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ECONOMIC IMPACT AND IMPLICATIONS OF CHINAS GROWING INVESTMENTS, AID, AND INFLUENCE ON THE AFRICAN CONTINENT

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ECONOMIC IMPACT AND IMPLICATIONS OF CHINA'S GROWING INVESTMENTS, AID, AND INFLUENCE ON THE AFRICAN CONTINENT

by

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March 2022

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13. ABSTRACT (maximum 200 words)

This study examines whether China's foreign direct investment (FDI) has significantly improved African economies. Although endowed with vast natural resources, many African countries are primarily underdeveloped, with a substantial number of their people living below the poverty line. To build their economies, these countries have turned to China for support over the past few decades as the conditions attached to accessing loans from the West have become increasingly unattractive. These inflows of FDIs from China, along with aid, grants, and trade agreements, have helped to open many African countries' economies and propel infrastructure development, social impact programs, and a reduction in poverty. Yet, critics question China's motives and point to the burden facing African countries that may struggle to repay the loans. Using a case study of Ghana and Uganda, the thesis finds that China's FDI has generally contributed to improved living conditions of the people, but this progress is tempered by trade imbalances, mounting debt, and failure to produce projected job opportunities. For their part, the Chinese have benefited from access to the continent's resources and new markets for their merchandise. The findings also suggest African countries continue their robust economic ties with China but reduce their dependence on China by exploring other partners and new ways to leverage Africa's own resources to fund growth and development on the continent.

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ECONOMIC IMPACT AND IMPLICATIONS OF CHINA'S GROWING INVESTMENTS, AID, AND INFLUENCE ON THE AFRICAN CONTINENT

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ABSTRACT

This study examines whether China's foreign direct investment (FDI) has significantly improved African economies. Although endowed with vast natural resources, many African countries are primarily underdeveloped, with a substantial number of their people living below the poverty line. To build their economies, these countries have turned to China for support over the past few decades as the conditions attached to accessing loans from the West have become increasingly unattractive. These inflows of FDIs from China, along with aid, grants, and trade agreements, have helped to open many African countries' economies and propel infrastructure development, social impact programs, and a reduction in poverty. Yet, critics question China's motives and point to the burden facing African countries that may struggle to repay the loans. Using a case study of Ghana and Uganda, the thesis finds that China's FDI has generally contributed to improved living conditions of the people, but this progress is tempered by trade imbalances, mounting debt, and failure to produce projected job opportunities. For their part, the Chinese have benefited from access to the continent's resources and new markets for their merchandise. The findings also suggest African countries continue their robust economic ties with China but reduce their dependence on China by exploring other partners and new ways to leverage Africa's own resources to fund growth and development on the continent.

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LIST OF ACRONYMS AND ABBREVIATIONS

ACODE	Advocates Coalition for Development and Environment
AERC	African Economic Research Consortium
AfCFTA	Africa Continental Free Trade Area
AGOA	African and Growth opportunity Act
AWA	Ghana's Africa World Airlines
BBC	British Broadcasting Corporation
BEA	Bureau of Economic Analysis
BRI	Belt and Road Initiative
CARI	The China Africa Research Initiative
CCCC	China Communications Construction Company Ltd.
CDB	China Development Bank
CNBC	Consumer News and Business Channel
CNN	The Cable News Network
CNPC	China National Petroleum Corporation
COVID-19	Coronavirus Disease
CRRC	China Railroad Rolling Consortium
CSIS	Center for Strategic and International Studies
DFID	Department for International Development
DRC	Development Research Centre of the State Council of China
ECOWAS	Economic Community of West African States
EU	European Union
Eurostat	European Statistics
EXIM	Export Import Bank of China
FDI	Foreign Direct Investment(s)
FINCA	Foundation for International Community Assistance
FOCAC	Forum on China-Africa Cooperation
GDP	Gross Domestic Product
GIFEC	Ghana Investment Fund for Electronic Communications
GIPC	Ghana Investment Promotion Centre
GNGC	Ghana National Gas Company

GPC	Great Power Competition
HNA	Hainan Airlines
ICT	Information Communication Technology
IDF	International Development Finance
IMF	International Monetary Fund
LCO	Light Crude Oil
LEKMA	The Ledzokuku-Krowor Municipal Assembly
LPG	Liquified Petroleum Gas
MD	Managing Director
MFPED	Ministry of Finance, Planning & Economic Development in Uganda
MMBtu	Million British thermal units
MOFCOM	Chinese Ministry of Commerce
NITA	Ghana National Information Technology Agency
OECD	Organization of Economic Cooperation and Development
PRC	People's Republic of China
QRRS	Qiqihar Rolling Stock Company
RMP	Railway Master Plan
SAIS	The Johns Hopkins School of Advanced International Studies
SAS	Statistical Analysis System
SRD	Statista Research Department
SSA	Sub-Saharan Africa
STEM	Science, Technology, Engineering, and Mathematics
UAE	United Arab Emirates
UBOS	Uganda Bureau of Standards
UG	Uganda
UIA	Uganda Investment Authority
UK	The United Kingdom
UN Comtrade	The United Nations Commodity Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development
UNICEF	The United Nations Children's Fund
U.S.	United States
US$	United States Dollars

VRA	Volta River Authority
WHO	World Health Organization
ZTE	Zhongxing Telecommunication Equipment

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EXECUTIVE SUMMARY

Over the past decade, China has continued to increase its aid and investments to African countries, which African leaders have acknowledged as positive steps to economic emancipation. Yet, some analysts see the current Chinese engagement in Africa as a superpower competition with the United States and Russia, which traditionally have been very influential in Africa. After independence, most African countries sought support, primarily from Western allies, to build schools, hospitals, roads, industries, ports, etc. More recently, this has changed as more and more African countries have turned to the Chinese for commerce and financial support. China has launched many economic initiatives in African countries, including granting loans, undertaking infrastructure projects, and developing services, which have generally had a positive effect on the daily lives of citizens in these countries.

China's influence in Africa dates back to the late 1950s, when Beijing began establishing economic ties with Egypt, Morocco, and Guinea, among others. In a situation where African countries continually face difficulties in meeting the conditions attached to loans granted by the West, China has become African leaders' preferred source for loans. China has either funded or undertaken infrastructure projects in many African countries and gifted projects such as the headquarters of the African Union, health facilities, and social impact initiatives such as support to institutions. In many African countries, China has also built mega-projects such as railways, airports, and harbors, hydroelectric and irrigation dams, roads and bridges, stadia, hospitals, and schools, but are the ordinary citizens of African countries benefiting from these development projects?

This study aims to determine whether China's sudden increased economic involvement in African countries has a beneficial effect on the populace. It examines projects and interventions in some African countries, particularly Ghana and Uganda, since 2009 and critically assesses the impacts of those projects on the recipient countries' economies. Relying primarily on existing literature on the subject, this thesis establishes a correlation between infrastructure development and economic growth in African countries. The research reveals that Chinese foreign direct investment (FDI) in African countries has

annually. Moreover, it finds a greater proportion of Chinese FDI in African countries funds infrastructure development, social intervention projects, and trade and commerce.

Just as the United States promotes trade and economic growth in African countries through the Growth and Opportunity Act and has developed an export-based market influenced by market-liberal forms of capitalism, Chinese investments and aid have mainly promoted trade in raw materials and infrastructure development. As the trade between China and Africa continues to progress, exports and imports continue increasing annually though relatively disproportionally. It is evident that these projects have directly affected African economies and positively impacted their citizens' quality of life. The high living standards in some of the countries in Sub-Saharan Africa have contributed to indicators of more substantial human development, justifying the beneficial nature of Chinese influence in the continent.

Further, China's support to African countries is devoid of political interference or meddling in the internal political affairs of the states in which it invests. Whereas the West would demand good governance and accountability from African governments according to democratic tenets, China is not bothered by government systems simply because it appears not to uphold democratic principles. China has been interested in raw materials to maintain its industries and market its merchandise, and African states need loans to undertake developmental projects to grow their economies. African countries are endowed with rich natural resources, and they seek strategic alliances for investments and trading partnerships. China has offered to assist Africa's development agenda with concessionary loans and investments, aid, and grants. With many loans already given to many countries in Africa, and increased trade and commerce, China has become African countries' most significant trading partner and investor. China invested US$166 billion in African countries from 2010 to 2015,[1] and although its FDI declined in 2019 to US$2.7 billion, it rebounded to US$4.2 billion in 2020.[2]

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1 Matthias Busse, Ceren Erdogan, and Henning Mühlen, *China's Impact on Africa - the Role of Trade, FDI and Aid* (Bochum, Germany, 2014), 1, https://www.econstor.eu/handle/10419/183560/.USMC United States Marine Corps.

2 Yike Fu, "The Quiet China-Africa Revolution: Chinese Investment," *The Diplomat*, November 22, 2021, https://thediplomat.com/2021/11/the-quiet-china-africa-revolution-chinese-investment/.

Ghana and Uganda are among the countries that have benefited from Chinese loans, FDI, trade, and projects. In Uganda, China has undertaken several economic activities related to building roads, railways, housing, and electric utilities; promoting social development, scholarships, and vocational training; and providing foreign direct investment. Beyond aid, Chinese investments have helped Uganda with the construction of schools, hospitals, housing units, and roads. Several strategies are available to lift Uganda out of poverty, and China has invested US$80 million to help realize these strategies in Uganda since independence.[3] In addition, China's economic prominence has enabled it to expand investments in Uganda, providing jobs for young people.

Uganda has received US$ 4 billion in Chinese investment, of which US$ 600 million was invested along the border with Kenya and US$ 600 million near the city of Mbale.[4] China offers scholarships for Ugandan students to study in China and pays for Chinese students to study in Uganda. China's investment in infrastructure in Uganda has created business opportunities in manufacturing and mining. Nonetheless, Chinese firms may not always provide much-needed technological improvements for their Ugandan competitors. While Uganda's economy is dependent on agriculture, focusing on manufacturing, construction, finance, insurance, real estate, and business services will help the country improve its middle-income status and reduce poverty. As mentioned, Chinese investments in Uganda have created jobs and added businesses; however, the country should focus on environmental and legal compliance, social responsibility, full reporting, and reminders to improve their policies and practices.

3 James Mayers and Julian Barungi, "Chinese Investment in Uganda: New Impetus for Sustainable Development?," IIED Briefing (London: International Institute for Environment and Development (IIED), January 2019), 1, https://pubs.iied.org/17493iied.

4 Madina Guloba, Nicholas Kilimani, and Winnie Nabiddo, *Impact of China-Africa Aid Relations: A Case Study of Uganda* (Kampala, Uganda: Economic Policy Research Centre (EPRC), 2010), https://media.africaportal.org/documents/Uganda_Aid_Relations.pdf.

Ghana has a vibrant economy driven by the oil and petroleum, mining, and services sectors. China has become a popular investment source due to the friendly climate between the two countries. Ghana exports cocoa beans, petroleum, rough wood, manganese ore, fish, crustaceans, mollusks, aquatics, invertebrates, and minerals to China, which exports finished goods to Ghana. Chinese construction companies have undertaken projects such as the Bui Hydroelectric Dam, the Tema Harbor expansion, the Apenkwa interchange, Tema–Akosombo railway, etc. The Chinese have also provided voice and mobile broadband to remote rural communities. Yet, while Chinese businesses in Ghana have created hundreds of jobs for Ghanaians, some Chinese employers in Ghana have also created competition, driving some local entrepreneurs out of business, and forcing others to improve their products. Also, some Chinese companies have been reported abusing Ghanaian workers by paying them low wages, failing to pay them for work, using casual labor for extended periods, and carrying out arbitrary dismissals.

Against this backdrop, many observers believe that Beijing is trying to undermine African states and local industries and that China's investments will provide few long-term benefits to Africa. This is because the Chinese have been mainly concerned with getting African countries' resources to sustain China's own growth while China simultaneously floods African markets with cheap merchandise, which undermines local industries. Also, Chinese businesses essentially undertake investments as profit-making ventures, with little or no concern about personnel safety, cultural differences, and respect for diversity. African countries should therefore be worried about losing their valuable assets to China. The study shows that although China benefits the most from its relationship with African countries, the latter have also benefited in infrastructural development and improvement in the standard of living of its people. Therefore, the relationship with China is worth maintaining however, African countries needs rebalancing the concerns and pitfalls and consider finding new lenders and investors or ways to tap their natural resources to generate funds needed for development projects.

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I. INTRODUCTION

In recent times, China's investments in Africa have increased tremendously, including aid and grants supporting the African continent's development agenda. These inflows of Chinese investment and aid continue to open up African economies, which most African leaders have hailed as a positive step toward the economic empowerment of the African continent. By offering aid and investments, China has demonstrated generosity toward Africa countries. According to Jenni Marsh, reporting for CNN in 2018, China announced a grant of US$31.6 million "to build a new headquarters for the Economic Community of West African States (ECOWAS) in Abuja, Nigeria."[1] Earlier, in 2012, Beijing had already presented "the US$200 million African Union headquarters in Addis Ababa, Ethiopia,"[2] as a gift to the Union. These economic drives and benevolence have been acknowledged across African states as a positive move to propel Africa's economies, contribute to infrastructure development, attract FDI, and promote social impact programs. This assistance offered by the Chinese also directly and indirectly creates employment opportunities to the African population.

Yet, some analysts view China's engagement in Africa as a power competition with the United States and Russia, in which China aims to pursue its own economic interest. Critics believe that China's connections with the African continent have been one-sided, saddling African governments with substantial debt burdens and offering insufficient long-term economic benefits. Though several African states have seemed to be confident in the outcomes of the Chinese interventions, some analysts still doubt the motive behind this newfound support and generosity and question whether the economies of Africa in a real sense are transforming. Nevertheless, though African societies seem to welcome these Chinese interventions, one must be skeptical about this recent support and generosity and

[1] Jenni Marsh, "Free Gift? China Extends Influence in Africa with $32M Grant for Regional HQ," CNN, March 30, 2018, https://www.cnn.com/2018/03/27/asia/ecowas-china-headquarters-intl/index.html.

[2] Erin Conway-Smith, "African Union's New Chinese-Built Headquarters Opens in Addis Ababa, Ethiopia," GlobalPost, January 28, 2012, https://theworld.org/stories/2012-01-28/african-unions-new-chinese-built-headquarters-opens-addis-ababa-ethiopia.

should consider whether the ordinary people are really feeling the impact in terms of improvement in their everyday lives.

Long before the current race for global influence through the Great Power Competition (GPC), the West, Russia, and China had been involved in Africa, mainly through investing and trading. During and after the post-colonial era, the world's developed countries saw several development opportunities in the African continent. These advanced economies sought wider avenues of transforming physical infrastructural and landscape by constructing amenities such as schools, hospitals, roads and rails, industries, seaports, and airports. To some extent, developed countries also sought to provide support in security and financial areas. African countries are well-positioned for economic and industrial growth by their resources, strategic locations, and fast-growing populations. Therefore, it is of no surprise that China has taken the opportunity to meet the needs of African states, seeking a profitable relationship with the continent.

This thesis aims to examine China's support and help given to African countries through infrastructure development and to determine whether it has been a one-sided affair that has primarily benefited China or has equally improved Africa's economies and the livelihood of its people. The research investigates Chinese investments in Africa, how they have impacted African economies and helped in Gross Domestic Product (GDP) growth, construction, and manufacturing. This paper also aims to determine whether the growth rate and alleviation of poverty have improved across African countries because of China's investments and aid. Particular emphasis is given to the impacts of these investments in Uganda and Ghana.

A. RESEARCH QUESTIONS

The African continent is poised for economic and industrial transformation given its resources, strategic location, and fast-growing population. Recognizing this, China has undertaken many economic initiatives in African countries through bilateral cooperation and agreements. Many of these initiatives have improved infrastructure such as roads, bridges, railways, ports, hospitals, and electricity; have contributed to social development in the form of educational scholarships and vocational training; bolstered foreign direct investments (FDI) in industries; and led to the opening up of a military base in Djibouti. Therefore, it is essential to examine whether these engagements have directly or indirectly and positively or negatively affected the lives of many Africans. Or one may, perhaps, imagine the drive behind China's sudden increased involvement in African countries and seemingly innocent benevolence towards the continent as something more than meets the eye. Therefore, this thesis addresses the following research questions:

1. How will China's investments in the form of aid and infrastructure development impact the economic growth of African countries?
2. Are aid and investment being directed toward sectors that improve African's economies?
3. Are China's investments going into sectors that do not materially mitigate Africa's woes but instead provide political leverage to the Chinese?
4. Do China's investments mutually benefit each country, or are they counterproductive for one or both countries?
5. Is there a theme or trend in the investments which might indicate where or with whom future investments or political capital might be invested?

