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China's FDI in Sub-Saharan Africa: What effects have the Chinese investments brought to the SADC region?

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List of Abbreviations

AEI .... American Enterprise Institute
CDB……………...………………………………………………China Development Bank
CGIT…...………………………………………………..China's Global Investment Tracker
CPC………………...……………………………………………Chinese Communist Party
FDI... .... Foreign Direct Investment
FOCAC………………………………………………Forum on China-Africa Cooperation
MOFCOM……….……………………………………….……..Ministry of Commerce
MNC…………………………………………………..…… Multinational Companies
OBOR……………………………………………………………...…One Belt One Road
OFDI... .... Outward Foreign Direct Investment
PRC…………...…………………………………………………Peoples Republic of China
SADC .... Southern African Development Community
R&D…………………………………………………………..Research and Development
WTO…………..…………………………..……………………..World Trade Organization

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1 Introduction

China has risen to become the world's second-largest economy, with a massive industrial complex and manufacturing base, in just four decades, lifting more than 700 million people out of poverty and establishing itself as one of the most influential countries in global affairs. As a result, China's economic rise can be considered as a "global public good" that has had a huge positive impact on the economies of many countries throughout the world, including Africa. A. Arkebe Oqubay & J. Yifu Lin (2019, p. 1).

China's growing investment in the African continent is leaving no one unnoticed. The instrument with which it is channeling investments is through foreign direct investment (FDI). With this tool, China has managed to increase Africa's economic growth, improving its conditions. While Western countries are not so poractive in investing so much capital in the continent, China does not seem to be afraid of the continent's uncertainty.

Therefore, the question arises as to what effects China's FDI is having in Africa. This study will try to answer this question. To do so, an analysis of the theories of FDI will first be carried out in order to understand its characteristics. Then, attention will be paid to the evolution of Sino-African relations in order to understand the context of current investments and thus to understand and analyze the drivers that attract Chinese investment in Africa. Finally, an analysis will be made of the impact of Chinese capital in the SADC region, composed of countries in southern and central Africa.

2 FDI: theoretical framework

Traditionally, FDI theories have been based on research on multinational companies (MNCs) from developed nations, since these were the first to expand internationally on a substantial scale (Voss, 2011). Due to the limitations of this work, although there are many theories related to FDI, this section will focus on summarizing the theories related to sections 4 and 5 of this work. For section 4, we are going to explain the determinants and motivators of Chinese FDI based on the eclectic paradigm of Dunning. On the other hand, we will make a theoretical compilation of those factors related to the effects of FDI on the economic growth of the host country, since these are the theories that will be related to answer the research question in the analysis made in section 5.

2.1 Motives and determinants of FDI: the eclectic paradigm

The theory of determinants of FDI covers a range of explanations such as the pure capital movement, the product cycle theory, or the industrial organization theory. Nevertheless, in the African context, the assumptions of most of the theories simply do not hold. The 'eclectic' ideas appear to be the most reasonable theoretical explanation. The dominance of multinational corporations in most African countries' mining sectors, as well as the role of colonial history in defining their geographical pattern, could be seen as supporting the importance of the 'eclectic' approach (Geda, A. & Meskel, A., 2009, p. 8).

2.1.1 The OLI framework

The existence and drivers of MNC FDI can be explained through a number of different ways (van Dijk, 2009a, p. 205). Investors select FDI because of its three factors: O (ownership), L (location), and I (internalization) advantages, according to the OLI paradigm of Dunning (1977). The first is the competitive ownership (O-specific) advantage, which refers to a firm's unique offering in management experience and better technology when compared to its competitors in order to invest successfully abroad. Location (-specific) advantages refer to the benefits gained by a corporation by establishing its manufacturing activities in a specific place with the appropriate assets required for production. If the host economy has huge markets or the ability to create them, these L-advantages will occur (Dunning, 1977, pp. 401–402). When international market imperfections make market solutions too expensive, international (I-Specific) advantages arise. As a result, as long as companies can run and carry out transactions cheaper within the company than from the market, transactions will be internalized and carried out by the company (Kurtishi-Kastrati, 2013, p. 60).

2.1.2 The 4 FDI determinants

Four primary forms of foreign-based multinational companies (MNC) activities (or FDI type) are recognized based on the concept of OLI.: resource seeking, market seeking, efficiency seeking, and strategic asset seeking (Dunning, 1993, 2000; Dunning, J. H., & Narula, R., 2005). Companies go aboard or enhance their level of internationalization to benefit on current competitive advantages or to establish new ones. (Drogendijk, R. & Blomkvist, K., 2013, p. 78).

Resource-seeking (or supply oriented) FDI occurs when companies locate resources in a country at the lowest real cost (Drogendijk, R. & Blomkvist, K., 2013, p. 78). It could also occur by the necessity of acquiring resources that may not be obtainable in the home economy at all, like natural resources (Kurtishi-Kastrati, 2013, p. 61). Other than natural resources, it also includes production inputs like production materials and labor (Bezuidenhout, H., & Kleynhans, E. P., 2018, p. 218). *Market-seeking* (or demand oriented) FDI takes place when companies establish themselves in important export markets in order to benefit of advantages along with trade barriers and cost and investment factors (Rugman, A. M., & Verbeke, A., 2004, p. 12). Because firm expertise is linked with knowledge gathered in the local market, it frequently stimulates growth. Finally, the presence of the company provides a better understanding of customer demand and business potential (Drogendijk, R. & Blomkvist, K., 2013, p. 78). These type of investment seek to break into new markets or sustain existing ones. (Kurtishi-Kastrati, 2013, p. 62). *Efficiency*-seeking FDI aims to boost business productivity by lowering costs or taking advantage of economies of scale in global production networks (Bezuidenhout, H., & Kleynhans, E. P., 2018, p. 288). This form of FDI is meant to originate after either resource or market-seeking investments have been made, with the aim of increasing the firm's profitability (Dunning, 1993, p. 72). *Strategic asset-seeking* FDI includes both research and development (R&D) and value-added activities of companies in host countries . (Drogendijk, R. & Blomkvist, K., 2013, p. 78) It is based on the idea of maintaining business competitiveness and expansion through acquisitions, strategic alliances, and joint ventures, which allow the firm to build synergies and new knowledge by combining existing firm expertise with new knowledge (Rugman, A. M., & Verbeke, A., 2004, pp. 4–5).

Table 1 prepared by Henri Bezuidenhout and Ewert P. J. Kleynhans in their article 'Modern Trends in Chinese Foreign Direct Investment in Africa: an OLI Approach' in the International Research Journal (2018) sets out a recapitulation of the economic variables that can condition each of the 4 determinants.

Resource-seeking	Market-seeking	Strat. asset-seeking	Efficiency-seeking
Access to raw materials; Access to natural resources; Access to low-skilled labour	Market size ; Per capita income; Market growth; Access to regional and global markets; Country-specific consumer preferences; Structure of markets	Access to skilled labour; Access to new competitive advantages; Technological and other created assets; Availability of and access to strategic infrastructure	Cost of resources and assets listed under resource- or asset-seeking; Other input costs, i.e. transportation and communication costs; Costs of other intermediate products; Membership of a regional integration agreement; Low-cost unskilled or skilled labour; Different comparative advantages of countries; Better deployment of global resources

Table 1: Economic variables that condition the 4 determinants, source: Bezuidenhout, H., & Kleynhans, E. P., 2018, p. 290

2.2 Explanatory factors of FDI effects on conomic growth

The compilation of this section will be divided according to 6 factors of the article "The Effects of Foreign Direct Investment on the Host Country's Economic Growth: Theory and Empirical Evidence" by Rui Moura and Rosa Forte, published in The Singapore Economic Review (2013). According to this article, there are 6 channels through which FDI can cause positive or negative effects on the host country's economic growth: the transfer of new technologies and know-how, the training of human resources, integration into the global economy, increased competition in the host country, the development and restructuring of companies, and the difficulty of implementing economic policies (Forte, R., & Moura, R., 2013, pp. 3–15).

