also linked with both economic and political development, as they together lay the ground for everything that happens in a society (Noyoo, 2000). This means that no development effort can be put forth without considering every aspect of development. A big factor in social development is the human development which revolves around the individuals and taking care of them before the state (Noyoo, 2000). It encapsulates issues such as freedom of speech, freedom of movement, and freedom from exploitation and oppression (Noyoo, 2000). As it was discovered earlier, there are great divides in corruption within SSA, and every state is different. However, as a whole, SSA was the most corrupt region which can be argued to be a reason that their social development is negatively impacted. This can be argued since corrupt countries generally prefers that the state itself is well-off before concerning about the citizens within.

In the case of how China has impacted social development, previous findings have shown that they do not care to invest in social issues. They spend the majority of their money on infrastructure projects, meaning that it is the corrupt governments who receive the money. On the other side it can be argued that improved infrastructure is a catalyst for improved social development, as the construction on such projects create jobs as well as easier access to jobs in the future, once the projects are finished. During colonial times, there were little to no infrastructural development, except the transport and communication facilities needed for the colonial powers themselves (Noyoo, 2000). This led the entire region to have a severely undeveloped infrastructure network, an issue they tried to combat after their political freedom in the 1970's (Noyoo, 2000). After the end of the 1970's the development of infrastructure slowed down, due to focusing on other more pressing issues such as economic development (Noyoo, 2000).

This means that it can be argued that China is contributing massively to the social development of SSA as they provide a new boom in infrastructure, even though it might just be a positive sub-plot for their plan of expanding the BRI. Social development, however, is a fickle concept, as it can also be argued that the creation and expansion of BRI possess immense negative consequences for the social development of SSA. It was found earlier that China uses their own workers, as much as they are allowed to, especially in executive roles around their infrastructure projects. This creates negative social development due to the lack of higher-positioned local people in the region. It can be argued that the SSA workers are being exploited by China, just as they have been exploited by the West. The social effects of globalization has thus been severe for the entire region, as they have never had freedom from oppression, neither from the West, China, or their own governments who has cooperated with the aforementioned. In SSA they have taken a top-down approach to governance, meaning that the state is developed before the individuals. The actions of China's infrastructure projects are thus one of the main factors of creating complexed development, as they have both some positive and negative outcomes.

These findings, as well as all previous findings, will now be gathered to answer how the economic rise of China has created complexed development in SSA.

5 Conclusion

Throughout this project it has been analyzed how the economic rise of China challenges the existing international aid system and how it has generated complexed impact on the development of Sub-Saharan Africa. It has been found that the rise of China has challenged the aid system in multiple ways. Some key factors are, that they invest in different sectors. Where the West has focused their FDI on several intangibles, such as health and education, China has mainly invested in construction and infrastructure. This challenges the international aid system, as they are not attaching any political demands onto their investments, except for the One-China policy. These differences have made most SSA countries more happy with China as they do not want to give up as much of their sovereignty as the West demands them to. It has also been found that China challenged the aid system in the use of language. They do not want to give "aid" to SSA, as that phrasing has some negative connotations based in dependency.

If a country receives aid, it tells the people that they are in need of help, and thus they become the recipient country in an unequal exchange. By using language to their advantage, China has successfully depicted themselves as just another country in the global south, wanting to help their neighbours and share their experiences.

The reason that this challenge has generated complexed impact on the development of SSA is, that even though China is challenging the aid system, they are also repeating many of the same actions and patterns that the West has been doing since the end of colonial times. The repeated patterns consist of the way they create dependency, even though they do not view it negatively themselves. It can be seen mostly through the BRI, where China seeks to create a new silk road across the world, where Africa is part of the maritime portion. China is investing heavily into the countries which houses important BRI institutions, creating increased underdevelopment due to 4 key factors: profit extraction, exploitation, the entrenchment of disarticulated economies, and the diversification of dependency.

So, China has since 2006 had a very strong relationship with SSA, investing heavily into infrastructure and construction, creating positive development in those sectors as well as greater economic, political and social development. But because they are still generating dependency, in part because of some countries being locked in a debt-trap, they are also generating underdevelopment in all sectors at the same time. Both China and SSA see themselves as equal allies who cooperates in many sectors, but the reality is, that China has positioned themselves as a donor country, just like the West has done before them. With that said, it can then be argued that China has created more positive development in the region than the West has before, due to all the opportunities they have been given, such as important trade partners, and the access to the maritime BRI.

It can then be concluded that the economic rise of China has challenged the international aid system due to how they have conducted their FDI, as well as how they have tried to position themselves as a business partner and friend instead of “aid-giver” and donor country. This new model has had positive impact on the development of SSA, as they have received a boom in infrastructure and other construction projects, effectively modernizing the region. However, they have generated complexed impact on development because of the unequal nature of the relationship they have created, which could be linked to neo-colonialism as they have taken over many aspects of the economy in SSA, especially after the BRI was set in motion.

This negative impact mainly stems from the fact that even though China is helping them develop, they are still stuck in the same position as primary producers in the world economy. So even though it can be argued that China's FDI model is better than the West's, the only way to get out of this position is to stop being dependent on FDI from other countries, which is difficult due to the debt-traps many countries have been placed in.

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