B. BACKGROUND TO THE STUDY

This paper first looks at some U.S. and Russian investment efforts in African countries, before examining China's investment. The United States, as the unipolar power, started showing signs of decline from 2006 to 2008, and by 2014 it had given way to a new era of superpower rivalry known as the Great Power Competition (GPC).[3] The GPC is a new geopolitical race for global leadership driven by advancements in technology. The major players, the United States, China, and Russia, seek to dominate the world through technology, commerce, and military superiority. Russia and China have modernized their

[3] Ronald O'Rourke, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, CRS Report No. R43838 (Washington, DC: Congressional Research Service, 2021), https://crsreports.congress.gov/product/pdf/R/R43838/71.

militaries, implemented vigorous cyber technology, and widened their global influence in direct rivalry to the United States.[4]

After independence in the late 1950s and 1960s, most African countries embarked on vigorous economic initiatives to transform their economies. African states sought support from developed countries and international financial institutions primarily in the West to build schools, hospitals, roads and rails, industries, seaports, airports, etc. This trend has gradually been shifting in recent years as competition by the world's superpowers has increased to exert more influence and control over African countries from new deals in areas ranging from trade to security spearheaded by Russia and China.[5] It remains, however, necessary to evaluate the relationship between the investment process and additional economic innovations fronted by states in the GPC to African countries.

The United States has been a long-standing partner in Africa's development. Data compiled by the private company Statista Research Department (SRD) showed that in 2019, FDI from the United Sates to other countries amounted to US$5.96 trillion. In the African continent, after a peak of US$69.03 billion in 2014, the U.S. FDI dropped to US$43.19 billion in 2019.[6] SRD data further indicated that "African countries receive lower FDI inflows than any other region."[7] Despite Africa receiving the least FDI of all regions from America, American FDI outflows to African countries have been quite substantial because overall FDI from America is still more than that of several countries put together. According to the Atlantic Council's David A. Wemer, "the U.S. has taken new and significant steps to help drive investment in Africa, strengthen the region's dynamic economies, create lucrative opportunities for U.S. and African businesses, and

[4] Robert Morgus, Brian Fonseca, and Kieran Green, *Are China and Russia on the Cyber Offensive in Latin America and the Caribbean?* (Washington, DC: New America, 2019), http://newamerica.org/cybersecurity-initiative/reports/russia-china-cyber-offensive-latam-caribbean/.

[5] Morgus, Fonseca, and Green.

[6] M. Szmigiera, "Foreign Direct Investment (FDI) Global Inflows in 2019 and 2020, by Region," Statista, March 18, 2021, https://www.statista.com/statistics/963936/fdi-global-inflows-region/.

[7] Szmigiera.

advance U.S. foreign-policy goals in the region."[8] According to Wemer, former United States National Security Advisor Robert O'Brien, during the opening session of the conference dubbed *Investing in Africa,* indicated that "America's goal in Africa is to support locally-led problem-solving for enterprise-driven growth, inclusive societies, and transparent and accountable governance and to shift the primary means of the United States engagement in the region from providing aid to promoting trade and investment."[9] The United States has tied its aid and assistance on the recipients' adherence to strict rules and good democratic governance free of oppression, and some observers argue that African states may feel uncomfortable with these U.S. policies and are now turning to China as an alternative to sidestep such requirements that interfere with their respective countries' internal affairs.[10]

The United States has initiated many policy agreements to "promote the development and transformation of economies in Africa." One of these policies is the African Growth and Opportunity Act (AGOA) [which] provides African countries with the ability to participate in business transactions with the [United States]."[11] However, this initiative has an accompanying caveat, for African countries that want to take advantage of the opportunity, they must establish the following:

> 1) Free-enterprise Economy: This economy must enforce property laws, limit the government's abilities to manage the economy and utilize an open trading structure. 2) Rule of Law: The law must treat all citizens equally. All citizens must have a right to a judicial hearing as well as a fair trial. African countries must also allow for the diversity of political opinions, interests, and lifestyles to coincide. 3) Remove Limitations on U.S. Commerce: African governments must safeguard intellectual property, conclude trade debates and support foreign ventures. 4) Reduce Poverty: Countries must pass legislation to eliminate poverty in their respective

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[8] David A. Wemer, "The U.S. Government Makes Its Big Push for Investment in Africa," *New Atlanticist* (blog), October 16, 2020, https://www.atlanticcouncil.org/blogs/new-atlanticist/the-us-government-makes-its-big-push-for-investment-in-africa/.

[9] Wemer.

[10] Gustavo de Carvalho, Paul Nantulya, and Thomas P. Sheehy, "In Africa, U.S. Should Focus More on Democracy, Less on China," United States Institute of Peace, October 14, 2021, https://www.usip.org/publications/2021/10/africa-us-should-focus-more-democracy-less-china.

[11] John Brinkman, "Why U.S. Companies Are Investing in Africa," *BORGEN Magazine*, November 25, 2020, https://www.borgenmagazine.com/investing-in-africa/.

> regions. This includes improving healthcare, developing education systems, upgrading infrastructure and more. 5) Eliminate Corruption: African officials must pass policies or implement task forces to eradicate corruption and bribery. 6) Establish Rights for Workers: Countries must limit work hours per day, establish a minimum wage and standardize safe working conditions.[12]

Lately, Russia has been engaging more in Africa, building on links from the Soviet era, and has indicated Africa deserves a foreign policy priority. According to BBC reality checks, Moscow "has spoken about offering political and diplomatic support, (defense) and security help, economic assistance, disease-control advice, humanitarian-relief [assistance, and vocational training]"[13] and other educational benefits to Africa. In October 2019, Russia held its first summit with Africa, which produced about USD 12.5 billion in business deals, mainly on weapons and grains.[14] According to Jideofor Adibe, not only was the Russia-Africa summit a show of friendliness and camaraderie, but notably, it has raised questions about Russia's motive for coming to Africa, the United States' perception of Russia's increasing role in Africa, and Russia's capacity to compete with China.[15]

By late the 1950s, China's Sino-Africa relationship was established with countries such as Algeria, Egypt, Guinea, Morocco, Somalia, and Sudan signing bilateral trade treaties.[16] These agreements kicked off China's gradual influence in Africa. According to Andrew Scobell et al., by the late 20th century, observers viewed China's economic and commercial activities in Africa as one-sided, mercantilist ventures that exploited the region's resources.[17] However, these scholars believed the Chinese were scheming to

12 Brinkman.

13 BBC, "Russia in Africa: What's behind Moscow's Push into the Continent?," BBC News, May 7, 2020, https://www.bbc.com/news/world-45035889.

14 BBC.

15 Jideofor Adibe, "What Does Russia Really Want from Africa?," *Africa in Focus* (blog), November 14, 2019, https://www.brookings.edu/blog/africa-in-focus/2019/11/14/what-does-russia-really-want-from-africa/.

16 Joel Savage, "The Confused Moments of Nkrumah in China after the Coup," Modern Ghana, August 19, 2018, https://www.modernghana.com/news/876767/the-confused-moments-of-nkrumah-in-china-after-the-coup.html.

17 Andrew Scobell et al., *At the Dawn of Belt and Road: China in the Developing World* (Santa Monica, CA: RAND Corporation, 2018), https://www.rand.org/pubs/research_reports/RR2273.html.

undermine local industries with their brands, providing easy to acquire unscrutinized loans and few available economic benefits to African governments.[18] African countries somehow seemed to be in a fix as the influence of its traditional ally, the West, especially the United States, differs. According to Brahima Sangafowa Coulibaly, "this is an opportune time to re-examine the future of US–Africa relations because there is an emerging consensus that the relationship is falling behind."[19] Perhaps African countries should widen their foreign and economic policies and potentially shift away from foreign capital dependency that impacts development. Instead, they should utilize the tremendous natural resources the continent is endowed with.

That said, China's growing influence and economic power, coupled with its apparent benevolence and political non-interference with the affairs of sovereign nations, has made it an attractive spot from which the African States can seek support. In 2000, Beijing "created the Forum on China-Africa Cooperation (FOCAC) as a regional venue for coordinating and repositioning China's engagement with Africa countries as a 'win-win' relationship."[20] Scobell et al. noted that Chinese strategy and policy on the African continent has four all-encompassing interests:

> First, Beijing seeks access to natural resources, particularly oil and gas. Second, China looks to enhance international political legitimacy as a global power and leader of the Developing World and support the principle of noninterference in sovereign countries' internal affairs. Third, Beijing is interested in export markets for Chinese manufactured items. Fourth, China desires sufficient political stability and security in Africa to assure the safety of its citizens and economic interests.[21]

China has since embarked upon the achievement of these policies. With "infrastructure needs that the African Development Bank estimates at [USD 130] billion to 170 billion yearly, [African] governments are only too willing to take out Chinese loans

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18 Scobell et al.

19 Brahima Sangafowa Coulibaly, "Looking Forward: US-Africa Relations," Brookings, March 27, 2019, https://www.brookings.edu/testimonies/looking-forward-us-africa-relations/.

20 Scobell et al., *At the Dawn of Belt and Road*, 28.

21 Scobell et al., xx.

to plug the funding gap [their countries are experiencing]."[22] Some of the Chinese financed projects have run into millions or billions of U.S. dollars, such as the USD 622 million Bui Hydroelectric Dam in Ghana, the USD 4.5 billion Addis Ababa–Djibouti Railway, the USD 4,7 billion Standard Gauge Railway in Kenya, the USD 11 billion mega-port and an economic zone, Bagamoyo, Tanzania, and the USD 12 billion Coastal Railway in Nigeria.[23] Regrettably, many poor African countries have received billions of dollars in aid, grants, and loans offered at low interest but remain in poverty the past few decades.

C. THE OBJECTIVE OF THE STUDY

The overarching goal of the research is to determine whether the suddenly increased involvement of China in Africa has a beneficial effect on the continent. The practical development may be in Gross Domestic Product (GDP), educational training, industry, provision of social infrastructure (schools, hospitals, etc.) In addition, the objective is to comprehensively understand Chinese support to Africa, its economic and commercial interest, and generosity. Notably, the study has the following sub-objectives: 1) To provide a comprehensive review of Chinese investments in Africa and their benefits to the economies of African countries. 2) To determine the Chinese aid and investment profile in Africa and sectors that have benefited most. 3) To ascertain whether Chinese projects and financial support are likely to improve the economic indices of Africa.

D. HYPOTHESIS

This study is designed to test the hypothesis that the increase in China's aid and investments significantly improves African countries' economies. Conversely, it addresses an alternative hypothesis that China's aid and investments in Africa have not improved the economies of Africa countries.

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[22] African Development Bank, *African Economic Outlook 2018* (Abidjan, Côte d'Ivoire: African Development Bank, 2018), 63, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018_-_EN.pdf.

[23] George Tubei, "10 Massive Projects the Chinese Are Funding in Africa - Including Railways and a Brand-New City," Business Insider South Africa, September 25, 2018, https://www.businessinsider.co.za/here-are-150-million-rand-projects-in-africa-funded-by-china-2018-9.

E. SCOPE OF THE STUDY

The research covers China's investments in some countries in Africa, especially Uganda and Ghana, and investigates the impact those interventions have had on the economic performance of those countries. The study is interested in whether the economic growth recorded has translated into poverty alleviation for the local people.

F. METHODOLOGY

The primary research method for this study is a literature review and conceptual modeling. To that end, the study groups independent variables as Chinese investments, infrastructure developments, industries, commercial aid, trading, services, or agriculture. The dependent variable is the growth of the economies as it translates to better living conditions (livelihoods), education, healthcare, employment, etc. Based on the hypothesis, sets of data are investigated while trying to answer the thesis questions.

The study used qualitative and comparative data analysis as the primary approaches for examining data to support the research. Although the core plan of the study focuses mainly on qualitative case studies as a form of data gathering on GDP and economic growth, commercial aid or agriculture, trade and infrastructure, statistical data from financial institutions, research institutions, scholarly articles, open sources, and government ministries reports is required to derive conclusions.

The research examines cases dating back to 2009 to identify any improvements in the economies of the studied countries. The study identifies projects and interventions and their impact on those economies. The research also gives a general overview of the African continent and then critically focuses on Ghana and Uganda. Due to the distance between the United States and Africa and the time constraints in this study, the researchers relied on literature from open sources. The variables analyzed and a conceptual framework for the analysis are also outlined. This study was conducted between April 2021 and March 2022.

G. BENEFITS OF THE STUDY

The researchers expect that the result of this study will be valuable to everyone who wants to know about the contributions of the Chinese to African economies, the sectors that the investments are focused on, and whether the localities in the studied area benefit from the investments. Particularly government agencies, local authorities, civil societies, and other researchers will benefit from knowing the issues at the grassroots.

H. RESEARCH OUTLINE

This research is broken down into six chapters and organized as follows: Chapter I covers the introduction, highlighting the background to the study, its theoretical foundation, and the methodology used. Chapter II discusses literature review including China's investments across the globe, aid and the sectors they are going into, and their impact on the economies of Africa and political benefits from China's investments. Chapter III contains data analysis, deductions, and inferences of Chinese investments in Africa, while Chapter IV discusses Uganda as a case study deliberating the relationship between China and Uganda in areas of investments, trade, agriculture and employment, Chapter V confers Ghana as a case study and its corporation with China majorly on trade, projects funding, and investments. and finally, Chapter VI offers the findings and conclusion.

II. LITERATURE REVIEW

This research work is being conducted to ascertain whether there have been significant improvements in the economies of African countries, particularly Ghana and Uganda, because of China's augmented aid and investment in these countries. Whereas evidence shows that Chinese FDI in many economies, including those of African countries, continues to grow substantially and adds to the growth of some sectors and economic indices of those countries, it is difficult to say whether the larger community of African countries benefits from these investments and aid. Analyzing China's investments in different parts of the world and how such investments have contributed to those economies will help to understand the situation better in the African countries studied.

This chapter refers to previous works on China's influence and investments in Africa and will help align the research to the two selected countries, Ghana and Uganda. According to a Deloitte report, China continues to be the principal investor in infrastructure in African countries, providing finance for one in five projects, building every one in three projects, and having a 40 percent share in African countries' infrastructure sector, and China's investment only continues to increase.[24] Meanwhile, *Forbes* author Wade Shepard asserts that the percentage of contribution of Africa's traditional allies is declining fast: Europe's contribution dropped from 44 percent to 34 percent, while investment from U.S. contractors in Africa were reduced from 24 percent to just 6.7 percent.[25] China's increasing economic involvement in African countries is seen as a vital sign for the continent's buoyant economies, regimes, and workforces.[26]

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[24] Deloitte, *Africa Construction Trends Report 2018* (London: Deloitte, 2018), 3, https://www2.deloitte.com/content/dam/Deloitte/ug/Documents/energy-resources/EA_africa_construction_trends_2018_report_122018.pdf.

[25] Wade Shepard, "What China Is Really up to in Africa," *Forbes*, October 3, 2019, https://www.forbes.com/sites/wadeshepard/2019/10/03/what-china-is-really-up-to-in-africa/.

[26] Jonathan Woetzel et al., "China's Role in the next Phase of Globalization," McKinsey & Company, April 17, 2017, https://www.mckinsey.com/featured-insights/china/chinas-role-in-the-next-phase-of-globalization.

This work also seeks to explore whether there is a positive correlation between infrastructure development and Africa's economic growth, translating into an improvement in the living conditions of people. Therefore, the chapter examines existing literature to gather enough evidence to support the research. The literature reviewed in this chapter covers the following sub-themes: China's investments across the globe; China's investments and aid inflow to Africa, including the main crux of Chinese investment and related socio-political issues; the impact of China's investment in Ghana, as well as the economic benefits of those investments in Africa; and the economic cooperation between Uganda and China, its implications and impact. Although the literature presents the aforementioned sub-themes in various settings, this study focuses on their application to the growth of African economies.

A. CHINA'S INVESTMENTS ACROSS THE GLOBE

It is indisputable that Chinese investment continues to increase across the globe. According to Matthew Compan, "China's rise to economic prominence is unparalleled in modern history. In just 40 years, China has become the [world's] manufacturing center, built an enviable infrastructure system, and [created] a robust middle class by lifting 800 million people out of poverty. The regime has also expanded Chinese investments abroad, funding a wide range of projects in far-flung corners [around] the globe."[27]

The leading global FDI destinations for China's investments include North America and Europe, according to a 2019 CSIS/China Power report.[28] The Centre also noted that North America and Europe remained the leading recipients for Chinese FDI, stating, "from 2005 to 2019, Chinese companies invested US$624.4 billion in North America and Europe, amounting to just over half (50.9 percent) of all Chinese FDI outflows during this period. Chinese FDI flows into Europe totaled US$383.4 billion during the 2005–2019 period."[29] The Centre further indicated that "with an intake of

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[27] Matthew Compan, "Understanding Chinese Investment in Africa," The Borgen Project, June 19, 2020, https://borgenproject.org/chinese-investment-in-africa/.

[28] China Power Team, "Does China Dominate Global Investment?," *ChinaPower Project* (blog), September 26, 2019, https://chinapower.csis.org/china-foreign-direct-investment/.