2.2.1 New technologies transfer and know-how

FDI can be considered as a method of improving a country's economic performance by allowing new technologies provided by MNCs to spread throughout the less advanced country (Findlay, 1978, p. 5). FDI by MNCs is seen as a key channel for developing countries to gain access to advanced technologies. MNCs are among the most technologically advanced companies, accounting for a significant portion of global research and development (R&D) spending (Borensztein, E., De Gregorio, J., & Lee, J. W., 1998, p. 116). The presence of new technologies introduced by multinationals results in lower R&D expenses for companies receiving these advances. This will allow these companies to become more competitive by lowering their costs (Berthélemy, J. C. & Démurger, S., 2000). These new technologies are shared via training, technical assistance, and other forms of information in order to increase the quality and quantity of products purchased by the MNC (OECD, 2002, pp. 12–13)**.**

However, there are also negative effects that can be brought by the transfer of technology (Forte, R., & Moura, R., 2013, p. 5). The technologies brought by the MNCs or other developing countries could end up generating a dependency on these technologies. As a result, local companies' interest in developing new technologies declines (Vissak, T. & Roolath, T., 2005, p. 50). According to Sen (1998), FDI can cause negative technology spillovers by MNCs by transferring improper know-how.

2.2.2 Human resources formation

FDI promotes economic development in the host country by enhancing productive capacity through improving the labor force through training (Ozturk, 2007, pp. 81–82). According to De Mello (1999, p. 134), FDI improves the host country's existing pool of knowledge through training, the import of qualified workers from outside, and the introduction of new management practices and modern business-management competencies. MNCs provide more training than small businesses (OECD, 2002, p. 15). This is due to the adoption of new technology, techniques, and methods that local workers are unable to control and which may limit its use (Borensztein, E., De Gregorio, J., & Lee, J. W., 1998, pp. 127–128). MNC s' training has impacts for the entire country's economy (Forte, R., & Moura, R., 2013, p. 6).

Regarding the negative effects, the use of advanced technology by multinationals leads to suggest the need for fewer workers than local enterprises, as well as the risk of these firms being replaced by others that use fewer workers, resulting in an increase in unemployment (OECD, 2002). Another effect could be that workers with advanced degrees education may leave the country because there are no R&D opportunities inside the host country. When local governments determine that multinationals are a source of training and thus improve education levels in the country, they limit public spending in this area, which mitigates the effect of FDI-provided labor force training (Ford et al., 2008).

2.2.3 Global economy integration

FDI can cause the integration of the host country in the global economy, promoting economic growth, which is boosted as the country becomes more open (Forte, R., & Moura, R., 2013). Local firms can also study or enter the global channels controlled by multinationals to integrate into the global market. They can grow by becoming the suppliers or subcontractors of the MNCs, leading local companies to export (Blomström et al., 2000). These increase on exports achieved trough FDI causes local enterprisesfirms to boost their productivity by better utilizing their capacity and gaining access to economies of scale.

On the other hand, Mencinger (2003) concludes that FDI has a much bigger impact on imports than on exports, which affects the balance of payments. The considerable impact of FDI on imports is related to multinationals' high demand for goods and natural resources, which are frequently unavailable in the host country, either in quantity or in quality, due to the high demands they make on their purchases (OECD, 2002).

2.2.4 Competition increase in the host country

FDI is frequently considered as a means of enhancing a country's internal competition (Forte, R., & Moura, R., 2013, p. 9). Local firms raise their R&D expenditures as a result of the increased rivalry, and in some situations, local firms take advantage of the improvements to win more market share (Blomström et al., 2000). Local firms also plan to invest in equipment and personnel (Mello, 1997). As a result, production rises, prices fall, and resources are allocated more efficiently (Pessoa, 2007).

According to Ram and Zhang (2002), greater competition produced by FDI ultimately leads to the closure of certain local firms that are unable to compete with multinationals due to the advantages of the MNCs. On the other hand, as mentioned by Sylwester (Sylwester, 2005, p. 291), the competition will expand to the human capital, and due to the better incentives offered by multinationals, local companies will find it difficult to obtain the most qualified personnel. Increased competition may cause multinationals to have a higher demand for credit due to increased expenses generated by competition, causing local companies to close down due to difficulties in obtaining the credit necessary to maintain their business (Forte, R., & Moura, R., 2013, p. 10).

2.2.5 Companies development and restructuring

FDI is a driver of transformation in host country companies (Forte, R., & Moura, R., 2013, p. 10). Multinationals are able to join industries with significant entry barriers in terms of local enterprises due to their superior capabilities. This entry will alter the structure of the national economy by reducing or eliminating existing monopolies in several industries (Blomström et al., 2000).

2.2.6 Difficulty of implementation

FDI can be used as a tool for developed countries to establish control over developing countries (K. Zhang, 2001). The loss of local government autonomy is a negative consequence of FDI in the host country ((Forte, R., & Moura, R., 2013)). Large multinational corporations gain control over assets and employees, allowing them to influence the host country's political and economic policies (K. Zhang, 2001). It is also possible to see multinationals exerting pressure on local governments in order to acquire a competitive advantage in their operations, which may result in policies that are detrimental to the host country's economic progress (K. Zhang, 2001). Because of the size of multinational corporations and their impact on local economies, their strategic decisions can have a substantial impact on the host country, irrespective of local government objectives, and even go against planned national policies (OECD, 2002).

3 Evolution of Sino-African relations

“Relations between China and Africa are topical. Once again, a new Wind from the East is blowing across Africa” (Cooley, 1965, p. 3). A lo largo de la historia las relaciones entre China y el continente africano han tenido diferentes etapas marcadas por nuevos objetivos e intereses (Alden, 2019, p. 84).

Africa-China relations can be traced back to Phaoronic times. In the early fifteenth century there were the naval expeditions of Zheng He, followed by the importation of Chinese labour from the late eighteenth to the early twentieth centuries into the burgeoning European colonies of Mauritius, Seychelles, Madagascar and South Africa. In the first half of the twentieth century much of Africa as under colonial rule so that China’s limited relations with the continent were confined to South Africa, Liberia – with which it signed a treaty of friendship in 1937 that came into force in 1941 – and semi-independent Egypt that established diplomatic relations with China in 1942 (Zeleza, 2014, p. 146). Sin embargo, no es hasta el surgimiento de las relaciones modernas entre las regiones cuando comienzan a tener una gran influencia. Estas aparecen en una primera etapa entre los años 50 y los 70, marcadas por relaciones basadas en intereses políticos e ideológicos (Shinn, 2019, pp. 62–63).

3.1 Mao Zedong and Relations with Africa (1949-76)

To comprehend China's economic engagement in Africa, one must first understand the Cold War and the parallel arguments that arose from the then-current realities in the newly founded People's Republic of China and post-independence Africa (Alden, 2019, p. 85). Following the Chinese Revolution of 1949, Mao Zedong achieved China's independence from Western influence and began to govern the country, which became known as the People's Republic of China (PRC). China was now independent, and they desired the same for the rest of the world occupied by European colonizers (Chaudhry, 2009, p. 22). African countries were having difficulty letting go of their colonial status (Guliwe, 2009, p. 16). China's support for African liberation movements began with the Front de Libération Nationale d'Argelia and quickly spread to at least one revolutionary group in nearly every African country. (Shinn, p. 64, 2019).

Mao Zedong did not have a significant alliance with Africa during his first years in power, preferring to focus on consolidating his power in the early years of the new regime. In addition, only a few African countries had achieved independence by 1949, which explains the slow growth of Sino-African relations (Shinn, 2019, p. 64). Furthermore, throughout Mao's presidency, the PRC was known for having economic difficulties, with little trade with Africa and limited assistance (Shinn, D. H., & Eisenman, J., 2012, p. 112). China was a destitute country after decades of turbulence, with the Great Leap Forward's excesses causing a famine and millions of deaths in the late 1950s. It was far poorer than the Maghreb countries with whom it signed its initial aid agreements, as well as Sub-Saharan Africa, to which it began sending assistance in 1960 (Chaponnière, 2009, p. 76). China's direct foreign direct investment was also negligible. As a result, China hampered the establishment of diplomatic relations with independent African states, the formation of strong political alliances with ideológically similar African governments, and the support of African liberation movements aimed at putting an end to the colonial regime (Shinn, D. H., 2019, p. 63). The RPC made its first serious appearance in Africa in 1955, during the Asiático-Africana Conference in Bandung, Indonesia. The first minister, Zhou Enlai, explained to the African participants how China's relations with African countries are based on the RPC's Cinco Principles of Peaceful Coexistence, which are still vital to China's foreign policy. They include mutual respect for sovereignty and territorial integrity, mutual non-aggression, mutual non-interference in the internal affairs of the other party, mutual equality and mutual benefit, and peaceful coexistence (Shinn, D. H., & Eisenman, J., 2012, p. 33). In addition, Bandung served as a diplomatic hub for the establishment of the first African relations. All of a sudden, China began its first commercial negotiations with Egypt, providing a $5 million dollar guarantee, a first for China in Africa, and used the opportunity to show its support for African colonial independence (Shinn, 2019, p. 63). China began a dual diplomatic path after that, cultivating relations with independent African states while also supporting revolutionary organizations trying to overturn some of those nations (Zezela, 2014, p. 147).

