How is Chinese Investment in Africa Affecting Globalization?

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Marine Academy of Science and Technology
July 20, 2023
Style Guide: APA

Globalization 101

Abstract

This paper explores China's increasing investment in Africa and its far-reaching benefits as well as implications. African nations have historically emphasized the protection of their natural resources and economic stability through regional collaborations. As economies are heavily reliant on resource exports, investment is pivotal for their growth. China, possessing significant financial resources and driving the Belt and Road Initiative, emerges as a crucial partner. China's investment in African infrastructure, such as roads and ports, offers opportunities for knowledge transfer and technology exchange. However, it also raises concerns about debt accumulation and economic dependency. The resulting high-interest debt traps strain the China-Africa relationship. The proliferation of Chinese technology, exemplified by Huawei's telecommunications infrastructure, introduces cybersecurity challenges. African nations must balance economic growth with data protection, particularly in the implementation of cybersecurity governance. The complex interplay between China's global influence and its investment in African resources shapes the continent's economic landscape. Potential benefits of trade relationships and technology transfer are counterbalanced by risks of economic volatility and unequal partnerships. Concurrently, the United States seeks to rival China's influence in Africa through initiatives promoting clean energy and digital economies. In conclusion, this paper delves into the intricate web of advantages and disadvantages arising from China's investment in Africa. As Africa's population surges and resource wealth gains prominence, understanding the implications of China's investment is essential for shaping policies that foster sustainable growth and mitigate vulnerabilities. This analysis contributes to the broader discourse on Africa's emergence as a global economic contributor.

In this paper, we will be discussing China's investment in Africa which has become more relevant over the past few years, and what exactly is important to know about it. What is so important about relations between China and Africa?

African countries have a long history of advocating for better treatment of their own natural resources and the protection of their own assets. Unions between countries in Africa further the stability of their economy. When countries have economies that heavily rely on their natural resources, such as many African nations, it can be hard to regulate and predict events in their economy based on fluctuations in the global market. This is why investment is crucial to the developing countries of Africa.

It's clear that China has been a major investor in African economic development. But what is it about China that makes them so important to African countries? Why are African leaders seeking investment from China in particular?

To start off, China is the world's second-largest economy and one that certainly has the financial funds to support Africa in its entirety. China itself has been seeking economic cooperation and infrastructure across Asia, Europe, and Africa. This project is known as the *Belt Road Initiative* (Dollar). China has been investing heavily in African countries to build infrastructure like roads, railways, and ports. But, this relationship allows China to secure investment in oil and other natural resources.

Aside from infrastructure and debt, the exchange of knowledge, technology, and management is beneficial for African nations. However, Chinese investment creates drawbacks for African nations. All of this seems pretty incredible, so what exactly is the problem?

Although the Belt and Road Initiative provides extensive amounts of infrastructure that African countries may need, these countries often have no way to pay China back for these projects, leaving them in a great state of debt. This debt is high interest, giving China great leverage over its African partners, economically trapping them. While China provides economic opportunities to African countries, this setback from debt accumulation leads to a strained relationship between China and its African partners.

Besides such accumulation, African countries also face the issue of cyber security. China provided more technology access to African countries, as Chinese company Huawei installed telecommunication towers to provide Wi-Fi for local residents (Reuters).

Additionally, in 2010, 100 of the nearly 2,000 Chinese companies in Africa were directly state-owned (Yu). This is disadvantageous for these developing African nations as it means that the Chinese government can strongarm these nations to act on their behalf. Although these nations become more prosperous with Chinese investment, they are turned into puppet states in some form or another.

Critics argue that China spreads its influence across Africa to compete within American-dominated economies. Since so much of the world is already under the American sphere of influence, China has turned to the largely "ignored" African nations as partners. Under the partnership to assist in the development of foreign nations, China provides resources to expand its influence.

An observation made about China is its constant pursuit of global partnerships, as shown in its relationship with African nations, to compete against American dominance in the Pacific. Another point of criticism to point out is that these investing Chinese companies have little to no interest in helping local economies, as exemplified by those in Zambia (Kopiński). In a study done by Polish researcher Dr. Dominik Kopiński, of the 25 Chinese firms in Zambia which were researched, only 16 local suppliers were found to be utilized (Kopiński). This study also found that only 27.3% of procurement by the value of the Chinese companies was sourced from Zambian companies (Kopiński). However, there is an overlap between Chinese and Zambian companies. Even if the Chinese companies are not primarily focusing on working with local suppliers, there is bound to be more than enough spillover due to the large scale of the investment. The materials procured from Zambia are mostly basic materials such as clay, wood, and stone (Kopiński). *Green Field Investment*, which could be fair to call this Chinese investment, is an investment where a parent company establishes a subordinate company in a foreign country. This subsidiary company is built in the other country without the help of local companies (Chen). In this case, the investment is quite predatory.