[29] China Power Team.

US$83 billion, the UK was the top recipient of Chinese FDI in Europe, the second-largest recipient within North America and Europe, and the third-largest recipient globally."[30]

In 2013, the World Bank, China's Ministry of Finance, and the Development Research Centre of the State Council of China (DRC) conducted a research work dubbed *China 2030: Building a Modern, Harmonious, and Creative Society*.[31] The research projected that China could be a "modern, harmonious, and creative high-income society,"[32] likely to become the world's largest economy before 2030. Nonetheless, China's per capita income remained a fraction of the average in advanced countries.[33] The research again projected that for China to achieve this objective, it would have to embark on many reforms, including intensifying its commerce, FDI, and financial ties with the rest of the global economy over the next 20 years. China would then gain from other technical know-how, more enormous investment prospects and higher earnings from the capital, and an equally valuable flow of ideas and knowledge.[34] In this respect, China has pursued far-reaching economic reforms that have led to an exponential growth of China's investments globally. This development has aroused a renewed interest in studying the growing presence of China across the globe and the impact of that country's FDI and other investments on the economic performance of countries where it is engaged, including African countries.

Research has shown that Chinese investment in every part of the world has increased annually. According to the American Enterprise Institute and the Heritage Foundation's China Global Investment Tracker, which has been following China's enormous investments, excluding bonds, worldwide, the "value of China's overseas

[30] China Power Team.

[31] World Bank and Development Research Center of the State Council, the People's Republic of China, *China 2030: Building a Modern, Harmonious, and Creative Society* (Washington, DC: World Bank), accessed February 4, 2022, http://hdl.handle.net/10986/12925.

[32] World Bank and Development Research Center of the State Council, the People's Republic of China.

[33] World Bank and Development Research Center of the State Council, the People's Republic of China.

[34] World Bank and Development Research Center of the State Council, the People's Republic of China.

investment and construction combined since 2005 is US$2.2 trillion."[35] The United States was the leading recipient of Chinese FDI, amounting to over US$180 billion from January 2005 to December 2020.[36] Stating with a caveat that official statistics did not support the level of the current outlay of Chinese FDI in the United States, at a hearing before the U.S.-China Economic and Security Review Commission, Thilo Hanemann of the Rhodium Group, indicated that an estimated "total stock of Chinese FDI in the United States ranges from US$21bn according to the U.S. Bureau of Economic Analysis (BEA) and US$47bn from Chinese Ministry of Commerce (MOFCOM)."[37] He further specified that BEA's balance of payment figures show annual inflows fluctuating between US$1 billion and US$5 billion between 2011 and 2015; MOFCOM figures, on the other hand, show a steady increase from US$1.3 billion in 2010 to US$7.6 billion in 2014.[38]

Since the early 1990s and after the Cold War, the developing world has seen much influence and competition from the Western developed world.[39] But, even then, China had long identified itself as championing the interests of developing countries and was poised to advance its penetration and impact even deeper through aid and support, trade, and establishing of diplomatic ties as the People's Republic of China (PRC) separate from the Republic of China on Taiwan.[40] Accordingly, China wants to achieve these goals through improved connections with and increased trade on the African continent to access Africa's natural resources, particularly oil and gas, and market Chinese goods on the continent.

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[35] American Enterprise Institute and the Heritage Foundation, "China Global Investment Tracker," American Enterprise Institute, accessed February 4, 2022, https://www.aei.org/china-global-investment-tracker/.

[36] American Enterprise Institute and the Heritage Foundation.

[37] U.S.-China Economic and Security Review Commission, *Chinese Investment in the United States: Impacts and Issues for Policymakers* (Washington, DC: U.S.-China Economic and Security Review Commission, 2017), 11, https://www.uscc.gov/sites/default/files/transcripts/Chinese%20Investment%20in%20the%20United%20States%20Transcript.pdf.

[38] U.S.-China Economic and Security Review Commission, 12.

[39] Scobell et al., *At the Dawn of Belt and Road*.

[40] Scobell et al.

According to Statista Research Development, in 2020, the value of Chinese outward FDI reached approximately US$132.94 billion.[41] It also noted that Chinese FDI outflows achieved a notable high in 2016 but dropped significantly afterwards. The major recipients of this FDI were Hong Kong, the United States, Singapore, and Australia. The Hong Kong administrative area receives the highest Chinese FDI outflow, absorbing the most significant FDI from China. Furthermore, given its joint standing as an international financial center, Hong Kong also played a pivotal role in distributing most of China's invested capital to regions worldwide.[42]

B. CHINA'S INVESTMENTS AND AID INFLOW TO AFRICAN COUNTRIES

Poor infrastructure in the African continent limits growth and development and remains an obstacle to progress in those areas. African countries require good infrastructure to facilitate trade and services to increase business confidence by lowering operational costs. China has provided its support to African countries to help improve their economies through strings-free short and long-term loans, infrastructure development, social intervention projects, trade facilitation, etc. According to Vivien Foster et al., "it can be estimated that Chinese financial commitments to African infrastructure projects rose from around US$.5 billion per year in 2001–2003 to around US$1.5 billion per year in 2004–05, reached at least US$7 billion in 2006—China's official year of Africa—then trailed back to US$4.5 billion in 2007."[43] Those authors indicated that "at least 35 countries in sub-Saharan Africa have benefited from Chinese finance or actively discussing funding opportunities. Notably, African [leaders] typically [welcome] China's approach to development assistance, which eschews any interference in domestic affairs, emphasizes

41 Szmigiera, "Foreign Direct Investment (FDI) Global Inflows in 2019 and 2020, by Region."

42 Szmigiera.

43 Vivien Foster et al., *Building Bridges: China's Growing Role as Infrastructure Financier for Sub-Saharan Africa* (Washington, DC: World Bank), xii, accessed February 4, 2022, http://hdl.handle.net/10986/2614.

partnership and solidarity among developing nations, and offers an alternative development model based on a more central role for the state."[44]

China's aid and developmental agenda positively support Africa's economic drive to improve its citizens' quality of life. Arguably, a growing economy is evident in an increase in its GDP, leading to substantial employment numbers, stable inflation, wage growth, interest rates rising, new home sales, high retail sales, and high industrial production.[45] In 1997, the Africa Development Bank indicated that Africa was the world's second-fastest-growing region.[46] According to Emmanuel Johnson, it is predicted that Africa was far on track to becoming a US$5 trillion economy, as consumption by households was projected to surge at 3.8 percent annually to US$2.1 trillion by 2025.[47] Despite the colossal amounts already injected into African economies, the optimistic growth projections, large population in African countries, and abundant natural resources, Africans continue to be poverty-stricken and miserable. Ficawoyi Donou-Adonsou and Sokchea Lim studied the impact of Chinese investments on the economies of Africa while comparing that to the impacts from investments by other traditional financial partners of Africa, such as the United States, France, and Germany. They discovered how China's new association with African countries had changed the previous relationship between those countries and their traditional allies. Using fixed-effects and instrumental variable approaches to study 36 countries from 2003 to 2012, they showed that Chinese FDI had enhanced African countries' income. They also found that the impact was more distinct for U.S. and German investments. Their investigation further revealed that Chinese investments in African countries were higher than U.S. investments, while France and China seemed to compete. As the Chinese economy grew, however, the results showed that

[44] Foster et al.

[45] Lisa Smith, "Does High GDP Mean Economic Prosperity?," Investopedia, June 30, 2021, https://www.investopedia.com/articles/economics/08/genuine-progress-indicator-gpi.asp.

[46] "Africa Remains World's Second-Fastest Growing Region," African Development Bank, https://www.afdb.org/en/news-and-events/africa-remains-worlds-second-fastest-growing-region-17036.

[47] Abdul Rashid Thomas, "China Needs What Africa Has for Long-Term Economic and Political Stability," *Sierra Leone Telegraph*, January 12, 2021, https://www.thesierraleonetelegraph.com/china-needs-what-africa-has-for-long-term-economic-and-political-stability/.

China's demand for resources amplified its competition with the United States more than with France.[48]

By and large, African countries have become more dependent on Chinese merchandise due to competitive pricing for its telecommunication and infrastructure projects. Predominantly, small-scale Chinese businesses like textiles and retail shops that mainly sell Chinese products are on the rise in Africa. Mogopodi Lekorwe et al. further estimate that "more than one million Chinese, most of them laborers and traders, have moved to Africa in the past decade."[49] It remains to be seen whether these small-scale Chinese industries in African countries adopt a more proactive role in community engagement and incorporate social responsibility that genuinely makes a long-term sustainable impact on the local communities in which they operate.

China's increased trade and investments in African countries continue to be scrutinized by many scholars. Arguments have been put forward on what constitutes the best investment policy approach where most of the local population gets involved in infrastructure and construction projects that creates only short-term opportunities. Wenjie Chen, David Dollar, and Heiwai Tang have argued that while China's influence in Africa has boosted the latter's economic growth, it has also generated controversies.[50] They assessed that the cumulative statistics on China's FDI in African countries and its attraction to resource-endowed nations are equally the same with its investments elsewhere, contending further that the share of China's stock of foreign investment in African countries was small though snowballing. They also show that investment by China in both strong and feeble governance environments has largely remained unchanged. At the same time, Western countries' investments have favored states with better governance. Findings

[48] Ficawoyi Donou-Adonsou and Sokchea Lim, "On the Importance of Chinese Investment in Africa," *Review of Development Finance* 8, no. 1 (June 2018): 63, https://doi.org/10.1016/j.rdf.2018.05.003.

[49] Mogopodi Lekorwe et al., "China's Growing Presence in Africa Wins Largely Positive Popular Reviews," *Afrobarometer Dispatch*, no. 122 (October 24, 2016): 1, https://afrobarometer.org/publications/ad122-chinas-growing-presence-africa-wins-largely-positive-popular-reviews.

[50] Wenjie Chen, David Dollar, and Heiwai Tang, "Why Is China Investing in Africa? Evidence from the Firm Level," *The World Bank Economic Review* 32, no. 3 (2018): 610–32, https://doi.org/10.1093/wber/lhw049.

from Afro-barometer surveys conducted during 2014/2015 in 36 African countries suggest that the African public generally holds favorable opinions of economic assistance provided by China.

By comparison, the United States promotes commercial transaction improvements in developing countries through various initiatives. One of these initiatives is the African Growth and Opportunity Act (AGOA), a United States Trade Act enacted by Congress on May 18, 2000, which remains in effect until 2025.[51] AGOA meaningfully allows Sub-Saharan African countries that meet the criteria for selection greater access to the U.S. market. While trade with the United States is seen in favorable terms, the debate on China's role in African countries demonstrates an increasing perception that China, to its benefit, could have exploited weaknesses of African states to forge a path to neo-colonialism.[52] The assertion is that China's investments are pitched towards the African continent's development.[53] Some studies discuss the urge to explain the basis and understanding of what Chinese foreign trade is all about.[54] The economic and political policies may be viewed as related to the "new scramble for Africa." According to Osman Antwi-Boateng, "although past European colonization of Africa and ongoing Chinese engagement in Africa share similarities in motivation and goals, there are significant differences in strategies. Hence, unlike the direct European colonial control of the African continent, China has resorted to indirect modes of engagement such as bilateral trade agreements and investments."[55]

[51] "African Growth and Opportunity Act (AGOA)," Office of the United States Trade Representative, accessed February 4, 2022, http://ustr.gov/issue-areas/trade-development/preference-programs/african-growth-and-opportunity-act-agoa.

[52] Larry Hanauer and Lyle J. Morris, *China in Africa: Implications of a Deepening Relationship* (Santa Monica, CA: RAND Corporation, 2014), 3, https://www.rand.org/pubs/research_briefs/RB9760.html.

[53] "China's Investments in Africa: What's the Real Story?," *Knowledge@Wharton* (blog), January 19, 2016, https://knowledge.wharton.upenn.edu/article/chinas-investments-in-africa-whats-the-real-story/.

[54] Scobell et al., *At the Dawn of Belt and Road*.

[55] Osman Antwi-Boateng, "New World Order Neo-Colonialism: A Contextual Comparison of Contemporary China and European Colonization in Africa," *Africology: The Journal of Pan African Studies* 10, no. 2 (April 2017): 177, https://www.jpanafrican.org/docs/vol10no2/10.2-13-Antwi-Boateng.pdf.

China has diversified its FDI across almost all African countries as well as globally, developing its export-based market with liberal market values to gather capital and integrate unfamiliar technology. According to Christopher McNally, China's global trade was seen as Sino-capitalism, a hybrid capitalism model fashioned along the lines of Anglo-American values, prejudiced on market-liberal forms of capitalism. Also, private Chinese businesses have become prominent in marketization and capital accumulation which has further deepened their development.[56] Yoon Jung Park and Lina Benabdallah have indicated that Chinese investments that are welcomed by policymakers and some African scholars as possible great opportunities can be seen as a departure from sole Western influence.[57]

On the other hand, China's export-oriented strategy of pursuing common goals could be seen as one of the contributing factors to the increased investments on the African continent. Courage Mlambo, Audrey Kushamba, and More Blessing Simawu in their research concluded that Chinese involvement with African countries consists of a relationship of trade imbalances skewed in favor of China. African countries do not necessarily benefit wholly from Chinese trade as that country's exports of goods create unfair competition with the local industries.[58] They argued that China's exports to African countries far outweigh the imports. They further indicated that African countries know "what they politically want from China but not the economy; therefore, [they need] to develop new strategies to"[59] mitigate the imbalances. Others believe that China's influence in the African continent shows different perspectives and ideas. There has been much talk of Africans not gaining much from their association with China. Some people believe that

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[56] Christopher A. McNally, "Sino-Capitalism: China's Reemergence and the International Political Economy," *World Politics* 64, no. 4 (2012): 741–76, https://doi.org/10.1017/S0043887112000202.

[57] Yoon Jung Park and Lina Benabdallah, "U.S. Policymakers Often Criticize Chinese Investment in Africa. The Research Tells a More Complicated Story.," *Washington Post*, February 19, 2021, https://www.washingtonpost.com/politics/2021/02/19/us-policymakers-often-criticize-chinese-investment-africa-research-tells-more-complicated-story/.

[58] Courage Mlambo, Audrey Kushamba, and More Blessing Simawu, "China-Africa Relations: What Lies Beneath?," *The Chinese Economy* 49, no. 4 (2016): 257–76, https://doi.org/10.1080/10971475.2016.1179023.

[59] Mlambo et al.

the imbalances in trade, export, and import put China ahead of the African countries. In their work, Abdoulkadre Ado and Zhan Su critically reviewed China's connection in African countries through loans and projects to view whether African countries stand to benefit.[60] They discussed the critical issues concerning why China is in Africa and concluded by highlighting and complementing the dominant positions. They also questioned and repositioned some of the existing controversies indicating that some of the current research is questionable, needing further explanation and more support for their hypotheses. Ado and Su highlighted the neutral opinions on the presence of Beijing in African countries and the assumptions implied in different literature. Differences they noticed were in the style conveyed by various stakeholders. Within a context of social, cultural, and historical scopes, Miria Pigato and Wenxia Tang, in their work, suggested that an organizationally founded view seems most appropriate in explaining China's influence in Africa.[61] They also looked at what apprehensions to study and proposed new ways to understand China's presence in the African continent.

In Sub-Saharan Africa (SSA), economic growth has continued to pick up with trade and has rapidly intensified since the late 1990s, averaging roughly 5 percent yearly over the last ten years, enhancing living standards and strengthening human development indicators across Africa.[62] Pigato and Tang have indicated that "a supportive, private sector-focused policy environment, responsible macroeconomic management, and a sustained commitment to structural reforms have greatly expanded opportunities for countries in SSA to participate in global markets."[63] These writers asserted that some countries in SSA have profited from a progressively favorable outside environment that has seen developing economies such as China demanding more natural resources and therefore attracting higher prices for their commodities. Since the 1990s China's demand

[60] Abdoulkadre Ado and Zhan Su, "China in Africa: A Critical Literature Review," *Critical Perspectives on International Business* 12, no. 1 (2016): 40–60, https://doi.org/10.1108/cpoib-05-2013-0014.

[61] Miria Pigato and Wenxia Tang, *China and Africa: Expanding Economic Ties in an Evolving Global Context* (Washington, DC: World Bank, 2015), http://hdl.handle.net/10986/21788.

[62] Pigato and Tang.

[63] Pigato and Tang, 1.

for energy from foreign markets has more than doubled, and roughly 30 percent of China's energy imports originate from SSA.[64] Any adjustment in China's economy will have profound international consequences. Still, it will forever change the design of the global progress made by Beijing's commercial contributions so far and offer critical tests for both developed and undeveloped economies. That noted, even China's lesser advancements and varying requirements also affect commodity prices and have considerable effects on the global mineral trade.