During the 1960s, the number of African countries that had gained independence grew rapidly, allowing China to significantly expand its trade with independent African nations (Shinn, D. H., 2019, p. 64-65). The visits of Zhou Enlai to various African countries between 1963 and 1965 are proof of this. During his visits, Zhou carried out a highly effective public diplomacy that aimed to establish precisely the type of Chinese image that continues to resonate with such force in today's discourse on Africa in China: the essential morality of China's action in Africa, a clear delineation of China from the West in its relations with Africa, absolute respect for the sovereignty of the State, a kindness based on notions of equality and not superiority, support for anti-colonial struggles, unconditional development aid, and notions of support for self-sufficiency (Strauss, 2009, pp. 781–782). During these visits, the visit in 1965 to the newly independent Tanzania stands out, where China began to position itself in favor of financing the TAZARA project (Tanzania Zambia Railway) (Strauss, 2009, p. 785). The construction of the TAZARA in the 1960s is an example of long-term Chinese support for Africa (van Dijk, 2009b, pp. 9–10). The United Kingdom, Japan, West Germany, and the United States, as well as the United Nations and the World Bank, had all turned down funding for the project, citing its financial viability. 3 Only China consented to pay it, at a cost of $3 billion in today's money, despite the fact that it was poorer than both Tanzania and Zambia at the time (Yuan Sun, I., Jayaram, K., & Kassiri, O., 2017, p. 18). Undoubtedly, the iconic project of this ideologically tinged solidarity period of China-Africa economic cooperation remains the China-sponsored railway between the Zambian copper belt and the Tanzanian port of Dar es Salaam to build a rail link would allow Zambian copper to be exported abroad without having to rely on the transport networks of the white settler states of Rhodesia and South Africa (Monson, 2008, pp. 197–219). From the beginning, the Chinese government provided virtually all of the financial management, manpower, technical assistance, training, and materials to build the 1,060-mile Tazara Railway from Ndola in the copper belt of Zambia, to the Tanzanian port of Dar es Salaam. Completed a decade later in 1976, this $400 million project was the largest and most comprehensive in China at the time. The Tazara railway was immediately hailed as a success by African governments (Monson, 2009, pp. 3–4). To this day, the TAZARA project continues to feature prominently in contemporary China-Africa discourse as "a monument to China-Africa friendship" and development (Strauss, 2009, p. 787).

The independence of an increasing number of African nations during the 1960s provided an opportunity for China to advance its efforts to replace Taiwan in the United Nations. This goal was achieved with a huge political victory in October 1971: the admission to the United Nations and the replacement of the Republic of China in the Security Council. 26 African countries supported the PRC in the UN to regain its permanent UN seat lost to Taiwan in 1949 (Shinn, 2019, p. 66). This fact successfully showed the support of many African nations for the PRC in the "one China" policy, which consisted of the recognition of the PRC against the Republic of China based in Taiwan, as well as the adhesion of Taiwan to the PRC (Search Appointment). In addition, the event served as a turning point in China's foreign policy and international politics. China's diplomatic offensive in Africa was increasingly characterized by pragmatism as it abandoned support for rebel groups and sought to maintain good relations with governments regardless of their ideological proclivities (Zezela, 2014, p. 147).

Africa's share of China's overseas commerce had risen to around 10% by the mid-1960s. This represented China's political outreach, notably in North Africa, as a success. However, the colonial powers' strong position severely curtailed the percentage of Africa's total trade with China, which was little over 1% in the mid-1960s. While trade between China and Africa decreased between 1966 and 1969, it still accounted for 7 to 8% of China's overall trade but only 1% of Africa's entire trade (Shinn, 2009, p.68). Except for agricultural items, Africa had little that China wanted to buy. The vast majority of Africa's enormous oil and mineral riches had yet to be discovered, and China's economy was in no position to exploit them. Through the conclusion of the Mao era, China's imports from Africa remained unchanged, but its exports to Africa increased somewhat. As a result, throughout the first six years of the 1970s, Africa had a trade imbalance with China (Shinn & Eisenman, 2012, p. 106). China has never made the figures for bilateral aid public, preferring to treat the subject as a state secret. The overall amount of Chinese aid to Africa from 1956 to the end of Mao's tenure in 1976 is estimated to be around 2.400 million dollars, with the majority of it in the form of interest-free loans (Shinn, 2019, p. 67). The Chinese aided the Africans by purchasing production waste and selling it to them in exchange for low-cost goods. The main goal of China's commercial strategy was to drive out Europeans, which was difficult because Africans prefer European brands over Chinese ones. However, in 1971, the Chinese were able to replace Tanzania's Grand Bretaa as the main commercial partner. However, China needed to open its economy in order to achieve overall economic development (Chaudhry, 2009, p. 29). China marketed itself as a viable alternative to the West's development model, a counterweight to the two superpowers, and a champion of the Third World. Aid grew in tandem with trade (Zeleza, 2014, p. 148). China gave $1.8 billion in loans and grants to 28 African countries between 1970 and 1976, surpassing the Soviet Union's $1 billion to 20 countries (Shinn and Eisenman 2012, 40). However, in order to achieve a widespread economic development, China needed to open its economy (Chaudhry, 2009, p. 29).

3.2 Deng Xiaoping and the Domestic Reform Era (1978-1989)

Following Mao's death in 1976, China under Deng Xiaoping's leadership evolved in many areas. For example, foreign policy was revamped, and the key trait of sharing an ideological affinity with China was no longer significant. In terms of the economy, the CCP began the "Open Door Policy" in 1978 and continued throughout the 1980s, which included economic reforms, the expansion of international cooperation, the creation of Special Economic Zones (SEZ), and the establishment of Coastal Open Cities to attract foreign investment. The goal was to modernize China's economy, enhance the quality of life for its citizens, and catch up with other countries in terms of technology. The facilities that China provided in order to attract FDI were successful (Gimbernat Girgas, 2017, p. 6). China has followed its aim of becoming a leading industrial power by embracing globalization and global integration as a development strategy since Deng Xiaoping introduced opening and reform in 1978 (Arkebe Oqubay, A. and Yifu Lin, J., 2019, p. 2). It also advocated that State Owned Enterprises (SOEs) be given rights in production, supply, and marketing, capital retention, employment, bonuses, and price setting, based on the premise of separating ownership and operating rights. (Le Pere & Shelton, 2001, p. 8). China has now resolved to totally modernize its economy by importing enormous quantities of technology plants from developed countries such as Japan, the United States, and the United Kingdom. To reconstruct the country's economy, they also borrowed enormous sums of money from Western institutions. China's state-owned trading businesses began selling their manufactured goods into the marketplaces of other industrialized and developing countries (Chaudhry, 2009, pp. 29-30). As China's government prioritized modernization, the number of projects in Africa shrank (Chaponnière, 2009, p. 59). Africa’s failure to open itself to international markets further distanced it from China’s goals. While China maintained cordial relations with most African countries, trade and aid stagnated. China’s foreign direct investment did not become an important factor in the relationship. Beijing’s goal was to modernize as quickly as possible. Africa had a minimal role in these plans, especially during the second half of the 1980s (Shinn, 2019, p.69). Though Chinese officials paid rhetorical lip service to such issues as South–South cooperation, the reality of the situation was that Beijing was mainly interested in maintaining intimate relations with those countries from which it could benefit economically (Taylor, 1998, p. 1).

However, China continued to attach importance to diplomatic relations with Africa, but it became clear that the foci of relations were shifting from politics to economics, the ideological to the pragmatic, as evident during Premier Zhao Ziyang's visit to eleven African countries in late 1982 and early 1983. He announced “Four Principles on Sino-African Economic and Technical Cooperation”, which stressed equality and mutual benefit, achieving practical economic results, pursuit of diverse forms of engagement, and promoting complementary growth and development (Bräutigam, 2009, p 43). Prime Minister Zhao's visit left a positive impression on Africans, and another significant point he made was that Chinese aid should come in a variety of formats, with both the donor and the beneficiary benefiting. They'd learned from their errors now. Chinese technicians were working on over a hundred humanitarian projects across Africa, and millions of dollars in interest-free loans were promised. Trade and investment between China and Africa were still far less than that between affluent Western countries, but who knew what the future held. (Chaudhry, 2009, pp. 30-31). After 1989, such a shift in China's overall attitude toward Africa would be reversed (Taylor, 1998, p. 446).