As personal mobile devices become more accessible, African countries need to implement more strict data protection policies to protect the privacy of African citizens. Limited policy restrains African countries from economic prosperity, as according to the Alliance for Affordable Internet, only fourteen out of forty-five countries met their accessibility standards (Alliance for Affordable Internet).

One major roadblock which prevents many African nations from implementing stricter data protection policies is the lack of continuity of policies between nations. Nations' disagreements create conflicts and obstruct relationship development. As a result, progress to enforce cyber security protection halts.

When the agreement on Cyber Security and Personal Data Protection was adopted by the African Union, only fourteen out of fifty-five member states signed the agreement (Sidiropoulos). This agreement advanced cybersecurity governance and data protection laws (Sidiropoulos). The relationship between China and African countries leads to a shift in policy interests to protect the personal rights of African residents.

Although not the first, China has taken on an economic interest in Africa for its natural resources. Africa is among the richest continents in natural minerals, gasses, and metals. According to the United Nations Environment Programme, the largest reserves of cobalt, diamonds, and uranium are in Africa (UN Environment Programme). African leaders have taken notice of China’s interests. African leaders recognize that like other foreign nations, China has a vested interest in Africa for its natural resources. African leaders have not currently implemented any regulations to moderate other nations’ activities in Africa, however, some have expressed interest in doing so. This Chinese interest in African resources raises the question: how do Africa’s resources and foreign relations benefit China?

As mentioned previously, Africa's metal exports include uranium which is used for nuclear energy, platinum which is used for jewelry and industry, nickel which is essential for stainless steel, magnets, coins, batteries, bauxite, cobalt, and many more (UPitt). These exports allow African countries to gain opportunities to create trade and build relationships between each other and other foreign powers. Trade enhances the transfer of technologies and productivity (Grossman and Helpman 1991). With China stepping in as an “overseer” to Africa, these important trade connections could either cease or supply could proliferate, both of which are harmful to the global economy in the long run. Halting production will spike metals prices across seas, causing another recession or even depression. Increasing production or metal mining could increase the economic fluctuations of the economy of Africa and its trading partners, leading to more intense good years and more drastic bad years.

While China's increasing investment in Africa has gained attention, it is important to consider the broader consequences, particularly in light of the growing tensions between the United States and the People’s Republic of China. They are arguably the largest and most influential nations in the world, but both have very opposing political, social, and notably economic stances. With the increasing Chinese investment in the continent, America has also been working to build a stronger relationship with many African nations.

This stronger relationship has been vied through programs such as PEPFAR (President's Emergency Plan for AIDS Relief) under George Bush, Power Africa under Barack Obama, and more (Baker and Walsh 2022). Recently, President Joseph Biden stated that he wished to invest an estimated $55 billion “in the continent over the next three years” (NY Times). The Russian invasion of Ukraine has led to increased food shortages in Africa, and COVID-19 has disrupted supply chains (Baker and Walsh 2022) and President Biden hopes to establish an agreement encouraging a continent-wide free-trade zone. Biden also “vowed to help transition to clean energy and a digital economy” (NY Times). This is in tremendous contrast to Chinese investment, which focuses more on building physical infrastructure such as roads (Baker and Walsh 2022).

However, what does the US get back in return for their respective investments?

The United States is trying to rival the influence of China over Africa. United States Secretary of State Antony Blinken has noted the administration’s strategy for this issue “was not centered on rivalry with China and Russia” (Wong 2022). Even so, this created competition with China and economic and political alliances with African nations. Additionally, new contracts with Western companies offer alternatives to the dominance of Chinese companies like Huawei (Baker and Walsh 2022).

President Biden states that the US does not want to create political obligations but rather spur success in Africa. He mentions, “because when Africa succeeds, the United States succeeds. Quite frankly, the whole world succeeds as well” (Baker and Walsh 2022). This is essential because Africa is expected to be home to approximately one out of four people by 2050 (Baker and Walsh 2022). It also has the natural materials and resources to combat climate change. It is important to understand the benefits as well as the disadvantages that Chinese investment, competition, and other economic factors play in Africa’s economic success.

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