C. THE MAIN THRUST OF CHINESE INVESTMENT IN AFRICA

Economic growth has been the mechanism for enabling society to improve livelihoods throughout history, including the livelihoods of those at the very bottom. According to Goran Hyden, the predominant belief that good governance is an essential instrument to decrease poverty in African countries is based on faith more than science.[65] A 2008 report of the UK's Department for International Development (DFID) indicated that studies related to experiences of many developing countries showed that fast and continuous economic growth was the most central means to alleviate poverty. It further suggested that a 10 percent increment in a country's average income would decrease the poverty rate by between 20 to 30 percent.[66] Ultimately, Africans want an improved economy with correspondingly improved lives and poverty alleviation. Hence, African countries have embraced FDI from every part of the world to strengthen their development plans.

Assessing whether Chinese aid has won the African people's hearts, some researchers have investigated the core of China's aid to African countries and where it has been distributed. Zhicheng Phil Xu and Yu Yhang have asserted that the increase in Chinese aid projects has raised questions about the effectiveness of that aid. They

[64] Pigato and Tang, *China and Africa*.

[65] Goran Hyden, "Governance and Poverty Reduction in Africa," *Proceedings of the National Academy of Sciences* 104, no. 43 (October 23, 2007): 16751–56, https://doi.org/10.1073/pnas.0700696104.

[66] Great Britain, Department for International Development, *Growth: Building Jobs and Prosperity in Developing Countries* (London: Great Britain. Department for International Development, 2008), 3, https://www.eldis.org/document/A37900.

established the disparity effect associated with aid on the local mindset, depending on the type of assistance and the status of its beneficiaries.[67] Notably, the mounting aid China has been providing has simultaneously received praise and criticism from both the recipients and other donors. Xu and Yhang pointed to statistics on economic and social infrastructure projects which showed they were better at promoting China to the locals. One notable finding is that advantaged people preferred economic infrastructure while disadvantaged locals were favorably influenced by social infrastructure projects. Their study suggested that there may be other ways to assess aid efficiency from locals' viewpoints. The mixed benefits from commercial framework and projects impacting local communities are interdependent in winning over the locals in countries receiving financial aid from China.[68]

China provides various sectors with different types of aid and assistance to African countries. Ordinarily, one would look at aid from China in soft loans and flooding of markets with cheap merchandise affordable to even the poor. In Ghana, for example, Chinese malls have sprung up all over the major cities, and these offer competitive merchandise pricing but sell low-quality goods. Even so, the Chinese are seen as the friend of the poor.[69] According to Yun Sun, "China provides eight types of foreign aid: complete projects, goods and materials, technical cooperation, human resource development cooperation, medical assistance, emergency humanitarian aid, volunteer programs, and debt relief."[70] She has noted that since 1956, China has offered about 900 aid projects to African countries, which were categorized as development finance rather than aid. Sun further noted that despite claims this aid is entirely selfless, that might not be the case; instead, aid could be one way China can secure the natural resources of Africa.

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[67] Zhicheng Phil Xu and Yu Zhang, "Can Chinese Aid Win the Hearts and Minds of Africa's Local Population?," *Economic Modelling* 90 (August 2020): 322–30, https://doi.org/10.1016/j.econmod.2019.12.017.

[68] Xu and Zhang.

[69] Xu and Zhang.

[70] Yun Sun, "China's Aid to Africa: Monster or Messiah?," Brookings, February 7, 2014, https://www.brookings.edu/opinions/chinas-aid-to-africa-monster-or-messiah/.

Clearly, China's aid has both pros and cons. On the plus side, financial aid does help to develop African countries. On the other hand, these positives may be covering up a long-term plan that may not be clear yet. China's Foreign Affairs Ministry policymakers have considered foreign aid as a correct path to reinforce its mutual attachment with Africa, while the Commerce Ministry has focused on enhancing economic growth. This practice is problematic because the countries that benefit from the financial aid have often faced political issues such as dictatorship, bad governance, and corrupt practices. China has not sought to use financial assistance to influence African politics for the better even if it genuinely wants to help develop African nations. Moreover, China offers aid to such countries with no requirement that the recipient follow its political model. As Clive Hamilton and Mareike Ohlberg have noted, "for all its [faults], the United States, like other democracies around the world, continues to have an effective opposition: elections that change government; courts that are largely independent of state; a media that is diverse; unconstrained and often highly critical of the government; and a thriving civil society, that can [organize] against [injustice]. China under the [Chinese Communist Party] has none of those."[71]

D. POLITICAL BENEFITS TO AFRICAN NATIONS FROM CHINA'S INVESTMENTS IN AFRICA

History suggests that China's connection with Africa dates back around 500 years ago. The Chinese migration was mainly to South Africa, Mauritius, and Madagascar, but that pattern has accelerated since the early 2000s as new economic opportunities arose in many parts of Africa.[72] Political and trade ties between China and the eastern coast of Africa may have originated around the same time European explorers started arriving on the western coast of Africa. Although they have connections with and settled in African

[71] Clive Hamilton and Mareike Ohlberg, *Hidden Hand: Exposing How the Chinese Communist Party Is Reshaping the World* (London: Oneworld, 2020).

[72] Giles Mohan and Dinar Kale, *The Invisible Hand of South-South Globalisation: Chinese Migrants in Africa* (Milton Keynes, UK: The Open University, 2007), http://asiandrivers.open.ac.uk/documents/Rockefeller%20Report%20on%20Chinese%20diasporas%2010th%20Oct%20_3_.pdf.

countries, the Chinese typically have not been involved in establishing political dominance over the local inhabitants.

In fact, colonization was never China's interest in Africa, which allowed the African people the freedom to govern themselves in their own style and to preserve their culture. Mohan and Kale have further asserted that trade with ethnic societies was not new and unique to Africa. Still, the overwhelming number of Chinese communities will potentially shape the socio-political and economic trajectory of mainland Africa for decades to come.[73] Foster et al., Lekorwe et al., Wenjie Chen, David Dollar, and Heiwai Tang have supported the view that African countries benefit from Chinese influence and economic engagements precisely because the Chinese do not mingle in local political affairs while supporting African countries' initiatives and economic efforts. The freedom to choose which sectors can seek China's support works for African countries and indicates China's respect for their sovereignty. To this end, Africa is pushing its way up the ladder to attain political and economic leverage; meanwhile, China's foreign policy makes Africa the preferred destination for its aid.

Politically, African leaders approve of China not interfering on sovereign states' political affairs. Some African countries have poor human rights records and autocratic tendencies, which China overlooks. According to David E. Brown, the West is concerned about China's no-strings approach to development reversing years of efforts to "promote good governance, transparency, and resource development in Africa."[74] Brown argues that corrupt African states unfairly promote China's interest over those of other non-African nations, violating the Organization of Economic Cooperation and Development (OECD) norms for aid and trade credits. On the other hand, Kinfu Adisu, Thomas Sharkey, and Sam Okoroafo explore how the relationship between Africa and China manifests itself in investments and find that the Chinese desire to access critical resources exerts some form

[73] Mohan and Kale.

[74] David E. Brown, *Hidden Dragon, Crouching Lion: How China's Advance in Africa Is Underestimated and Africa's Potential Underappreciated* (Carlisle, PA: Strategic Studies Institute, U.S. Army War College, 2012), 4, https://www.jstor.org/stable/resrep11272.

of influence politically. They also argue that although African countries have received investments from China, drawbacks have negatively impacted local trade and commerce.[75]

African countries have continued to tout Chinese support in lifting it out of an economic downturn. However, the West has complained of the priorities of Chinese investments in Africa, arguing that they have been for political rather than economic advancement. Joshua Meservey has indicated that "one of Beijing's most captivating gifts offers African officials is help maintaining power."[76] He asserted that "for two decades, Chinese state-owned companies have dominated the provision of physical infrastructure in Africa, projects that are tangible reminders to the voting public of what a leader is accomplishing."[77] He indicated that in 2019, Burundi, "one of the least developed countries in the world, [commissioned] a $22 million presidential palace."[78] Similarly, "Zimbabwe, whose economy contracted by nearly 8 [percent in 2019, was building] a six-story, $100 million parliament building [that was] nearing completion."[79] Meservey stated further that the Liberian government was building in its capital city "two new buildings and a new ministerial complex [at a cost of approximately] $66 million."[80] It appears, therefore, that most of the financial resources from Beijing have been directed to sectors that are not beneficial to the general population.

[75] Kinfu Adisu, Thomas Sharkey, and Sam C. Okoroafo, "The Impact of Chinese Investment in Africa," *International Journal of Business and Management* 5, no. 9 (September 2010): 3–9, https://ccsenet.org/journal/index.php/ijbm/article/download/7301/5671.

[76] Joshua Meservey, "China's Palace Diplomacy in Africa," War on the Rocks, June 25, 2020, https://warontherocks.com/2020/06/chinas-palace-diplomacy-in-africa/.

[77] Meservey.

[78] Meservey.

[79] Meservey.

[80] Meservey.

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III. CHINA'S COLLABORATION WITH AFRICA

This work seeks to examine the gains or losses made by African countries receiving Chinese support in terms of loans and grants for infrastructure development and in the form of FDI. Many African countries have secured loans from China for various infrastructural projects to improve their economies. In these countries, many of the Chinese government-funded projects are being undertaken by the Chinese themselves. Also, Chinese companies and factories continue to spring up in towns and cities in many African countries. It is crucial to examine how these infrastructure development projects, and investments have transformed the economies of the beneficiary African countries. This chapter discusses the normative framework for Chinese investments and financial support to some African countries. The study also looks briefly at Chinese investment on mainland Africa, which has received massive Chinese support.

A. THE NORMATIVE FRAMEWORK FOR INVESTMENT IN AFRICA

Many African countries have vast natural resources, some of which are untapped. The population of African countries is also growing at a fast rate, presenting a considerable market and labor advantage. Yet, the mineral wealth of African countries has not transformed their economies. In the eastern, western, central, and southern regions of Africa, the countries have abundant oil and gas, coltan, nuclear ore, gold, diamonds, cobalt, bauxite, uranium, and iron ore. The countries in the northern part have large deposits of oil and natural gas, gold, and copper. According to an Aljazeera report of February 20, 2018, the African continent holds about 30 percent of the remaining mineral wealth of the earth.[81] The concentration of raw materials and growing population make African countries attractive to the industrial regions of the world.

[81] Al Jazeera, "Mapping Africa's Natural Resources: An Overview of the Continent's Main Natural Resources," Al Jazeera, February 20, 2018, https://www.aljazeera.com/news/2018/2/20/mapping-africas-natural-resources.

At the same time, African countries are primarily underdeveloped and therefore continue to seek strategic alliances for investments and trading partnerships. For instance, the relationship between African countries and the European Union (EU) and the United States has evolved over the years and remains strong. According to Eurostat Statistics, in 2020, African countries' major trading bloc was the EU, which accounted for 28 percent of exports and imports. Concerning imports, in 2020 China switched places with other African countries; China was in second place with 16 percent while the latter came in third with 13 percent.[82]

China has mainly been an attractive partner to African countries as the former has undertaken to fund many infrastructure projects and invested in the economies of these countries. Victor Oluwole argued in *Business Insider Africa* that China was Africa's main investor as well trading associate in the last decade, with 27 percent of its investments going into African countries, while the United States came second, followed by others including France, Turkey, and the United Kingdom (UK).[83] The report showed the UK lost out to Japan and the United Arab Emirates (UAE), which have also increased their share of trade in the African continent during the last decade.

B. COOPERATION BETWEEN CHINA AND AFRICA

China fully opened its economy to the world since the early 2000s, and its global ambitions have rapidly accelerated from 2005.[84] This was in pursuit of supplies for its industries, the revival of its Belt and Road Initiative policy, and investment internationally. According to Hilton Root, China's new strategy and drive to achieve international economic engagement in trade and investments has three primary components: First, it pursues the traditional method of getting resources, leading to its initial foreign investments

[82] "Africa – EU - International Trade in Goods Statistics," Statistics Explained, accessed April 7, 2021, https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Africa-EU. Data extracted in April 2021.

[83] Victor Oluwole, "Here Are the Top 15 Investors in Africa in the Last Decade - Report," *Business Insider Africa*, June 22, 2021, https://africa.businessinsider.com/local/markets/here-are-the-top-15-investors-in-africa-in-the-last-decade-report/62532rh.

[84] Hilton L. Root, *Network Origins of the Global Economy: East vs. West in a Complex Systems Perspective* (Cambridge, UK: Cambridge University Press, 2020).

in the commodity and extraction industry; second, it pursues a policy to support developing economies by directing excess capacity overseas through, among others, contracting international projects such as the Belt and Road Initiative; and third, it makes direct investments initiatives abroad, especially to promote innovation-driven production.[85] There is also a new drive for Chinese investment in African countries, and African countries are also willing to do business with China. This new friendship between African countries and China is facilitated by mutual respect, which most African countries welcome.

For this reason, African states find it convenient engaging with China, which has dramatically expanded its trading ventures amidst the two blocs. According to the *World Investment Report 2013* and the Ministry of Commerce of China, Africa continued to be China's major trade partner and saw an increase in trade from US$9 billion in 2000 to US$166 billion in 2012.[86] The inflow of Chinese FDI was US$2.9 billion in 2011, up from the US$200 million in 2000, which made China the biggest investor in Africa within the period.[87]

C. CHINESE INVESTMENTS IN AFRICA

What could be driving China to engage in considerable investments in the African continent? From Figures 1 and 2, it is evident that China's investments are spread across the continent. To get an exceptional picture of Chinese investments in Africa, the data was subdivided into two groups, from 2010 to 2015 and 2016 to 2021.[88] One might be inclined to think that these investments are seen more in countries that are relatively peaceful and endowed with natural resources. By and large, many African countries in the continent are experiencing relative political stability that is providing an environment conducive for foreign investments, mainly from China. Typically, Beijing is willing to provide funding

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85 Root.

86 Matthias Busse, Ceren Erdogan, and Henning Mühlen, *China's Impact on Africa - the Role of Trade, FDI and Aid* (Bochum, Germany, 2014), 1, https://www.econstor.eu/handle/10419/183560/.

87 Busse, Erdogan, and Mühlen, 1.

88 Adapted from: American Enterprise Institute and the Heritage Foundation, "China Global Investment Tracker."

for such investment programs without many complicated conditions. These FDI and infrastructural investments are expected to spur and sustain growth in Africa.

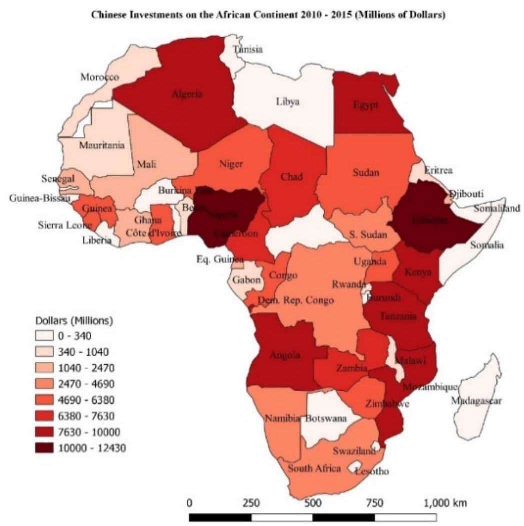

Figure 1. Chinese Investments across Africa, 2010–2015 (US$ million)[89]

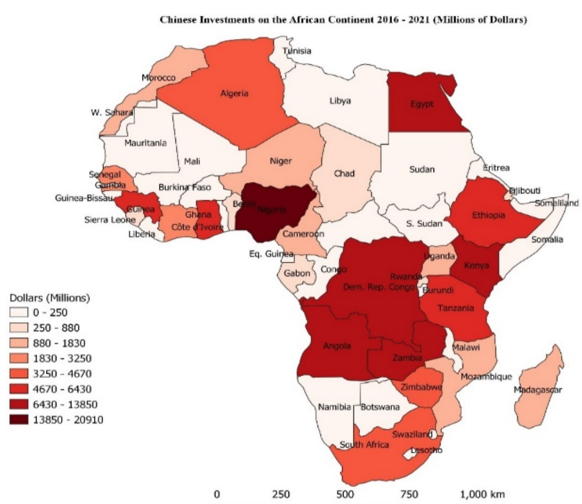

Figure 2. Chinese Investments across Africa, 2016–2021 (US$ million)[90]

89 Adapted from: American Enterprise Institute and the Heritage Foundation.

90 Adapted from: American Enterprise Institute and the Heritage Foundation.

Accordingly, Peter Stein and Emil Uddhammar have reported that Chinese's total global FDI of US$44 billion was in Africa and that represented 2 percent worldwide.[91] Yike Fu also has reported that China's FDI to Africa rose "from a mere US$74.8 million in 2003 to US$5.4 billion in 2018. Chinese FDI flows to Africa declined in 2019 to US$2.7 billion, and then—despite the COVID-19 pandemic—swung up again to US$4.2 billion in 2020. Over the same period, Chinese FDI stocks in Africa grew nearly 100-fold over a 17-year period—from US$490 million in 2003 to US$43.4 billion in 2020, peaking in 2018 at US$46.1 billion."[92] One should note that while the graduated chart of 2016–2021 (Figure 2) shows a decline geographically across the continent, the concentration of investments as well as overall spending greatly increased. In light of the increase in China's investments in the continent, this could be perceived as placing Africa on the path of global prominence. The Chinese are steadily expanding even without any considerations that the development and modernization will result in strong democratic practices from African countries. It appears that China's expansion and involvement on the African continent is Beijing's grand strategy of restoring its status to global prominence.