3.3 Jiang Zemin Reaches Out to Africa: The FOCAC's Entry and "'Going Global'" (1989-2002)

After the Cold War ended in 1989, the former Soviet Union and Western nations no longer had to fight for the favors of African regimes. Their presence in Africa faded, and new players emerged, including China (van Dijk, 2009b, p. 10). This event occurred from the beginning of Jiang Zermin's tenure as Secretary General of the Chinese Communist Party (CPC) to 2002, a period during which the foundations for the exponential expansion of Sino-Asian relations were laid (Shinn, D. H., & Eisenman, J., 2012, p. 47). The number of high-level visits from China to Africa has risen dramatically. The first trip to Africa was made by the Minister of External Affairs, Qian Qichen, in 1991. Since then, China's foreign minister has made his first overseas travel to Africa each year before visiting any other part of the world, demonstrating the importance of Africa in China's foreign policy (Taylor, 1998: 450). It also mentions Jiang Zemin's visits to Kenya, Egypt, Ethiopia, Mali, Namibia, and Zimbabwe in 1996, when he was still President of the People's Republic of China. This journey aided in the recalculation of the five principles that have governed the PRC's foreign policy since its beginnings with Africa (He, 2006, p. 9). Imports of energy and raw resources from Africa were increasingly essential to China's economy and consumer and industrial goods exports in the 1990s. Iron ore, titanium, cobalt, copper, uranium, bauxite, manganese, and lumber were also sought from Africa. During Jiang Zemin's presidency, Sino-African trade increased dramatically, growing from slightly over $1 billion in 1989 to more than $10 billion in 2002. (Shinn, 2019, p. 72). With the rise of commerce in China, the government enacted more open policies in 1993 and 1994 to construct a corporative system, ensure macroeconomic market control, and enact economic legislation.

China established two new credit-issuing institutions in 1994 as part of an institutional reform designed to bring China's economic statecraft into compliance with the World Trade Organization: The China Export Import Bank (China Eximbank), an instrument that will channel Chinese companies' aid and financing to Africa, and the China Development Bank (CDB). The zero-interest loan scheme would continue, and the Ministry of Commerce would continue to oversee it (MOFCOM). Between 1980 and 1999, China continued to provide zero-interest loans to African countries, signing new economic and technical cooperation agreements with forty-five countries (Brautigam, 2019, p. 132). On one hand, the establishment of China's National Petroleum Corporation (CNPC) to exploit foreign concessions is critical at this time (Obi, 2019, p. 173). As China's internal economy grew rapidly over the next two and a half decades, the quest for resources, markets, and investments became a major aspect of the continent's economic interaction. China's Exim Bank has provided large-scale loans to help the CNPC's drive to develop and grow production in Sudan's young oil industry since the mid-1990s (Alden, 2019, p. 87). China became a net importer of petroleum for the first time in 1993. (Shinn, 2019, p. 72).

China encourages private initiative for international expansion through a reversal of emigration policies and assistance in the formation of joint ventures in African countries at the end of this period. This is accomplished through the Chinese government's 'Going Out' strategy, which was implemented in 2000. The Chinese government encouraged SOEs and, increasingly, private enterprises to 'get abroad' and compete on global markets (Yueh, 2019, p. 27). China's "get out" policy is a major component in the country's African investments. FDI has been expanding since the Chinese government launched the "go global" plan for Chinese businesses in 1998. Only 4% of Chinese foreign direct investment (FDI) went to Africa in 1991. In 2001, that number grew to 16 percent, however it fluctuated a lot (van Dijk, 2009b, p. 17). The majority of outward FDI used to be state-led investments in energy and commodities, but as Chinese industry matures and China strives to move up the value chain and establish international enterprises, this trend is changing (Yueh, 2019, p. 27). In 2002, Chinese foreign direct investment in Africa totaled more than $4 billion (Shinn, 2019, p. 73). China's membership in the World Trade Organization (WTO) was finalized in 2001, paving the way for broader integration into global markets. (Shinn, 2019, p. 87).

The establishment of the Forum on China-Africa Cooperation (FOCAC), initiated by Jiang Zemin in 1999, marked the beginning of a new phase in Sino-African relations (Shinn, 2019, pp. 71–72). FOCAC, which was founded in 2000 in conjunction with African countries, is a platform for collective consultation and conversation (Taylor, 1998, p. 117). Since 2000, the FOCAC has been conducted every third year as a reflection and supporter of China's post-millennial rising presence in Africa. Support for large infrastructure projects in specific African countries, a rapid increase in bilateral trade, promotion of Chinese private enterprise in Africa as development and investment partners, further market opening, debt cancellation, and pledges to increase the amount of monetary assistance are among the specific items included in FOCAC official statements (Strauss, 2009, p. 791).

3.4 The Golden Age of Sino-African Relations, 2002-Present

China has risen from being a tiny investor in Africa to become the continent's greatest economic partner since the turn of the century. And, since the millennium, trade between Africa and China has grown at a rate of about 20% each year (Yuan Sun, I., Jayaram, K., & Kassiri, O., 2017, p. 9). Hu Jintao, the CPC Central Committee's general secretary from November 2002 to November 2012, inherited a solid relationship with all African countries, with the exception of eight that still recognized Taiwan. Only four African countries recognized Taiwan when Hu Jintao stepped down in 2012: Eswatini, Burkina Faso, Gambia, and So Tomé and Prncipe. For Beijing's 'One China' policy, this was a big win (Shinn, 2019, p. 73).

China's desire for stronger connections with Africa became obvious during the 3rd FOCAC session in Beijing in 2006. China released its first Africa policy document ahead of the event, outlining a set of principles that continue China's long-standing policy of non-interference in internal affairs and include the premise that China will not criticize internal African policies and developments. African leaders are also required to refrain from criticizing China's internal policies, such as human rights, Tibet, and the Muslim minority (Shinn, 2019, p. 74). Out of the 53 African countries with diplomatic relations with China, 47 heads of state attended the meeting. The policy note lays out a clear vision and a strategy for achieving its objectives. The goals are to present an alternative development model to the Washington donor consensus, which is a consensus reached by the World Bank, the International Monetary Fund (IMF), and some Western countries on the preconditions for development (van Dijk, 2009b, pp. 20–21). The "Beijing Consensus," as pointed out by Joshua Cooper Rano in his book "The Beijing Consensus," characterizes the current nature of the Chinese presence in Africa as well as their strategy (2004). The Beijing Consensus is a development paradigm that describes China's economic transformation plan in terms of investment and infrastructure loans (Akani, 2017, p. 145). It values multilateralism, consensus, and peaceful coexistence in politics and international affairs in general. This approach stands in stark contrast to the Washington consensus, a neoliberal worldview that prioritizes democracy, good governance, and poverty reduction. The Chinese are not imposing the neoliberal reform package that the World Bank generally demands as part of its "conditionality provisions." Chinese funding, on the other hand, comes with no strings attached and is perceived as aiding African governments' efforts to address development concerns that are not addressed by Western investment (Adisu, K., Sharkey, T., & Okoroafo, S. C., 2010, p. 4). Table 2 highlights and analyzes the most essential features of the Beijing and Washington consensuses, as developed by Meine Pieter van Dijk in his book 'The growing presence of China in Africa' (2009, p.22). In his book 'The New Presence of China in Africa,' Meine Pieter van Dijk compiles and compares the most important characteristics between Beijing consensus and Washington consensus.