Figures 3 and 4 illustrate the distribution of the total value of projects in US$ millions being undertaken as Chinese investments, broken down over a period of time (2010–2015 and 2016–2021), and they tend to have a similar geographical pattern across the continent. Without doubt, it can be observed that the investments of 2016–2021 become much more focused on certain countries as compared to the investments of 2010–2015. This may be attributed to the fact that some of the projects undertaken earlier could not be concluded and were still running.

[91] Peter Stein and Emil Uddhammar, *China in Africa: The Role of Trade, Investments, and Loans Amidst Shifting Geopolitical Ambitions*, ORF Occasional Paper No. 327 (New Delhi: Observer Research Foundation, 2021), 10, https://www.orfonline.org/research/china-in-africa/.

[92] Yike Fu, "The Quiet China-Africa Revolution: Chinese Investment," *The Diplomat*, November 22, 2021, https://thediplomat.com/2021/11/the-quiet-china-africa-revolution-chinese-investment/.

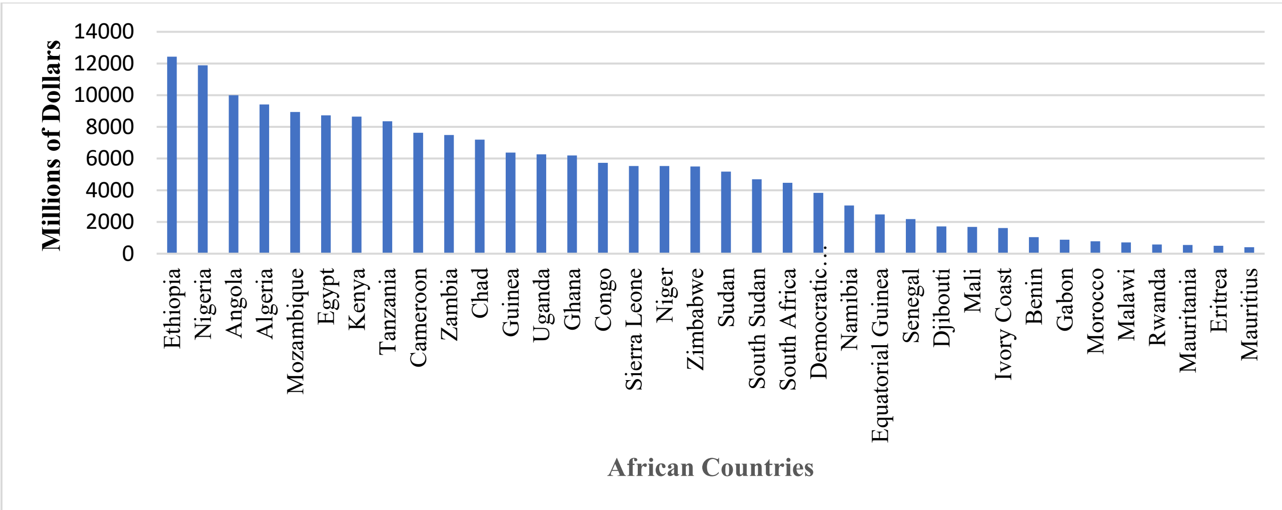

Figure 3. Total Amounts of Top African Countries Receiving Investment from China, 2010–2015 (US$ million)[93]

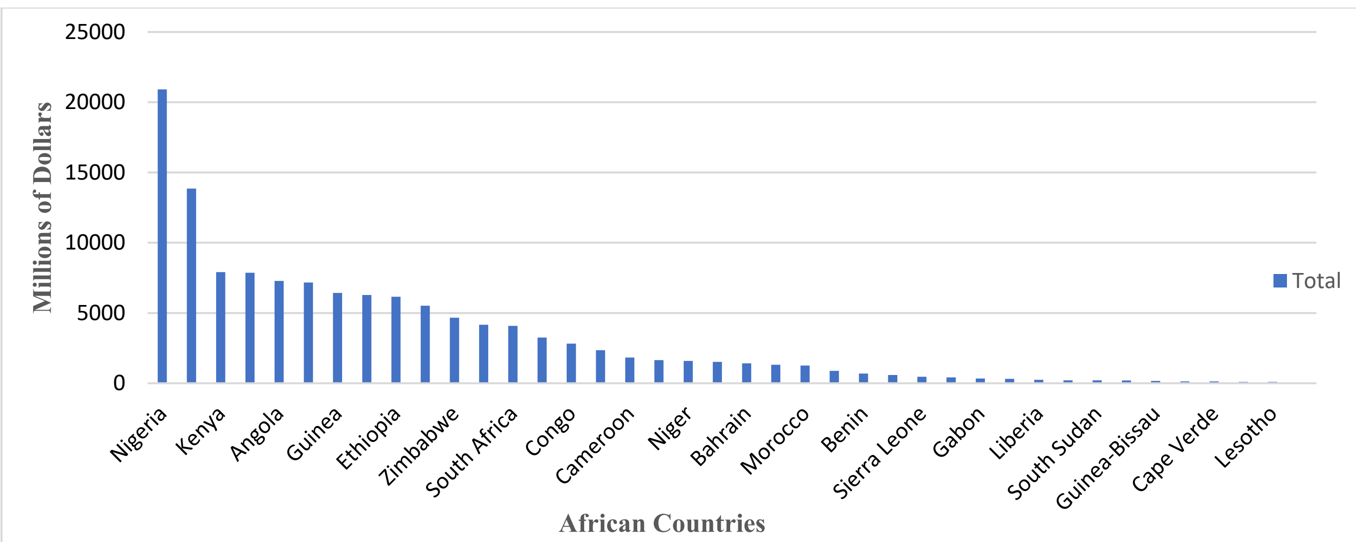

Figure 4. Total Amounts of Top African Countries Receiving Chinese Investment from China, 2016–2021 (US$ million)[94]

93 Source: American Enterprise Institute and the Heritage Foundation, "China Global Investment Tracker."

94 Source: American Enterprise Institute and the Heritage Foundation.

Tables 1 and 2 show the top ten Chinese entities investing within African continent, broken down by period (2010–2015 and 2016–2021, respectively). Roads and infrastructure companies (generally construction) clearly dominate as the topmost investors within the African continent. The investment flows are quite concentrated in a few sectors. Yike Fu reports in his article that "for example, the construction sector, the building of Chinese-operated special economic zones or toll roads or bridges, has been the largest channel for Chinese FDI for five years, accounting for 35 percent of total investment in 2020."[95] Energy companies such as China Petroleum and Chemical also place high. This makes sense since creation of roads, bridges, and infrastructure is required to extract energy and natural resources. China's investments within the African continent appear to be cooperative in nature and structured to support other investments. Statistics from Johns Hopkins University demonstrate that roughly 30 percent of Chinese foreign construction contract revenues originate from Africa.[96] But even at that percentage, significantly, the revenues Chinese contractors receive in return from the African continent are substantial.

Table 1. Weighted Outdegree and Modularity Class for Chinese Investment Entities, 2010–2015.[97]

Label	Weighted in degree	Weighted outdegree (US$ millions)	Modularity class
China Railway Construction	0	17,860	4
China Communications Construction	0	17,780	10
China State Construction Engineering	0	13,560	5
China National Machinery Industry (Sinomach)	0	13,290	1
China National Petroleum Corp. (CNPC)	0	10,220	2

[95] Fu, "The Quiet China-Africa Revolution."

[96] "Data: Chinese Contracts in Africa," China Africa Research Initiative, January 2022, http://www.sais-cari.org/data-chinese-contracts-in-africa.

[97] Source: American Enterprise Institute and the Heritage Foundation, "China Global Investment Tracker."

Label	Weighted in degree	Weighted outdegree (US$ millions)	Modularity class
China Petroleum and Chemical (Sinopec)	0	8,650	11
Power Construction Corp. (PowerChina)	0	6,840	7
China Three Gorges	0	5,920	7
Sinoma	0	5,240	11
China Railway Engineering	0	4,890	3

Table 2. Weighted Outdegree and Modularity Class for Chinese Investment Entities, 2016–2021.[98]

Label	Weighted in degree	Weighted outdegree (US$ millions)	Modularity class
China Railway Construction	0	17,420	6
Power Construction Corp. (PowerChina)	0	15,460	5
China Communications Construction	0	14,230	2
China National Machinery Industry (Sinomach)	0	7,230	5
China Energy Engineering	0	6,430	5
China State Construction Engineering	0	5,900	3
China Energy Engineering, Power Construction Corp. (PowerChina), China Petroleum and Chemical (Sinopec)	0	5,790	6
China Molybdenum	0	3,790	4
China National Petroleum Corp. (CNPC)	0	3,660	7
China Nonferrous Metal Mining	0	2,950	4

98 Source: American Enterprise Institute and Heritage Foundation.

Figure 5 shows in economic terms, as measured by FDI, that China remains the principal and largest investor in Africa.[99] Despite the fact that China has continued its investment capacity in Africa, the figures remain below the 5 billion mark. Although it went slightly above that mark briefly in 2008 and 2018, it bounced back below and has remained almost at a uniform level. It is likely that China is motivated by the economic potential of Africa's strategic importance, thus seeing the continent as having a higher potential and best position to drive Beijing's economic growth globally.

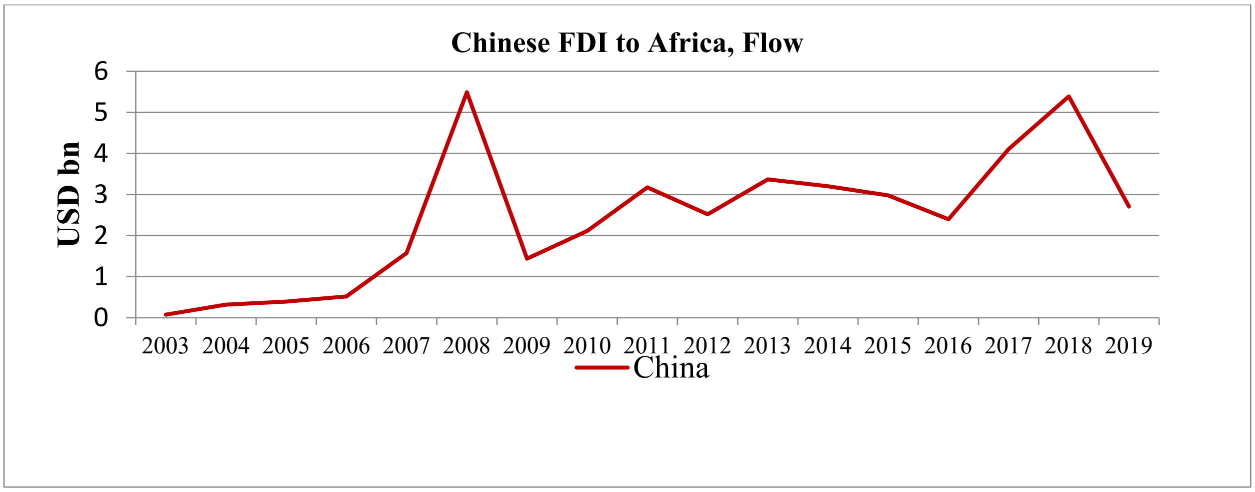

Figure 5. Chinese FDI Flow to Africa, 2003–2019 (US$ billion)[100]

South Africa in 2019 (Table 3), the largest trading partner to China, remained the top destination for Chinese investments, accounting for 14 percent of Chinese FDI.[101] In

99 Adapted from: Ministry of Commerce People's Republic of China, *2011 Statistical Bulletin of China's Outward Foreign Direct Investment* (Beijing: China Statistics Press, 2012), http://arks.princeton.edu/ark:/88435/dsp01g158bh43w and the U.S. Bureau of Economic Analysis.

100 Adapted from: Ministry of Commerce People's Republic of China, *2011 Statistical Bulletin of China's Outward Foreign Direct Investment* (Beijing: China Statistics Press, 2012), http://arks.princeton.edu/ark:/88435/dsp01g158bh43w and the U.S. Bureau of Economic Analysis.

101 Adapted from: United Nations Conference on Trade and Development, *World Investment Report 2013: Global Value Chains: Investment and Trade for Development* (Geneva: United Nations, 2013), https://www.un-ilibrary.org/content/books/9789210562126; and Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Chinese Loans to Africa (CLA) Database," China Africa Research Initiative, accessed February 7, 2022, http://www.sais-cari.org/data.

fact, six countries—South Africa, DRC, Angola, Zambia, Ethiopia, and Ghana—accounted for almost one half of the total recipients of Chinese FDI in 2019. Except for Ethiopia, which is not listed as rich in raw materials, the rest have a great potential of natural resources, mainly minerals and oil. Generally, Chinese projects in Ethiopia have primarily focused on infrastructure and light manufacturing work.

Table 3. Recipients in Africa of Chinese FDI, 2019 (US$ billion).[102]

Country	Total stock, in USD billion	Percent of Chinese FDI in Africa
South Africa	6.1	13.8 %
DRC	5.5	12.5 %
Angola	2.9	6.5 %
Zambia	2.8	6.5 %
Ethiopia	2.5	5.6 %
Ghana	1.8	4.1 %
Total six countries	**21.6**	**49.1 %**

Export Import Bank of China scores high on three centrality measures (Degree 1824.00 and Harmonic closeness 0.482) and has numerous ties that are closer to other Chinese entities but does not have ties to other highly central actors (Table 4).[103] This may imply Export Import Bank of China is solely responsible for FDI from China and exports from Africa. Other sectors such as health are handled by China's Embassies of the respective African countries. What is perhaps more important here is Chinese entities and firms handle huge profit-oriented projects while the Embassies deal with those that are less focused on profits and more on societal benefits like healthcare, stadiums, or schools. Conceivably, Eximbank provides aid loans in the form of development finance between governments, thus generating projects with social or economic benefits.

102 Adapted from: United Nations Conference on Trade and Development, *World Investment Report 2013: Global Value Chains: Investment and Trade for Development* (Geneva: United Nation, 2013), https://www.un-ilibrary.org/content/books/9789210562126; and Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Chinese Loans to Africa (CLA) Database," China Africa Research Initiative, accessed February 7, 2022, http://www.sais-cari.org/data.

103 Adapted from: American Enterprise Institute and the Heritage Foundation, "China Global Investment Tracker" and the World Bank.

Table 4. Ten Highest Ranked Chinese Entities by Centrality.[104]

Degree	Weighted degree	Harmonic closeness	Betweenness	Eigenvector
Export Import Bank of China (1824.00)	Export Import Bank of China (1824.00)	Export Import Bank of China (0.482)	Export Import Bank of China (0.226)	Sino Hydro (0.268)
China Ministry of Commerce (1432.00)	China Ministry of Commerce (1432.00)	China Ministry of Commerce (0.464)	China Ministry of Commerce (0.206)	China Machinery Engineering Corporation (0.188)
Industrial Bank of China (346.00)	China Development Bank (577.00)	China Embassy (0.430)	China Development Bank (0.069)	China Road Bridge Corporation (0.079)
Bank of China (330.00)	Industrial and Commercial Bank of China (346.00)	ZTE Corporation (0.420)	China Embassy (0.042)	Huawei Technologies CO LTD (0.029)
China Construction Bank Corporation (250.00)	Bank of China (330.00)	China Development Bank (0.416)	Industrial and Commercial Bank of China (0.024)	ZTE Corporation (0.024)
Chinese Embassy (225.00)	China Construction Bank Corp (250.00)	Huawei Technologies CO LTD (0.401)	ZTE Corporation (0.018)	China Development Bank (0.010)
Sino Hydro (156.00)	Chinese Embassy (225.00)	China Machinery Engineering Corporation (0.380)	China National Petroleum Corporation (0.013)	China State Construction Engineering Corporation (0.010)
Huawei Technologies CO LTD (145.00)	Sino Hydro (156.00)	Sino Hydro (0.375)	Bank of China (0.012)	China National Petroleum Corporation (0.002)
ZTE Corporation (115.00)	Huawei Technologies CO LTD (145.00)	Industrial Commercial Bank of China (0.371)	Huawei Technologies CO LTD (0.009)	China Ministry of Commerce (0.002)
China Road Bridge Corporation (83.00)	ZTE Corporation (115.00)	China National Petroleum Corporation (0.356)	Sino Hydro (0.005)	Bank of China (0.0001)

[104] Adapted from: American Enterprise Institute and the Heritage Foundation.