Washington consensus versus	Beijing consensus
In economic terms	
1. Free markets and an important role for the private sector	1. Important role for the government in the economy
2. Loans, but under strict conditions	2. No conditions for soft loans
3. Projects: use local companies to create employment	3. Use Chinese companies, employment and technology
4. Transfer of technology, knowledge and experience (capacity building)	4. No transfer of knowledge and experience
In political terms	
1. Democracy	1. No recognition of Taiwan
2. Liberalization	2. Political support for China in the United Nations and other fora
3. Limited time for political functions (2 times 5 years for example)	3. Stability is important

Table 2: Washington consensus versus Beijing consensus, source: van Dijk (2009, p.22)

Aside from China's investment and credit policies in Africa, there has been a significant shift in Chinese African ties since the turn of the century. First, during the Hu Jintao years, China's foreign direct investment in Africa grew rapidly from a low basis. FDI was considerably under $1 billion per year before the start of Hu Jintao's presidency, peaked at over $5 billion in 2008, and then dropped to under US$2.5 billion in 2012. (Shinn, 2019, p. 75). From the beginning of the millennium until the end of 2010, FDI grew at a 40 percent yearly rate. Even so, this figure understates the full picture: when unconventional transfers are factored in, China's financial flows to Africa are roughly 15% more than official figures show. China is also a significant and rapidly rising source of aid, as well as the largest source of construction funding; these contributions have aided many of Africa's most ambitious infrastructure projects in recent years (Yuan Sun, I., Jayaram, K., & Kassiri, O., 2017, p. 9). On the other side, Chinese companies have secured a significant number of contracts, mainly for infrastructure projects. In 2003, these contracts were worth around $3 billion, but by 2012, they had grown to more than $40 billion. The money came from international financial institutions, African countries, and China's ExIm Bank. The expansion of China-Africa trade was one of Hu Jintao's most significant achievements. It grew from around US$10 billion in 2002 to almost US$180 billion in 2012 and was substantially balanced throughout. China surpassed the US as Africa's main trading partner in 2009 (Shinn, 2019, pp. 75–76). However, natural resources, particularly oil and minerals, made up most Africa's exports to China, whereas China's exports to Africa were manufactured and completed commodities. The continent's trade balance also obscured trade deficits with China in impoverished African countries (Shinn, D. H., & Eisenman, J., 2012, p. 114). In the twenty-first century, the key Chinese actors in Africa have also shifted. To assure the supply of commodities from Sub-Saharan Africa, primarily Chinese state-owned firms formed joint ventures with state-owned companies in Sub-Saharan Africa. Currently, huge state-owned firms are not the only ones investing in Africa. Chinese private enterprises have recently begun to operate in Africa. Furthermore, smaller, privately owned Chinese enterprises operate in this market, and individuals occasionally go to Africa to establish a business or when their employment with a Chinese state-owned enterprise has ended (van Dijk, 2009b, p. 11).

In November 2012, Xi Jinping was appointed general secretary of the CPC Central Committee. His worldwide policies, notably those in Africa, have so far been characterized by a fresh boldness. Africa, on the other hand, has taken a prominent place in Pekn's agenda. In fact, Xi Jinping's first official trip outside of China as president was to South Africa, Tanzania, and the Democratic Republic of the Congo – in addition to Russia –, and not a year goes by without him or other senior Chinese officials making multiple trips to Africa. Furthermore, the 'One China' policy is being recognized by an increasing number of countries. Only Eswatini still recognizes Taiwan (Shinn, 2019, p. 77). The Chinese dream was first proposed by Xi Jinping. In the case of Africa, he claims that it links the continent's development to China's and aligns the Chinese people's interests with those of the African people. Xi Jinping's 'community of shared future,' which aims to reform and improve the existing international order in a way that is more conducive to China's interests, is related to this concept. Xi Jinping's Belt and Road Program is a crucial initiative towards achieving this new order (BRI). The economic size and geographic reach of One Belt, One Road (OBOR) are effectively captured in a line from The Economist's 3 August 2017 print edition: "The One Belt, One Road (OBOR) policy, which China launched in 2013, is divided into two components. A land-based 'belt' connects China with Europe, suggesting old Silk Road trade lines, followed by a 'road' that refers to ancient marine connections. OBOR would reach 65 countries, with China investing more than $900 billion in projects ranging from highways in Pakistan to railway lines in Hong Kong. Western multinationals have spotted a gold mine and are selling billions of dollars’ worth of equipment, technology, and services to Chinese companies who are developing along it." (The Economist, 2017). Billions of dollars have been invested in much-needed infrastructure as part of the Belt and Road Initiative. The foundation for industrialization is laid by connecting significant cities and ports with roads and railways. Because of the demand for industrial jobs and the economic benefits of infrastructure, Africa can gain from China's Belt and Road Initiative. Many countries in Sub-Saharan Africa may find it to be the key to their economic development (Yueh, 2019, p. 31). By the middle of the decade, outward FDI had surpassed inward FDI, indicating that China's economic model has shifted away from relying on foreign investment and toward an economy with its own competitive multinational enterprises producing and investing both at home and abroad. This trend is harming Chinese FDI recipients more and more, especially since the Belt and Road Initiative was launched in 2013. (Yueh, 2019, p. 28).

4 Determinants and motives of Chinese OFDI in Africa

For this chapter there will be a focus on the four motivations for Chinese enterprises to invest in Africa, following previous research on Chinese OFDI (Buckley et al., 2007; Drogendijk, R. & Blomkvist, K., 2013; Voss, 2011)): resource seeking, market seeking, strategic asset seeking and efficiency-seeking. It is important to emphasize that, as we have seen, Chinese OFDI behaves differently from the others, very much conditioned by political strategy. Therefore, in order to analyze the above mentioned factors, it is necessary to contextualize them within the foreign diplomacy or political factor. The institutional setting of a country is likely to have profound effect on a country's FDI activity (Buckley et al., 2007, pp. 22–23). The government remains typically the primary operational decision-maker at various levels when it comes to investment project approval, and therefore Chinese OFDI cannot be accepted without referring to the Chinese Government and its policies (Drogendijk, R. & Blomkvist, K., 2013, p. 76). An analysis of the 4 FDI determinants from the Chinese perspective in Africa will follow.

4.1 Natural resource-seeking

Since the turn of the century, China has risen from irrelevance to become a major participant in Africa's resource sector, with large stakes in oil concessions from Angola to Sudan and mining leases from the DRC to South Africa (Alden, 2012, pp. 23–24). Since China began investing abroad, resource-seeking has been the major focus determinant for its OFDI projects. Gaining access to natural resources that China depends can give long-term supply security benefits (OECD, 2008, p. 92).

Many Chinese companies specialize in mass production, which requires the use of natural resources. Despite this, China's natural resources per capita are only 20–25 percent of the world's average (Y. Zhang & Roelfsema, 2014, p. 92). As a result of these tendencies, China shifted from being a major Asian oil supplier to the world's second largest user in 2003. This shift alone explains China's decision to place energy security at the center of its foreign policy strategy. Despite being one of the world's largest oil producers, China can only meet about half of its domestic oil needs (Alden, 2012, p. 24). Africa has the world's third greatest oil reserves in terms of regional reserves (Alden, C., & Alves, A. C, 2009, p. 6). By the end of 2020, according to BP data, Africa holds approximately 7.2% of total proved oil reserves (BP, 2021, p. 16).

Aside from oil, China has become increasingly reliant on other extractive industries on the outside, which helps to explain the continent's increased contact in recent years. China has eclipsed the United States as the world's main user of most basic metals in the last decade, and it is now the world's greatest consumer and producer of aluminum, iron ore, lead, and zinc (Alden, C., & Alves, A. C, 2009, p. 5). Many mineral-rich African countries, including Gabon (manganese), Zambia (copper and iron ore), Zimbabwe (platinum), and Angola (diamonds, copper and iron ore), have drawn Chinese attention in recent years. South Africa, on the other hand, has the richest mineral resources. It is also the world's leading producer of platinum and manganese, as well as the world's second largest gold producer.

The OFDI has been utilized to secure supplies for domestic enterprises by acquiring rare natural resources such as energy, petroleum, and minerals. For example, Chinese businesses have invested heavily in huge projects to extract oil in Algeria, Angola, Kenya, Nigeria, and Sudan; copper in Congo and Zambia; and iron ore in Gabon over the years. With the rapid rise of the Chinese economy, there has been an increase in demand for natural resources in recent years to sustain domestic economic growth. As a result, there will be a greater need for natural-resource-seeking FDI in the future (Y. Zhang & Roelfsema, 2014, p. 92).

4.2 Market-seeking

The Chinese government plays a less prominent but still significant role in market-seeking investments (Bastholom, A. & Kragelund, P., 2009, p. 134). Even though resource security is still at the forefront of China's recent engagement in Africa, with SOEs in the energy sector taking the lead, Chinese investors' ambition to profit from commercial opportunities by extending trade into African markets is also important (Alden, 2012, p. 30). Market-seeking interests have grown significant for Chinese firms that want to develop their business overseas by leveraging their comparative advantage already established in local and foreign markets; or those that want to locate new markets overseas as a result of strong domestic competition. (OECD, 2008, p. 97). There are several reasons why Chinese MNE may be seeking other markets. First, because to the presence of world-class transnationals, some Chinese enterprises may not have enough firm-specific competitive advantages to enter the competitive ecosystems of developed countries in North America and Western Europe, characterized by fairly saturated and highly competitive markets. On the other hand, markets in other developing countries of Africa, might very well stay relatively untouched and viable. Because of the inflow of FDI into China, expanding into other emerging countries provides an appealing business strategy to counter increased competition in their home market (Yeung & Liu, 2008, p. 68).

Apart from the mentioned reasons, Chinese companies are increasingly locating 'offshore' manufacturing operations in countries where industrialised countries impose few, if any, export quotas and other 'anti-dumping' measures, or investing in countries where quota rights can be easily seized. In the African context, most of the recent growth in market-seeking FDI by Chinese firms in Mauritius, where export quotas are almost non-existent, can be attributed to this. (Buckley et al., 2008, p. 737).

4.3 Strategic asset-seeking

In the past, Chinese MNCs were required to assimilate and spread experience and knowledge of foreign management methods to improve Chinese company's current overall international competitiveness. Indeed, China’s OFDI could have been in this sense as a never-ending search for market intelligence in order to boost domestic export performance (Buckley et al., 2008, p. 738). Nevertheless, there is evidence that Chinese MNCs have recently internationalized in order to obtain greater access to foreign proprietary technology, strategic assets and capabilities (distribution channels, brands, foreign capital markets, and so on), often through acquisition. They have also seek to exploit new markets and diversify business activities in order to enhance their international competitiveness (Buckley et al., 2007, p. 503; Deng, 2007, p. 74). Sales growth in key areas of the Chinese economy has resulted in a growing number of Chinese companies, both private and state-owned, amassing enough retained earnings to develop strategic assets projects in both developed and emerging countries abroad. The loosening of foreign exchange controls, the low cost of capital possessed by some state-owned enterprises, and the resilience of the Renminbi, which has cut relative investment costs in certain markets, have all aided the economy. All of this means that an increasing number of Chinese companies are now able to get the foreign money required to pursue (Buckley et al., 2008, p. 740). A clear example in the African context is the acquisitions and expansion carried out by the Chinese telecommunications company ZTE. It has signed comparable partnerships in Ghana and Lesotho, as well as Ethiopia, since winning a contract to establish a mobile phone network in Algeria for USD 32 million in 2004. It inked a framework agreement with Mundo

Startel, Angola's fixed line telecoms provider, for the delivery of telecommunications equipment worth USD 69 million. In addition, ZTE plans to invest USD 400 million in Angola to build the telecommunications network of the country, strengthen military telecommunications, build a mobile phone factory, develop a telecommunications training institute, and build a telecommunications research laboratory (OECD, 2008, p. 99).

4.4 Efficiency-seeking

Efficiency seeking is a motivator for FDI by mature and large global MNCs, and given their relatively late introduction into the global market, particularly in comparison to Western enterprises, Chinese firms are not likely to find themselves in such a mature position (Drogendijk, R. & Blomkvist, K., 2013, p. 78). Furthermore, Buckley et al. (2008, p. 741) suggest that efficiency-seeking FDI has been of little use to Chinese enterprises due to a plentiful supply of low-cost labor and other factor inputs in the home economy. Efficiency-seeking FDI by Chinese MNEs is likely to become more widespread as these international enterprises grow in scale and scope (Buckley et al., 2008, p. 741).

5 Analysis of the effects of Chinese FDI: The case of SADC countries

Now, after having analyzed the context of historical trends among Sino-African relations, and having analyzed the factors determining the location and extent of Chinese OFDI in Africa, we will proceed to analyze specifically the consequences brought about by Chinese investments in the SADC region. First, a brief overall analysis of Chinese FDI in the SADC region will be made. For this purpose, the analysis will be conducted with the help of the 'Chinese Global investment Tracker' (CGIT), the only public and comprehensive dataset covering China's global investment provided by the American Enterprise Institute (AEI), and the Chinese investment in Africa dataset of the Chinese Africa Research Institute (CARI). It is worth mentioning that out of the 16 SADC members, there is no information on Chinese investments made in Eswatini. This is because China has no relationship with the country due to the fact that it is the only one that still recognizes Taiwan and therefore China does not want to cooperate, as mentioned above (Shinn, 2019, p. 77).

5.1 SADC and Chinese ODFI

According to the official SADC website "the Southern African Development Community (SADC) was established as a development coordinating conference (SADCC) in 1980 and transformed into a development community in 1992. It is an inter-governmental organisation whose goal is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation and integration, good governance and durable peace and security among sixteen Southern African Member States" (SADC, n.d.). Image 1 shows a map of the SADC countries.

Figure 1:Map of SADC countries, source: Southern African Development Community

Figure 2 shows the volume of Chinese OFDI in the SADC region and Africa between 2003 and 2020. As can be seen in Figure 2, the FDI captured by SADC countries accounts for a large amount. The volume of FDI shows a very rapid growth from 2008 onwards, a period that coincides with China's extensive financial assistance to Africa in the face of the financial crisis. On average both datasets account 53% of all Chinese OFDI to the SADC countries alone (AEI, 2022; CARI, 2022). However, the amount of Chinese FDI varies greatly among countries in the SADC region, as can be seen in Figure 3.

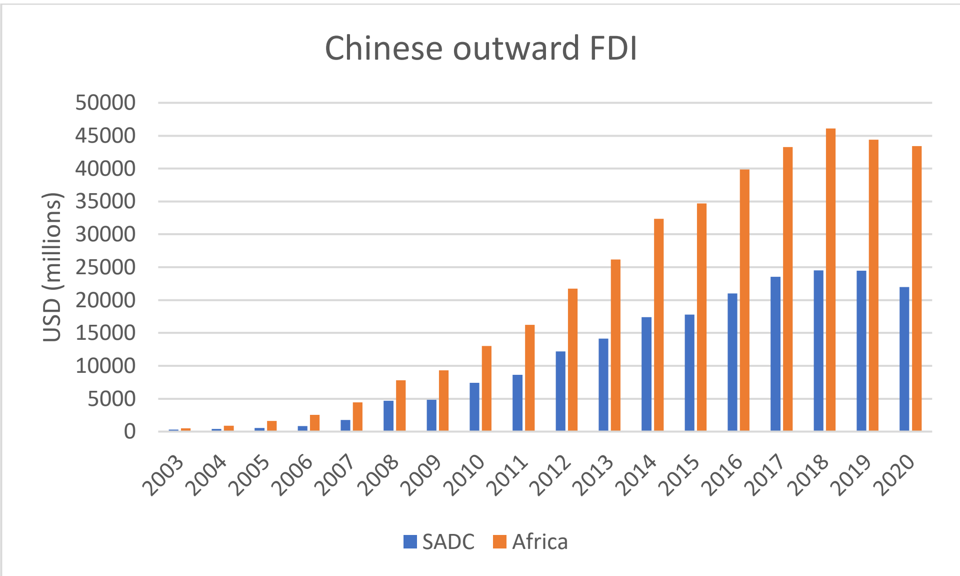

Figure 2: Chinese OFDI in the SADC region and Africa (2003-2020), source: China Africa Research Initiative

As expected, South Africa is the largest recipient of Chinese FDI (32%). It is followed by the Democratic Republic of Congo (16%), Zambia (14%) and Angola (8%) (CARI, 2022).

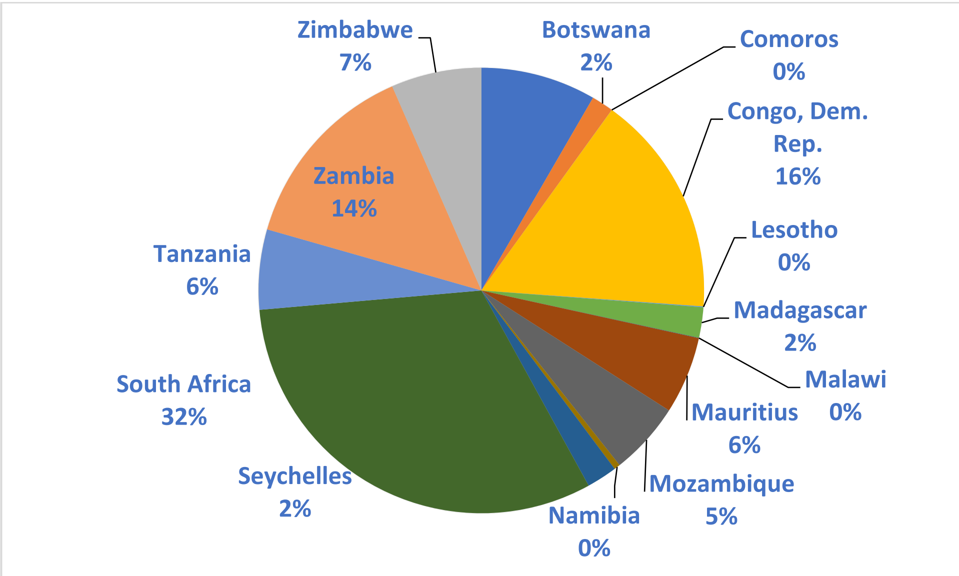

Figure 3: Distribution of Chinese FDI in the SADC region by counties (2003-2020), source: China Africa Research Initiative

Finally, Chinese FDI in the SADC region by sector will be analyzed with the help of the CGIT database (AEI, 2022), as shown in the Figure 4 below.