D. CHINESE TRADE WITH AFRICA

China's trade is widespread throughout all the countries on the continent and remarkably greater than trade with Western trade partners to Africa. Whereas China–Africa trade in the early 2000s was very limited, with exports and imports nearly the same as in 2004, the trend changed exponentially during the last decade.

China's exports and imports to Africa were worth US$13.73 billion and US$13.74 billion, respectively, but saw a gradual increase around 2007, as illustrated in Figure 6.[105] China's exports to Africa started to outweigh imports from the continent in 2012 with the value of exports and imports at US$85.13 billion and US$78.91 billion, respectively. The value of China's exports to Africa tripled in 2015, recording US$155.70 billion worth of exports as compared to only US$47.53 billion worth of imports. One might be inclined to think that China uses the pretext of investments while in Africa to widen its market base for manufactured goods and services. Stein and Uddhammar observed that, "weak commodity prices in the period 2014–2017 had a massive impact on the value of African exports to China, even while Chinese exports to Africa remained steady."[106] There was a slump in China-Africa trade in 2016 that may be attributed to weak external demand for China's exports and the drop in value of the Yuan that shrunk by about 20 percent to US$126 billion. The data also shows China and Africa traded a total of over US$201 billion, thus making Beijing Africa's biggest bilateral trade partner. Importantly, China and Africa maintained this relationship although China's portion of total foreign trade with Africa may not be unusually larger than with other Western partners such as the European Union (EU), France, or the UK. Whereas it is understood that trade and investments are not the same thing, trade information does provide a comparable understanding of the levels of engagement China has with Africa. Beijing sees more of its exports valued in billions of U.S. dollars to the African continent. This evidence may suggest that China by far is encouraging its exports of mostly manufactured goods to Africa (exploiting large African markets for its cheap products) rather than promoting and sustaining imports from

[105] Adapted from United Nations Statistics Division, "UN Comtrade Database," UN Comtrade, accessed February 7, 2022, https://comtrade.un.org/.

[106] Stein and Uddhammar, *China in Africa*, 5.

Africa in order to encourage economic development that in turn will empower the African population. It appears therefore that China's relationship with Africa may hinge on accessing the continent's vast natural resources, finding exports markets for already finished manufactured products, and pursuing its financial and commercial interests.

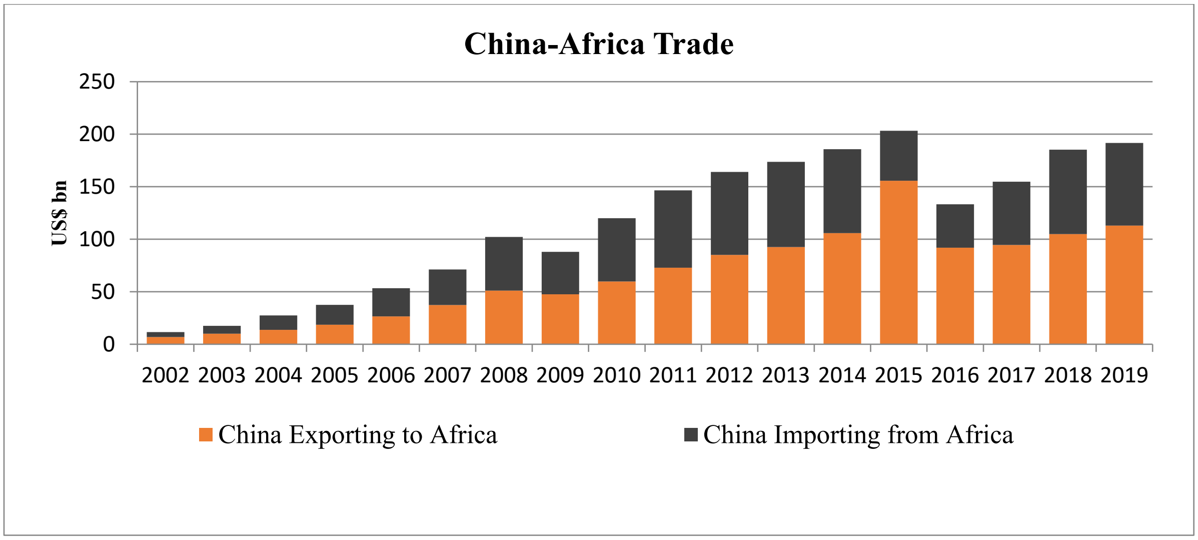

Figure 6. China Trade with Africa, 2002–2019 (US$ billion)[107]

One may feel justified and deservedly ask whether Chinese exports and investments to the continent grow to the detriment of others. Possible benefits of increased trade with China as an additional trade partner for Africa could have been a key factor contributing to high African economic growth. That growth was projected at and experienced an average annual GDP growth of 4.6 percent from 2000 and 2016.[108] African exports in high demand in China have provided additional revenue to the continent. Notwithstanding the fact that China is the continent's latest important trading partner, it has provided Africa with additional markets for exports and imports and, hence, has diversified foreign trade. As

[107] Adapted from United Nations Statistics Division, "UN Comtrade Database," UN Comtrade, accessed February 7, 2022, https://comtrade.un.org/.

[108] "GDP Growth (Annual %) - Sub-Saharan Africa," World Bank Data, accessed February 4, 2022, https://data.worldbank.org/indicator/%20NY.GDP.MKTP.KD.ZG?locations=ZG.

such, Africa has become less dependent on trade with its traditional Western allies such as the United States or the EU, preferring instead to deal with China.

Figure 7 represents the steady increase of trade between China and the African continent, which remarkably crossed the US$200 billion mark in 2015.

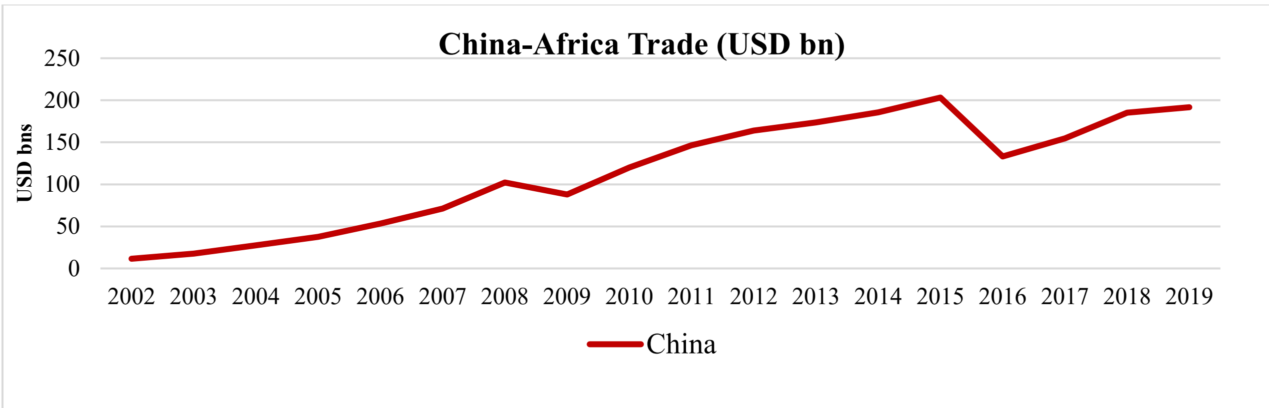

Figure 7. Graphical Representation of China vs. Africa Trade, 2002–2019 (US$ billion)[109]

Figure 8 shows that in 2015 China's exports to Africa topped 6.7 percent, averaging approximately 4 percent of China's foreign trade across the globe (from 2000 to 2018) while imports from the continent amounted to about 3 percent only.[110] The observed trend in Chinese imports to Africa changed in 2012 when China's imports exceeded exports from the continent. Remarkably, as of this writing, the trend has remained the same.

[109] Adapted from: United Nations Statistics Division, "UN Comtrade Database."

[110] Source: United Nations Statistics Division.

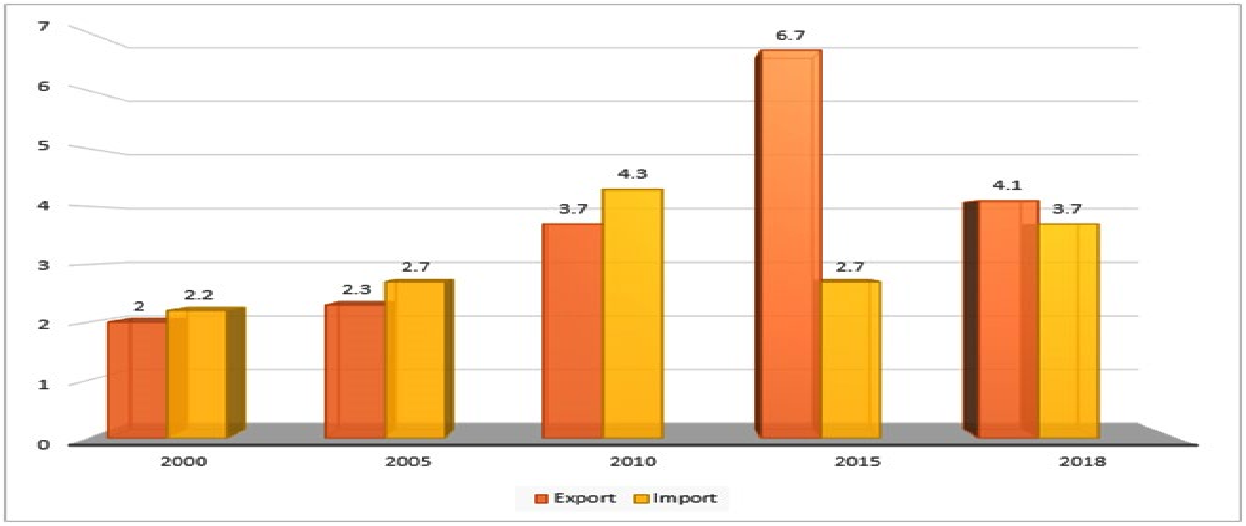

Figure 8. China's Foreign Trade with Africa as Percentage (2000–2018)[111]

Table 5 shows the six topmost countries that absorb more than one half of the total exports to Africa.[112] South Africa and Nigeria remain the major export markets, taking approximately one third of the total exports to the continent, closely followed by Egypt. South Africa is known to have vast amounts of natural resources such as minerals. This may suggest that the high Chinese exports to South Africa are likely measures to facilitate the extraction of South Africa's abundant natural resources. Similarly, Nigeria has the largest population in Africa that can provide a readily available market for Chinese exports.

[111] Source: United Nations Statistics Division.

[112]Source: Stein and Uddhammar, *China in Africa*, 7

Table 5. China's Key Export Destination Markets in Africa, 2019.[113]

Country	Exports, in USD billion	% of Chinese exports to Africa
South Africa	16.6	14.6 %
Nigeria	16.6	14.6 %
Egypt	12.2	10.7 %
Algeria	6.9	6.1 %
Kenya	4.9	4.3 %
Ghana	4.9	4.3 %
Total six countries		**54.6 %**

Conversely, similarities in Chinese imports patterns can be shown in Table 6, with the six topmost countries accounting for about 68 percent of total imports.[114] Angola takes the largest share of imports, amounting to about one third of China's total imports to Africa. The six named countries are rich in natural resources, particularly oil and minerals, that China mainly imports from Africa.

Table 6. China's Key Import Destinations in Africa, 2019.[115]

Country	Imports, in USD billion	Percent of Chinese imports from Africa
Angola	23.3	29.8 %
South Africa	9.5	12.1 %
Republic of Congo	5.9	7.5 %
DRC	4.9	6.2 %
Libya	4.7	6.0 %
Gabon	4.6	5.9 %
Total six countries		**67.5 %**

E. CHINESE LOANS TO AFRICA

In addition to being one of Africa's most important trade partners, China is also a key source for significant loans. To develop and build the infrastructure that African

[113] Source: Stein and Uddhammar, *China in Africa*, 7.

[114] Source: Stein and Uddhammar.

[115] Source: Stein and Uddhammar.

nations critically need to support their increasing population, those nations need various sources of capital. Among those sources, China emerges on top due to its flexibility in loan processing, making it Africa's largest bilateral lender. Tables 7 and 8 show China's main financial institutions as leading lenders to African governments and their associated loan amounts from 2000 to 2019.[116]

Table 7. Chinese Annual Loans to African Governments, by Lender (US$ million)[117]

Year	Eximbank	CDB	Other Chinese Sources
2000	84	0	50
2001	20	0	278
2002	202	0	533
2003	1,094	0	636
2004	528	0	400
2005	1,429	0	754
2006	2,809	0	2,307
2007	5,389	17	53
2008	3,121	50	820
2009	4,630	0	1,817
2010	3,094	0	3,331
2011	6,983	2,618	805
2012	7,952	1,795	1,208
2013	10,381	4,456	2,727
2014	9,050	2,473	477
2015	8,080	895	2,270
2016	4,681	18,034	5,554
2017	7,526	3,040	2,148
2018	5,267	2,156	2,452
2019	3,833	1,616	1,517
Total	**86,153**	**37,149**	**30,136**

[116] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Chinese Loans to Africa (CLA) Database."

[117] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative.

Eximbank advanced more than one half (about US$86 billion) of the total loans that Chinese financial institutions provided to African governments (Table 7) from 2000 to 2019.[118] China Development Bank (CDB) lent over US$18 billion in 2016 alone, but its lending suddenly dropped sharply to just above US$3 billion in 2017, likely caused by the sharp drop in the world's stock market due to misinformation on China stock trade markets. (A graphical representation of this change can also be seen in Figure 9.) This evidence may suggest that Eximbank and China Development Bank could be wielding and influencing state-owned entities that operate within the continent.

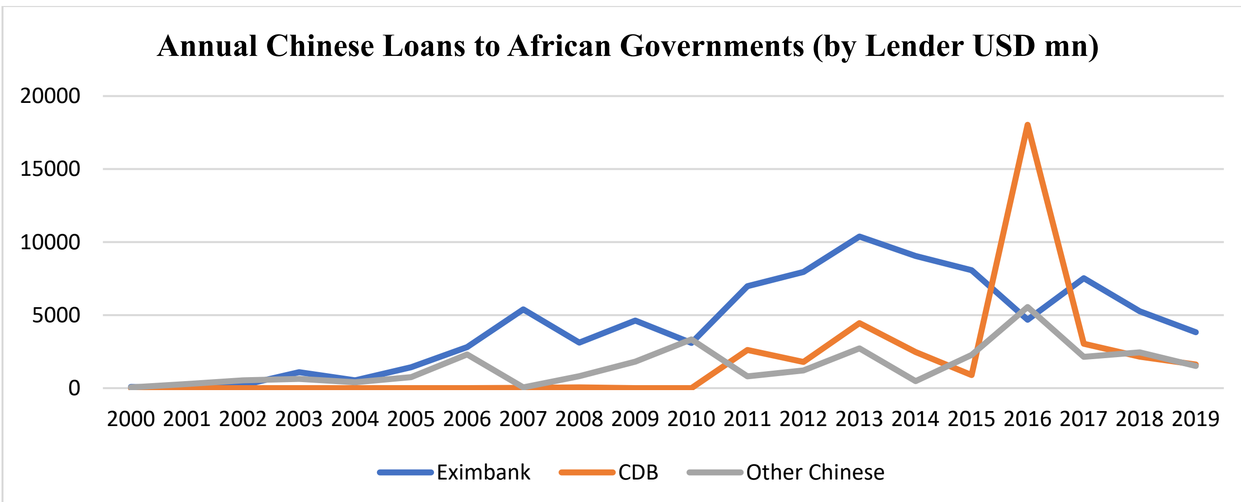

Figure 9. Annual Chinese Loans to African Governments, by Lender (US$ million)[119]

[118] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Chinese Loans to Africa (CLA) Database."

[119] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative and Boston University Global Development Policy Center, "Chinese Loans to Africa Database, version 2.0," 2021.

Table 8. Top 14 African Debtors to China Total Stock, 2000–2019 (US$ million).[120]

Country	Eximbank	CDB	Supplier's Credits	ICBC	BOC	Other	TOTAL
Angola	8362	25834	22	4418	260	3723	42619
Ethiopia	7735	753	4065	975	0	201	13729
Zambia	4485	584	935	1460	478	1906	9848
Kenya	8283	854	0	0	0	38	9175
Nigeria	6185	157	390	0	0	0	6732
Cameroon	5557	0	0	303	263	79	6202
Sudan	4209	0	1276	0	0	685	6169
ROC	4581	0	790	0	0	20	5390
Egypt	1967	3100	160	0	0	54	5282
Ghana	1783	1396	1249	275	69	40	4811
South Africa	0	3140	0	271	300	146	3857
Cote d'Ivoire	3552	0	0	0	97	73	3722
Uganda	3054	0	0	0	0	71	3125
Equatorial Guinea	2401	96	478	0	0	45	3020

China currently is a leading bilateral lender to most African countries, mainly through the dominant Eximbank, which is closely followed by CDB. Table 8 demonstrates Angola as being the most indebted African country to China, taking up nearly US$43 billion or almost one half of the total debts the continent owes the Chinese.[121] Others include Ethiopia (US$13.7 billion), Zambia (US$9.9 billion), Kenya (US$9.1 billion), Nigeria (US$6.7), Sudan (US$6.2), and Republic of Congo (US$5.4), and the trend continues as depicted in Table 8. If this leaning is likely to continue, the majority of African countries will be indebted to China. What then would be the motive behind China's lending generosity to most African nations? One probable answer may be that Beijing is promoting its strategic economic dominance on the continent, which in turn would see China increase

[120] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative and Boston University Global Development Policy Center, 2021.