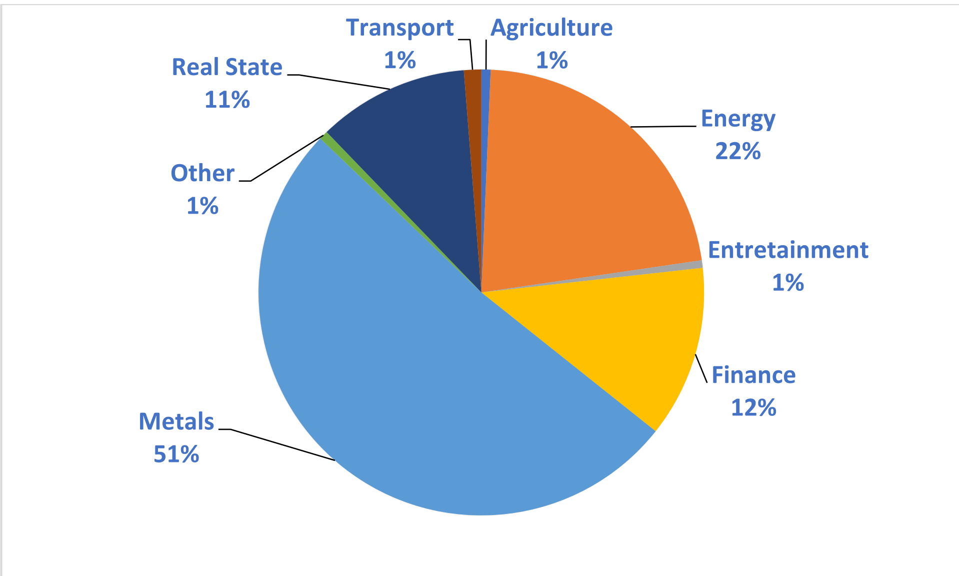

Figure 4: Distribution of Chinese FDI in the SADC region by sectors (2006-2021), source: American Enterprise Institute

Coinciding with the above, most of China's FDI in Africa is composed of natural resource-seeking FDI, accounting for 73% of the total (AEI, 2022). This is due to China's high dependence on seeking sufficient natural resources to enable it to continue growing at an accelerated pace (Bastholom, A. & Kragelund, P., 2009, p. 122), as explained above.

5.2 Effects of the Chinese FDI in the SADC countries: Cases of Angola, South Africa and Zambia

To date, there is not enough relevant literature that has analyzed the effects of Chinese FDI in the SADC region. The closest done so far is the article 'Microeconomic consequences and macroeconomic causes of foreign direct investment in southern African economies' by Lederman et al. in the journal Applied Economies (2013), in which he studies whether FDI inflows in the region have a positive influence, concluding that this is the case (Lederman et al., 2013, p. 3647). However, the article does not focus specifically on the Chinese contribution of FDI.

Therefore, it has been decided to conduct an analysis of the effects of Chinese FDI focused on the three most relevant countries of the SADC region in terms of the volume and importance of their FDI flows with China in their economies: Zambia, Angola and South Africa.

5.2.1 Zambia

Overall, it was discovered that Chinese investments in Zambia are predominantly resource-seeking, with a smaller percentage of market-seeking investments. The main risk of this type of investment is that it will maintain the country's status as a raw material area. As a result, adequate policy intervention is required to maintain investment balance and ensure that this trend does not compromise the local push for economic diversification.(Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 3). It was also found that Chinese FDI in Zambia mostly comes from firms that are either wholly or partially state-owned and are driven by broader objectives than profit maximization. (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 3). There were found problems with Chinese employers in Zambia's mining sector, who refused to pay Zambian workers the required minimum wage. Political discontent has developed from the reported employment of Chinese labor where locals could be employed, as well as terrible working conditions in some Chinese enterprises. (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 4). However, because of greater exports, the local currency tends to gain value as a result of mining industry investments. Zambia will find it difficult to increase its exports of other goods as a result of this (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 3). Zambian firms, like Tanzanian firms, find it difficult to compete in regional markets due to more technologically advanced countries such as Kenya, South Africa, and China, which sell industrial goods at lower rates (van Dijk, 2009a, p. 171). This highlights the need for an adequate policy to ensure that local businesses are not overburdened (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 3). The Chinese government has put up an institutional framework in Zambia to help and direct Chinese companies. Originally, it was only for SOEs, but as China's economy has liberalized, similar organizations are also serving private Chinese enterprises in Zambia (Bastholom, A. & Kragelund, P., 2009, p. 134). On the other hand, while the vast majority of Chinese FDI is allocated to Chinese SOEs already established in the country, the lack of local business relationships makes it difficult to assess the true value of investment and ensure that such initiatives provide possibilities for local learning and ownership (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 4).

Regarding the impacts, there are several findings to be discussed. First, as copper production has boosted, Chinese investments have increased the entrance of collective resources into the country, improving capacity utilization and creating job possibilities. The entry of Chinese SOEs has had a positive impact on competition, offering cheaper and higher quality products generated by the entry of more advanced technologies, which may suggest an increase in the welfare of Zambians (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 4). The Chinese government's direct and indirect participation in Zambian OFDI provides Chinese businesses with low-cost finance, creates the groundwork for economies of scale, and simplifies access to technology, all while reducing local competition. In the host country, it also builds the required infrastructure and lowers trade obstacles. (Bastholom, A. & Kragelund, P., 2009, p. 134)

Looking on the negative impacts, rather than purchasing new heavy equipment, Chinese mining companies are increasingly hiring it. The issue with this strategy is that it will limit the scope of technology transfer because the equipment and plant are not assets of the company, therefore there will be little incentive to build capacity to exploit the corresponding technology. Apart from that, the increase in copper demand generated by the high Chinese investment, although by itself has a positive impact on the local economy, if we add the resulting high prices on the international market, it threatens the Zambian government's attempts to diversify its economy in order to lessen its dependence on the mining industry. On the other hand, while the first wave of Chinese companies to set foot in Zambia were investment enterprises, a new wave of service-related Chinese companies has emerged in recent years, which come in to serve as input sources for Chinese investors. Stakeholders are concerned that local supply companies would lose out to Chinese service companies as a result of this (Kamwanga, J., Koyi, G., Funjika, P., & Bwalya, R., 2018, p. 4).

5.2.2 Angola

The suggested China-Angola investment model is based on the assumption of a win-win situation, with China engaged with Angola's oil resources and Angola interested in the significant amount of money China has committed and continues to invest mostly in infrastructure projects. This hypothesis reflects Angola's and China's macroeconomic complementarities: Angola has an infrastructure deficit and an abundance of natural resources, whereas China has one of the world's greatest and most competitive construction sectors with limited natural resources (Zongwe, 2010, p. 17). Although Angola is one of the most corrupt states in the world, this aspect does not seem to discourage Chinese investment (Begu et al., 2018, p. 15). One-third of China's oil supply now comes from Africa, primarily from Sudan and Angola (van Dijk, 2009c, p. 144). Angola, in particular, has had the greatest growth rate in production over the last decade, having surpassed Nigeria as the largest oil producer in Sub-Saharan Africa in mid-2008 (Alden, 2012, p. 28). These SOEs were able to acquire oil exploration leases in Angola thanks to a package of high-profile diplomatic and substantial financial incentives (Alden, 2012, p. 32). China is seen by Angola as a better option to traditional finance sources of Western economies since it offers loans without political conditions and at a cheaper interest rate than any international financial institution. China's investment through the Exim Bank, the Development Bank, and the Commercial Bank was anticipated to reach USD 14.5 billion by the end of 2011. Extracted and imported petroleum provides a return for Chinese investors. China has imported about half of Angola's exported petroleum since 2010, accounting for 12–17 percent of China's total petroleum imports. (Begu et al., 2018, pp. 9–10). Chinese FDI is currently present in Angola's primary industries, including agricultural exports, natural resources such as oil and gas, and mineral resources such as diamonds, as well as a minor participation in other industries such as the food, chemistry, building materials, textile and the forestry industry. Furthermore, 62 Chinese companies had already established subsidiaries in Angola in 2016, with half of them being SOEs. Since most Chinese enterprises have held a leading position in this region, Chinese FDI will play an even more important role in promoting Angola's development. (Wang, 2019, p. 26).