[121] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative and Boston University Global Development Policy Center, 2021.

its international prominence in global fora such as the United Nations and World Health Organization.

The number of Chinese workers who flocked to the African continent was not less than 180,000 each year between 2009 and 2019, peaking in 2015 at slightly more than 260,000 (Figure 10).[122] The likely implication of this phenomenon is they were taking up most of the investment employment opportunities that would have been beneficial to most of the unemployed African population. Besides, Chinese organizations or companies undertaking investments projects could be coming with their own "expatriate" personnel. Importation of Chinese labor along with Chinese investment further exacerbates the problem of surplus labor and unemployment in Africa.

Figure 10. Chinese Workers in Africa, 2009–2019[123]

Chinese companies are also reported to have acquired some hectares of land from the continent as shown in Figure 11.[124] Cameroon tops African countries with 104.7

[122] Source: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: Chinese Workers in Africa," China Africa Research Initiative, accessed February 7, 2022, http://www.sais-cari.org/data-chinese-workers-in-africa.

[123] Source: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: Chinese Workers in Africa," China Africa Research Initiative, accessed February 7, 2022, http://www.sais-cari.org/data-chinese-workers-in-africa.

[124] Source: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: Chinese Agricultural Investments in Africa," China Africa Research Initiative, July 2018, http://www.sais-cari.org/data-chinese-agricultural-investments-in-africa.

hectares of land awarded to Chinese investors. The Chinese land acquisition was "driven by two large purchases of existing rubber plantations [each measuring] over 40,000 hectares in 2008 and 2010."[125] According to a study conducted Deborah Brautigam, China had acquired about 240,000 acres of land for agricultural projects across Africa by 2015.[126] Though Cameroon apparently had prospects for mechanization of its agriculture to provide food for its population, there are indications that the crops grown, such as rubber and sugar cane, will mainly feed industries with raw materials. Because of this situation, Cameroon is also in need of considerable capital investments for the development of its agriculture, and they are seeking support from China.

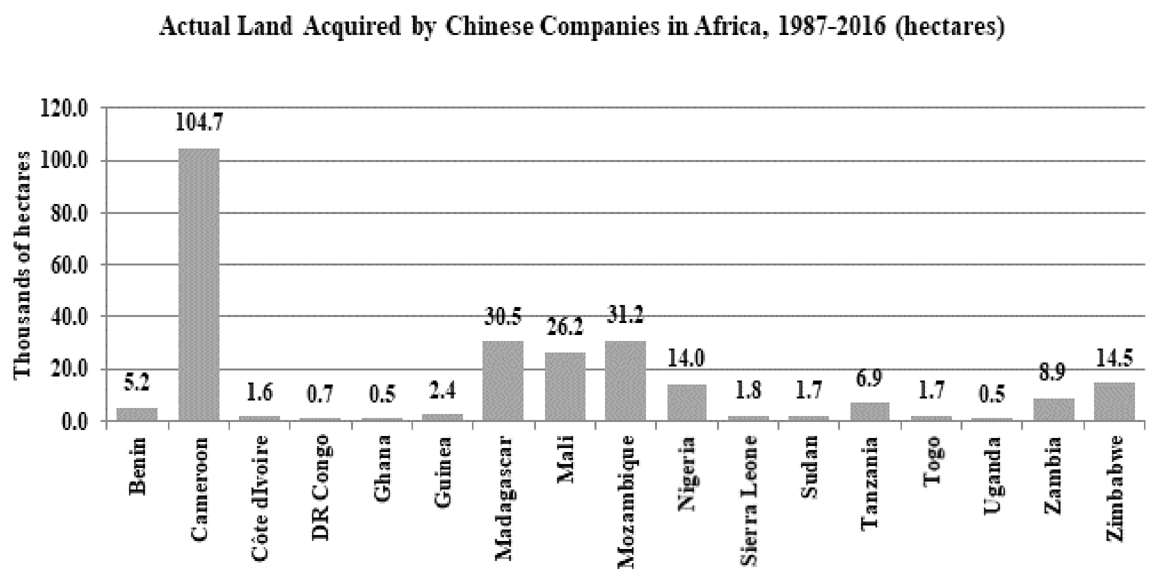

Figure 11. Land Acquired by Chinese Companies in Africa, 1987–2016 (hectares)[127]

[125] Johns Hopkins School of Advanced International Studies - China Africa Research Initiative.

[126] Chris Arsenault, "Chinese Firms Buy, Lease Far Less African Farmland than Thought," Reuters, October 12, 2015, https://www.reuters.com/article/uk-africa-food-china-idUKKCN0S61DE20151012.

[127] Source: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: Chinese Agricultural Investments in Africa," China Africa Research Initiative, July 2018, http://www.sais-cari.org/data-chinese-agricultural-investments-in-africa.

F. SOME POSITIVE AND NEGATIVE BENEFITS OF CHINESE INVESTMENTS IN AFRICA

Improvements to infrastructure, employment opportunities, and economic development are just a few of the benefits from China's investment in Africa. Chinese demand for and purchase of raw materials from Africa has improved trade and export incomes, which has decreased poverty while increasing the rates of education, political involvement, and responsiveness of African governments. There are, however, some negative aspects of the short-term benefits from China's generous investment in Africa. Overwhelmed by the abundant support, local populations are unlikely to discern the long-term consequences of their growing dependence on China, an autocratic state, that does not encourage respect for human rights or self-governance through democratic institutions as Western nations often do.

Extraction of raw materials and exploitation of local markets to reach African consumers to buy Chinese products unpleasantly echoes the colonial past of many African nations. Importation of Chinese labor along with Chinese investment further exacerbates the problem of surplus labor and unemployment as well. In the future, China's investment in Africa may result in a net positive or net negative outcome. Africa will grow stronger with Chinese investment. But it is unlikely the people of Africa will benefit over time while this growth favors autocracy, imported labor, and growing underemployment. It is probable that China's investment in Africa will lead to future generations of autocratic leaders, unrest, and revolutions, not like those at the end of the colonial period. It is more difficult to develop fully functional democratic governments than it is to install autocratic regimes. Unfortunately for Africa, China, a primarily autocratic regime, is likely to encourage the installation of more autocratic regimes in Africa. Democracy is likely to diminish. And much of the Chinese investment is likely to end up in the pockets of autocrats ruling African nations. The United States might want to target a nation or two with its own investments, which would be contingent on the development of democratic institutions and protection of human rights. These nations would be models of what an African nation could be, in contrast to those nations following an autocratic model and accepting investments from China.

G. ANALYSIS OF CHINA'S ECONOMIC ENGAGEMENT IN AFRICA

In the last two decades Africa has become China's most important economic partner, with many African countries receiving Chinese investments during the last 11 years in particular. The engagement cuts across investment, trade, infrastructure financing, and aid with depth athwart the continent involving different Chinese firms casing sectors such as energy, manufacturing, and mining and bringing in capital investments and management. Because of this, Africa has seen some progress and advancement of its economies. However, challenges still exist in understanding Africa–China relationships due to the scarcity of relevant data. Although steady economic growth can be seen amongst African countries, the continent still struggles to leverage that progress into justifiable growth strategies and stratagems. Countries, for instance, largely continue practicing low subsistence agricultural methods that do not only fail to sustain productivity but also are unable to support manufacturing industries. African countries need to transform themselves economically, but they also need to grow in-depth to bring about a multidimensional process of economic transformation.

The rise in income, trade, and industrial manufacturing economies are significantly interconnected with the contribution from FDI inflows, but this rise also plays a vital role that leads to technological progress associated with training of labor, knowledge transfer, and other important business management skills. Yet, the African continent is characteristically hampered by intra-continental barriers to trade, obstructions to business flow, poor intra-infrastructure connectivity, logistical requirements, and language barriers. To learn from and replicate China's economic success, African nations should critically re-assess and examine these barriers between nations that are seen to hinder the smooth flow and benefits of FDI.

Statistics compiled by the Heritage Foundation appear to suggest that most Chinese investment organizations remain under private ownership, but China's state appears to direct the coordination of investments of these Chinese entities.[128] Enormous projects

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[128] American Enterprise Institute and the Heritage Foundation. "China Global Investment Tracker." American Enterprise Institute. Accessed February 4, 2022. https://www.aei.org/china-global-investment-tracker

related to infrastructure, manufacturing, mining, and energy attract state-owned Chinese firms that swiftly tap new investment opportunities. Chinese organizations that undertake investment in infrastructure sectors are likely to be dominant and even more pronounced over time. Privately owned Chinese firms largely carry investments as profit making ventures, suggesting that investments in the continent could be market-driven. Therefore, imbued with new hope of robust Chinese partners, African countries should set clearly strategic goals and position themselves purposefully toward Chinese investments. Acceleration of Chinese investments and aggressive expansion at the macroeconomic level could see some financial gains that will enable improvement of production and thus provide a sizeable number of African workers with stable gainful employment. African nations may have to expand their export base to further improve production levels. This will help shift the debate to economic transformation regionally and globally, helping countries to attain continued sustainable development and collective successes within the African continent.

As China's investments in Africa continue to grow, gaps within the China–Africa cooperation may require urgent assessments to identify loopholes within Chinese-owned business investments and address pertinent areas such as concerns about safety of personnel, cultural differences, and language barriers. If left unaddressed, such pitfalls could potentially lead to social problems and misunderstandings in the long term and therefore weaken the sustainability of China–Africa relationships. While exploring the deepening economic interconnectedness between Africa and China, we looked at the year 2013 in economic terms. That year signified a fundamental alteration for Africa, when China surpassed the United States as the continent's principal foreign direct investor. From being a comparatively insignificant investor two decades ago, China has ferociously sprung up, doubling its dealings and investments throughout Africa and becoming the continent's major economic partner.

From 2013 to 2020 trade between China and Africa has had an annual growth rate averaging 20 percent, peaking at 25.6 percent in 2020.[129] Amin Mohseni-Cheraghlou has

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[129] United Nations Statistics Division, "UN Comtrade Database," UN Comtrade, accessed February 7, 2022, https://comtrade.un.org/.

also reported that "during the same period (2013 – 2020) the share of the European Union (EU) and the United States (US) in Sub-Saharan Africa's (SSA) total trade declined from 30.3 to 22.3 percent and from 15.5 to 5.6 percent, respectively."[130] As the United States appears to have reservations about Africa, China has continuously replenished its investment capability within the African continent. That confidence appears to be driven by Beijing's strategic goals aimed at unearthing the continent's vast potential in natural resources. Beijing sees the continent as vital to sustaining China's economic growth on the global arena.

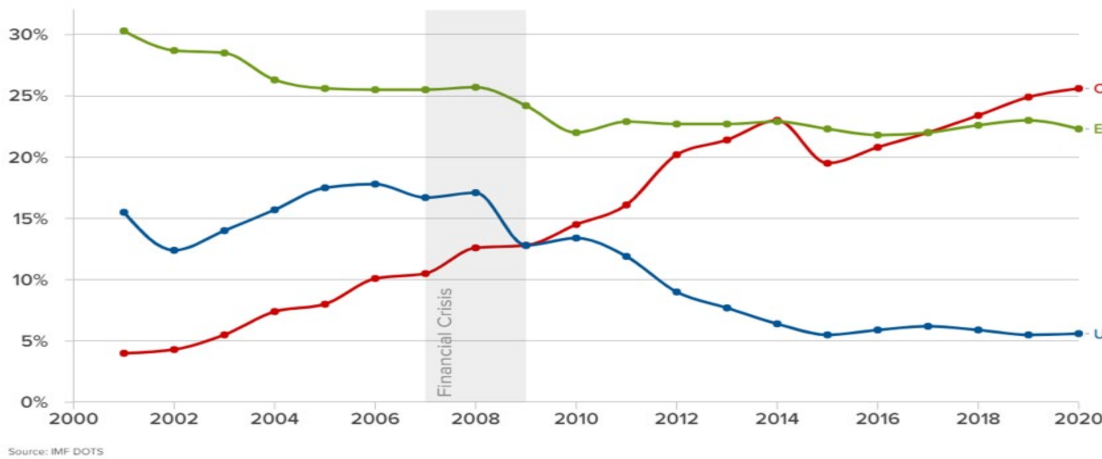

Figure 12. China, EU, and U.S. Share in Total Merchandise Trade of Sub-Saharan Africa, 2000–2020.[131]

As in the cases of hurting their domestic industries, African countries should instead prioritize investments and trade that is mutually beneficial, emphasizing critical specific partnerships with China that are likely to stimulate local industrialization. Focusing on many critics who claim that China's main motive is gaining access to and extraction of African natural resources, evidence suggests that Beijing provides equal opportunities to

130 Amin Mohseni-Cheraghlou, "China and Sub-Saharan Africa Trade: A Case of Growing Interdependence," *Atlantic Council* (blog), July 22, 2021, https://www.atlanticcouncil.org/blogs/china-and-sub-saharan-africa-trade-a-case-of-growing-interdependence/.

131 Source: Eric Olander, "The U.S. Has a Lot of Ground to Make up If It Wants to Compete with China and Europe on Trade with Africa," The China Africa Project, July 27, 2021, https://chinaafricaproject.com/2021/07/27/the-u-s-has-a-lot-of-ground-to-make-up-if-it-wants-to-compete-with-china-and-europe-on-trade-with-africa/.

both resource-rich and resource-poor countries by offering and extending loans, infrastructure investments, and trade with several African countries. Yet, some suggestions have been put forward that China encourages the use of natural resources, or a country's salient assets or infrastructure, as collateral for the loans it offers. This practice not only poses a significant risk to many African nations that may lose these vital assets, but it may also slow down the progress on Africa's most ambitious infrastructure development projects.

IV. CHINESE FDI IN UGANDA

Uganda like several African countries has turned to China for its trade and investment exigencies. Despite uncertainty of Chinese investments, it has provided undeniable benefits to the country. Therefore, Uganda considers and finds Chinese investments attractive and worth going for. The chapter examines and analyses data to support its finding using Uganda as case study. Further, the chapter investigates whether China's interventions has translated to improvements in the living conditions of the people of Uganda.

A. ECONOMIC COOPERATION BETWEEN UGANDA AND CHINA

The same trend in China's investments can be seen in Uganda. The PRC has undertaken several economic activities in Uganda through bilateral cooperation and agreements, seeking a win-win situation. Many of these initiatives have led to the improvement of infrastructure such as roads, railways, housing, and electricity; social development such as educational scholarships and vocational training; and foreign direct investments in industries. These efforts may directly or indirectly and positively or negatively affect the lives of many Ugandans. Many see these investments as innocent magnanimity or mutually beneficial economic cooperation, but there are reasons for concern as well; namely, compromised quality and standards of Chinese products, cheap interest-free loans that will translate to heavy debt burdens, substantial employee safety violations by Chinese firms, environmental concerns brought about by unregulated investments, and many others.

According to the executive director of the Uganda Investment Authority (UIA), China took the lead with 54 licensed investments projects in fiscal year 2017/18, while India and Kenya came in second and third with 34 and 9, respectively.[132] The value of China's planned investments in 2017/18 was estimated at US$111.1 million, with the

[132] Uganda Investment Authority, *Annual Investment Abstract FY2017/18* (Kampala, Uganda: The Investment Center, 2019), https://www.ugandainvest.go.ug/wp-content/uploads/2019/06/19-06-03-UGANDA-INVESTMENT-AUTHORITY-ANNUAL-REPORT-PRINT-2017-18-2.pdf.

manufacturing sector registering the highest amount. In addition, mining and quarrying received 11 percent; electricity, gas and water were at 9 percent, while agriculture, fishing, and forestry were at 5 percent.[133] Even under these planned investments, little has been discussed by scholars about the benefits Uganda could be achieving from deals with China. Presumably, Chinese investments that appear to be relatively resilient in Uganda and are market driven and are undertaken largely by private firms injecting their own capital into the investment. Despite the increase in projects funded by Chinese investments, Uganda's economy largely remains a subsistence and informal one, rather than a formal economy of documentation, contracts, licenses, and registration, preferred by the World Bank.[134] One must therefore not only observe patterns in assessing Chinese investments, but also the economic growth indicators and development to the government of Uganda. This study seeks to evaluate interconnectedness between investment processes and other economic modernizations that would be very crucial in uplifting and improving the living conditions of most Ugandans.