Overall, the Chinese FDI has enhanced the entire economic environment of Angola (Wang, 2019, p. 40). In terms of the impact of Chinese FDI on the transfer of new technologies and know-how, China's FDI boosts the growth of Angola's manufacturing industry, resulting in increased overall production. Chinese FDI in Angola, in fact, benefits the local economy. On the other hand, it has been demonstrated that Chinese FDI does not contribute to the development of Angola's high-tech economy. As a result, we can conclude that Chinese FDI in Angola has enhanced new inputs and the ability of the host country to adopt foreign technology into local production functions. Nevertheless, traditional manufacturing methods, not high-tech industries, are where the current functions are concentrated. As a result of Chinese FDI, Angola's ability to use foreign technologies to boost the performance of traditional sectors has improved (Wang, 2019, pp. 29–31).

Regarding the impact on the development of human resources, it also shows a positive impact. China's FDI in Angola helps to create new job opportunities for local workers, lowering the country's unemployment rate. On the other hand, it has increased the country's educational expenditures, raising the educational level of Angolan pupils, and boosting the quality of Angolan human resources. As a result, China's FDI in Angola is improving the country's human resources (Wang, 2019, pp. 31–32). China's FDI in Angola has improved the country's contribution to the global economy while reducing its reliance on it. Angola's trading operations with other countries are positively related to China's FDI in this scenario. Angola's ability to compete in the global market has also improved as a result of Chinese FDI. China's FDI has benefited the following areas in particular: improving local political stability, infrastructure development, skills, individual usage, company usage, and government usage. On the other hand, it has also been demonstrated that, as a result of the entry of Chinese firms, local companies are less likely to struggle to find new ideas, resulting in a stagnation in market development (Wang, 2019, pp. 33–35).

The influence of Chinese FDI based on the development and restructuring firms has been positive. With the entry of Chinese companies, the Angolan local companies have improved its production and prices of their products by reducing their marginal costs, increasing in this way their capacity for resource allocations and productivity Furthermore, Chinese FDI has prompted and enabled the Angolan government to enhance capital investment in the development of fundamental domestic facilities. (Wang, 2019, p. 40).

A pesar del positivo impacto que ha generado los flujos de FDI chino, esto no quiere decir que Angola no haya sufrido represiones negativas a consecuencia de la presencia china. Long-term contracts are common in China, allowing it to buy oil at far lower prices than the global market. For example, the price paid in Sudan would be roughly 65 US dollars per barrel, although the actual market price in July 2008 was 150 US dollars per barrel. (van Dijk, 2009a, p. 171). The presence of Chinese enterprises in Angola has resulted in a plethora of job prospects for Angolans, particularly the youth. However, many of these enterprises' labor relations and working conditions are still unsatisfactory (Emmanuel, 2009, p. 370).

5.2.3 South Africa

South Africa's position as a middle-income economy with a reasonable industrial foundation, along with underlying socio-economic divisions rooted in substantial income gaps and historical discrimination policies, makes it unique among African countries engaging with China (Alden, 2012, p. 39). By 2008, there were over 800 big Chinese firms in Africa, with South Africa garnering the highest proportion of Chinese investment. South Africa is also the only African country having large interests in China, primarily in mining, brewing, and banking (Baah & Jauch, 2009, p. 12). Energy, technology, mining and metallurgy, electronics, telecommunications, textiles, financial services, transportation, manufacturing, construction, and automobiles are among the sectors that have attracted Chinese investment in South Africa. Chinese construction corporations are establishing themselves in South Africa, as they have in other African countries. Chinese investors have also shown interest in South Africa's mining, transportation, and retail industries. Between 100,000 and 200,000 Chinese immigrants work in retail in South Africa, according to estimates (Baah, A. Y. & Jauch, H., 2009, p. 35). South Africa has Africa's largest and most diverse economy. Between these two regional powerhouses, there is enormous potential for economic and commercial collaboration. South Africa is China's most important African trading partner, accounting for 20.8 percent of total China-Africa trade volume in 2007 (Guilwe, T., & Mkhonta, S., 2009, pp. 300–301).

Looking at the impacts in South Africans economic growth, South Africa has a negative trade deficit with China, with its exports primarily consisting of minerals, agricultural goods, and associated sectors, while its imports are dominated by low-end consumer goods (Alden, 2012, p. 41). Therefore, in the context of the factor of global economy interaction, the Chinese FDI has brought a negative impact. At the same time, the strengthening of economic ties with China has raised concerns about the uneven impact of trade in certain sectors of the South African economy – with textile sales in the country falling sharply while agricultural exports are increasing – and has posed challenges for both countries. The focus of trade between South Africa and China has been on China acquiring minerals, agricultural goods, and allied commodities, while South Africa has absorbed low-end consumer goods imports. There are also tensions about the unbalanced trade balance, which favors Chinese manufacturers (Alden, 2012, p. 42). On the other hand, the impact of Chinese FDI flows on South African competition is a source of concern. In some ways, South Africa's hard-won industrial successes will be undone by the economic behemoth that is modern China (Alden, 2012, p. 42). According to one analysis, Chinese competition has reduced the value of South Africa's textile exports to the United States by 54% since 2005, resulting in the loss of nearly 60,000 jobs (Biacuana, G., Disenyana, T., Draper, P., & Khumalo, N., 2009, p. 15).

Another cause of worry is Chinese migration to South Africa, which is estimated to number between 300,000 and 400,000 people, making the country the most popular destination for Chinese people in Africa. They have caused a negative impact in the local economy, in that the migrants have replaced work in small retail and wholesale establishments, increasing the levels of misemployment (Alden, 2012, p. 43).

South African construction industry players are apprehensive that Chinese contractors may soon bring their own labor into the country and house them on site. Workers would be required to work more hours per week and would not be able to leave the camps until the project was completed (Guliwe, 2009, p. 31). These workers thus live below the poverty datum line and their exploitation puts a downward pressure on local wages (Guliwe, 2009, p. 32).

Many South African companies are troubled by disagreements over labor standards and unfair competition. Because the Chinese companies are state-owned, and the goal is not to generate profit like the local private sector, construction stakeholders in South Africa think that the Chinese companies' inflated pricing practices are possible (Guliwe, 2009, p. 32). The increase in competition could cause a negative impact in the productivity of local firms. Based on this is the absence of a sectoral determination or minimum wage in South Africa tends to exacerbate the exploitation of workers, and undermines reasonable local wages (Guliwe, 2009, p. 33)

6 Conclusion

"In Africa, China has become a prominent player in FDI. They will continue to be a powerful force, perhaps even becoming the most dominant force" (Bezuidenhout, H., & Kleynhans, E. P., 2018, p. 297). This quote summarizes the final conclusions about the research.

Analyzing the historical context between China and Africa, we can see how relations have been gaining weight as China has consolidated its presence as one of the powers of the contemporary world. Since the launching of the 'Go out' policy, Africa has seen how China's presence has increased by leaps and bounds, representing today its most important partner. It has been observed how the Chinese institutional presence on the continent has been evolving from a purely Chinese state-owned enterprise intervention to a deepening presence led by a wave of Chinese private companies and entrepreneurs. However, one cannot overlook the uniqueness of Chinese FDI with the Beijing consensus compared to that of the rest of the world, which, although it may come from private Chinese multinationals, is highly regulated, with the central government maneuvering all international operations based on its various strategies and objectives.

As for the determinants and motivations of Chinese FDI in Africa, despite being more focused on expanding global markets to promote development and innovation, China continues to demonstrate that it prioritizes its own interests, focusing even today on large investments in obtaining natural resources that allow its country to continue to grow by leaps and bounds. Thus China sees Africa, a continent teeming with untapped natural resources, as a long-term alliance.

Capital flows into Africa have seen exponential growth over the past 20 years. Specifically, the SADC region has channeled more of all FDI from China. This is due to the large concentration of countries on the continent that are home to the largest reserves of natural resources, necessary for China to conduct all its economic activity. As is evident, the amount of FDI destined to each African country pursues different purposes depending on the characteristics of the country.

As for the effects brought about by Chinese FDI, we find very different scenarios. On the one hand, countries such as Angola, which is characterized by very little diversification in its market, which is highly concentrated in oil, has seen how the Chinese FDI has enabled it to increase its diversification through increased investment in its various sectors, generating economic growth. On the other hand, South Africa, China's largest partner, which looked favorably on Chinese capital, is becoming increasingly skeptical of China's growing presence in the country, fearing that it could negatively transform its presence. The only way to improve the impact of Chinese FDI is to pay attention to potential risks, aiming to change local policies to mitigate them as much as possible.

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