Uganda has undoubtedly benefited from Chinese investment. Indeed, according to David Dollar et al., "Uganda's growth trajectory has been strongly supported by increased economic engagement with China, particularly through commodity exports and [manufacturing] funding."[135] Similarly, Marios Obwana et al., in 2007 stated that:

> China has helped Uganda to set up [projects that] include the Kibimba (now Tilda) and Doho Rice Schemes, the Kampala Ice Plant, methane-generating pits, the Foodstuff Porcelain Research Center, and the Mandela National Stadium. …Chinese companies began the construction and service business in Uganda [around] 1987, mainly covering housing projects, road, and bridge construction. Currently, there are 10 Chinese companies running that kind of business in Uganda, including Sichuan International Economic and

[133] Uganda Investment Authority, 5.

[134] Uganda Investment Authority.

[135] David Dollar, Akura Mugyenyi, and Nicole Ntungire, *How Can Uganda Benefit from China's Economic Rise?* (London: International Growth Centre, 2017), 1, https://www.theigc.org/publication/can-uganda-benefit-chinas-economic-rise/.

Technical Cooperation Co. Ltd and Jiangsu International Economic and Technical Cooperation Co. Ltd.[136]

China's infrastructure development and manufacturing sectors are likely most noteworthy, creating several employment opportunities for average Ugandans. It appears probable that these Chinese investments will provide beneficial settings for further developmental projects in Uganda. Uganda is seen to advance strong ties and interests across the country through a range of strategic partnerships in key sectors and investments with China. Accordingly, Uganda has made strides toward economic development and has focused more effort on promoting a conducive investment environment and addressing the country's infrastructure shortage. The Ugandan daily journal, *New Vision* (March 7, 2012), reported that 265 Chinese state-owned enterprises have sprouted up across Uganda in the last 20 years.[137] The Ugandan president Museveni claimed in the same Ugandan daily that China had become Uganda's major investor in 2010 and that China-invested projects created more than 5,500 jobs. The Chinese investments have helped in the construction of roads, schools, hospitals, and housing units as well as in other economic sectors in the country.[138] This accordingly provides clear social benefits and outcomes, as local employment opportunities offered by growing Chinese investments are socially impactful to Ugandan communities.

Efosa Ojomo has argued that several strategies are available to secure socially beneficial outcomes, from import substitution policies to significant investments in infrastructure that may lift a country out of poverty to economic prosperity.[139] Yet, he further observed that "many poor countries have received [and continue receiving] billions of dollars in aid, grants and low interest loans over the past decades but are still lingering

[136] Marios Obwona et al., *China-Africa Economic Relations: The Case of Uganda* (Nairobi. Kenya: African Economic Research Consortium (AERC), 2007), 1, http://hdl.handle.net/10419/93161.

[137] Ward Warmerdam and Meine Pieter van Dijk, *New Light on Chinese Enterprises in Africa* (The Hague: Maastricht School of Management, 2012), 2, http://hdl.handle.net/1765/39413.

[138] Warmerdam and van Dijk, 2.

[139] Efosa Ojomo, "Why Innovation Must Be the New Development Strategy," Christensen Institute, January 19, 2017, https://www.christenseninstitute.org/blog/why-innovation-must-be-the-new-development-strategy/.

in poverty."[140] Arguing, however, that China's investments are the way to go, the Ugandan government appears inclined to believe that foreign investment foster growth and development. At the same time, the government and citizens should put more effort into tapping investment mechanisms conducive to helping them fight corruption and tendencies that make the investment climate unreliable. Therefore, Uganda should focus on prosperous innovation mechanisms that lead to accomplishment of its developmental strategies. Of course, even when the PRC's aid is mostly project based, the distribution channels through which China provides this funding and its policies largely remain not well known.

Like most African countries, Uganda has gradually embraced China's generosity. Since the post-Independence era, Uganda and China have maintained a cordial diplomatic relationship, and bilateral trade relationship between the two countries has remained steady despite political instability and several regime changes in Uganda after independence.[141] In assessing Chinese investments, one thus must observe not only patterns but also their manifestation in the economic development of Uganda. In as much as such information is vital, most government officials directly involved with official aid handling consider it a state secret. Information obtained by Madina Guloba et al. from the Chinese consulate in 2007 showed that Uganda received development assistance of US$4–5 million from China.[142] Development assistance has continued to flow in addition to interest-free loans, aid in the form of non-concessional loans, as reported by Uganda's Ministry of Finance, Planning & Economic Development (MFPED) in 2007, and grants that have grown to a cumulative value of approximately US$80 million in 2003. Manufacturing, business-related services, transportation, and agriculture seem to be some of the infrastructural development sectors that have benefited most from the grants. It remains largely the duty

[140] Ojomo.

[141] Madina Guloba, Nicholas Kilimani, and Winnie Nabiddo, *Impact of China-Africa Aid Relations: A Case Study of Uganda* (Kampala, Uganda: Economic Policy Research Centre (EPRC), 2010), https://media.africaportal.org/documents/Uganda_Aid_Relations.pdf.

[142] Guloba, Kilimani, and Nabiddo, 1.

of Ugandan economists and planners to put to proper use the aid provided by China to uplift the welfare of Ugandan citizens and the country at large.

China's economic prominence, which is said to be unmatched, has given it a robust international strategy of expanding investments abroad, mostly on infrastructure development. In Uganda, China's assertive and large-scale investments have primarily focused on infrastructure projects, energy and hydropower generation, and small-scale manufacturing businesses. Encouraged by China's high-profile outward investment policies and programs, including the 'Belt and Road Initiative,' Uganda has welcomed these fast-flowing Chinese investments to the country.[143] According to Scott Wingo, "Uganda signed a memorandum of understanding to join [China's] Belt and Road Initiative in 2018, [and] has reasonably strong access to International capital."[144] As Uganda's population increases, the government should critically look at its development strategies with the aim of achieving conditions that lift the country out the situation of having less to the state of having plenty. These investments in turn will create jobs desperately needed by the country's increasing young population.

The Uganda-China relationship has centered on several areas for China's investment, including "industrialization, agricultural modernization, infrastructure, financial services, green development, trade and investment facilitation, poverty eradication, public welfare and public health, people to people exchanges and peace and security."[145] In assessing the PRC's investments, one thus must observe not only patterns in economic indicators but also their impacts to the government of Uganda. Nevertheless, it seems necessary to evaluate linkages between investments and other economic innovations.

[143] James Mayers and Julian Barungi, "Chinese Investment in Uganda: New Impetus for Sustainable Development?," IIED Briefing (London: International Institute for Environment and Development (IIED), January 2019), 1, https://pubs.iied.org/17493iied.

[144] Scott Wingo, "China in Uganda: The Highs and Lows of the Belt and Road," Center for Advanced China Research, June 27, 2019, https://www.ccpwatch.org/single-post/2019/06/27/china-in-uganda-the-highs-and-lows-of-the-belt-and-road.

[145] Faith Ekudu, "Strengthening Investment Ties between Uganda and China," Uganda Investment Authority, July 21, 2021, https://www.ugandainvest.go.ug/strengthening-investment-ties-between-uganda-and-china/.

Uganda along with many of other sub-Saharan countries still lags behind in terms of development despite the considerable financial investment the country receives. According to FINCA Uganda, "By 2035, the International Monetary Fund estimates the number of Africans joining the working age population will exceed the rest of the world combined. To fill this surge, 18 million new jobs will have to be created each year for the next 20 years across sub-Saharan Africa."[146] FINCA Uganda also noted that the "Ugandan poverty level has dropped by more than half over the last 20 years and is currently at 20 percent. And while the economy continues to grow, unreliable electrical service, high energy costs and an inadequate transportation infrastructure provide serious obstacles for low-income entrepreneurs seeking to build businesses and incomes."[147] FINCA further stated that "73 percent of the population is not connected to the electrical grid. These families rely on harmful kerosene, charcoal, and firewood to light their homes and to prepare meals."[148] One would be motivated to ask, from where would these millions of jobs be created? The Ugandan government should critically focus on the sizeable number of inclusive developmental strategies to improve the daily lives of most Ugandans. With plenty of employment opportunities available from the projects undertaken with foreign investments, the Ugandan population can find secure jobs with steady income. The focus on economic growth strategies that support innovation with the country's investments become an important area of proper planning. For example, in Uganda agriculture is supported by about 70 percent of the population. The country should focus on import substitution policies that favor introducing plants and machinery by establishing a manufacturing base that adds value to agricultural products. These investments in turn will create jobs desperately needed by the country's unemployed population.

146 FINCA International, "Fighting Poverty in Uganda," FINCA International, accessed February 5, 2022, https://finca.org/where-we-work/africa/uganda/?wp-nocache=true.

147 FINCA International.

148 FINCA International.

B. SOME CHINESE PROJECTS AND INVESTMENTS IN UGANDA

Poor roads and communication connectivity are some of the challenges affecting Uganda. The country's push for better national infrastructure has attracted many Chinese organizations/entities that have drawn substantial financial benefits from their engagement with Uganda. As a landlocked country, Uganda relies heavily on its Eastern neighbors (Kenya and Tanzania) to access the Indian Ocean to export mostly agricultural products and import finished products such as textiles, petroleum products, etc. Scott Wingo has noted that "Uganda is in the midst of building up intranational and transnational connectivity via telecommunications, air travel, highways, and railways, and China is involved in many of these areas."[149] Uganda, therefore, requires investing in reliable energy and electricity for industries, manufacturing, and other projects that entail huge quantities of electricity and to mitigate high transportation costs on exports and imports of mainly finished products.

Uganda's developmental path has significantly been reinforced by improved economic engagement with Beijing, and the following paragraphs identify some of the projects that have been undertaken or are currently running:

1. The construction of two large dams at Karuma and Isimba with China taking the center stage.[150] The estimated cost for construction of Isimba (183.2-megawatts hydroelectric power station commissioned on March 21, 2019) was US$567.7 million and built by China's Three Gorges with Exim Bank of China providing a US$482.5 million loan at 2 percent interest. The same Exim provided a US$1.4 billion loan at a 2 percent interest rate for the US$2.2 billion Karuma dam (700-megawatt hydropower project) being built by Sinohydro, a state-owned Chinese construction company. Both projects will expand Uganda's electricity supply and are likely to significantly transform the power and energy industry.

[149] Wingo, "China in Uganda."

[150] Wingo.

2. With Uganda demarcating several industrial zones across the country, China has also moved to tap these investment opportunities in these zones.[151] The China-Uganda Agricultural Industrial Zones, for example, estimated to cost about US$220 million, will focus mainly on enhancing home-grown agricultural production and add value by processing the products before sending them to market. As part of a longstanding cooperation between Sichuan province and Uganda, Sichuan-based Kehong Group is funding these projects in the Agricultural Industrial zones. Coffee, tea, and other foodstuffs are the principal export goods of Uganda to China. Therefore, increasing outputs of these agricultural segments through a chain of value-addition processes may reduce the country's trade deficit, hence enabling the country to alleviate its debts.

3. Along Uganda's border with Kenya, Guangzhou DongSong Energy Group has undertaken the development of a US$600 million industrial park, in an area known to have phosphate and iron deposits.[152]

4. Backed by Tian Tang Group, a US$600 million industrial center near the city of Mbale is also under construction.

Many Chinese companies are already engaged in sectors such as food processing, glassmaking, and processing of wood products. For example, Sinoma, a major Chinese construction materials company has apparently agreed to invest in a cement plant that is to cost US$500 million.[153]

The top Chinese companies in Uganda include: a) Chinese manufacturing companies, b) China State Construction Engineering Corporation Limited, c) China Communications Construction Company Ltd (CCCC), and d) China road construction

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[151] Wingo.

[152] Wingo.

[153] Wingo.

companies.[154] Basil Ajer, acting Executive Director of Uganda Investment Authority (UIA), has observed that "Uganda anticipates spurring supplementary dividends from China. They [the Chinese] mentioned areas of interest that include agricultural value addition, Information Communication Technology (ICT) and tourism. As UIA, we mobilize counterparts in those sectors, so we expect more flow of foreign direct investments and more cooperation between Ugandans and their Chinese counterparts."[155] Similarly, UGWIRE listed the top Chinese companies operating in Uganda in 2019/2020. Specifically, among the leading road construction companies in Uganda, UGWIRE pointed to Pearl Engineering Company Ltd, Kampala. Among the other top Chinese companies operating in Uganda, UGWIRE listed the following:

1. China North Machine Company Limited, Kampala (Farm Equipment Suppliers).
2. Excite Construction Limited (Construction Company).
3. China International Water and Electrical Company, Kampala (Engineering Company).
4. China Nanjing International Limited, Kampala.
5. Mutoni Construction Uganda Limited, Kampala (Construction Company)
6. Chinese Business Hotel, Kampala.
7. Shammah Consultants and Business Solutions, Kampala (Accounting, Finance and Consulting Company).[156]

The following list summarizes the features of some of the notable fast flowing trade and investment between China and Uganda:

1. China's FDI in Uganda amounted to over US$4 billion by the end of 2017.
2. Chinese companies licensed in mining numbered 22 while 20 were in agriculture and forestry.
3. Chinese investors created about 18,000 jobs for Ugandans.
4. Uganda's top four exports to China have been animal skins, grains, coffee, and tea (mainly agricultural products).

[154] "Top Chinese Companies in Uganda 2021 New List," UGWIRE, accessed February 5, 2022, https://ugwire.com/top-chinese-companies-uganda/.

[155] "Top Chinese Companies in Uganda 2021 New List."

[156] "Top Chinese Companies in Uganda 2021 New List."

5. The development of five industrial parks was undertaken with Chinese investments.
6. Karuma and Isimba represented two large hydropower dams.
7. Exploration and development of oil fields were underway in the Albertine rift valley region.
8. Major roads construction projects included the Kampala-Entebbe express highway.[157]

C. AGRICULTURAL OPPORTUNITIES IN UGANDA

Uganda is geographically located at the Equator—lying 1000–3000 meters above sea level and with perfect climatic conditions suitable for agriculture. With the opening up of agricultural zones, modern practices and productivity are expected to rise. Despite this, agricultural output in Uganda is still hindered by several challenges. Ugandan President Museveni has identified ten major challenges to the agricultural sector in Uganda, including:

1. low commercial agricultural levels,
2. lack of linkage between research and farmers,
3. low use of fertilizers,
4. low coverage of irrigation,
5. land fragmentation,
6. low level of value addition,
7. high cost of finance,
8. lack of agricultural machinery,
9. vectors and diseases, and
10. a poor transport networks.[158]

The president further noted that subsistence livelihoods dominate smallholder agriculture in Uganda, with "sixty eight percent of the homesteads not being in the money economy. Many families still belong to the pre-capitalist mode of production. People do not produce for money but for eating and social obligations."[159] He also called for

[157] Mayers and Barungi, "Chinese Investment in Uganda," 2.

[158] State House Uganda, "President Names 10 Challenges to Agriculture in Uganda," State House Uganda News, June 21, 2016, https://www.statehouse.go.ug/media/news/2016/06/21/president-names-10-challenges-agriculture-uganda.

[159] State House Uganda.

increased coverage of irrigation to stabilize production.[160] While there is always more that can be done to help the disadvantaged communities in Uganda, little progress has been undertaken in agricultural sectors to create significant impact on the rural society that relies primarily on subsistence farming. As much more needs be done to lift the disadvantaged communities in Uganda, the agricultural sector that employs a significant number of people remains largely subsistence.

D. CHINA'S SOFT POWER APPROACH IN UGANDA

China appears to be using a multi-pronged approach to its investment in Uganda. According to Benjamin Mulvey, "the Chinese Ambassador in Uganda announced [99 higher education scholarships] that will be made available for Ugandans to study in [different] Chinese universities."[161] He further stated that "in addition to those who receive financial aid, many Ugandans will pay their own way to study in China."[162] This gesture looks to be an attractive option for many Ugandan students currently facing a number of challenges. Burgeoning enrollments at various Ugandan universities and institutions of higher learning, overcrowded facilities, insufficient teaching staff, and inadequate funding have prompted several student protests across the country. Mulvey also noted that

> For these students, China has rapidly become a destination of choice, because of its relative affordability, the availability of scholarships, as well as the relative ease of securing a study visa. China employs its higher education sector as a means of gaining influence abroad and accumulating 'soft power' especially in countries that are of geopolitical importance, such as those participating in the Belt and Road Initiative. In the words of the Chinese Ministry of Education, the role of international graduates is to 'tell China's story well and spread China's voice.'[163]

[160] State House Uganda.

[161] Benjamin Mulvey, "Foreign Students and China's Soft Power: The Case of Uganda," *The Diplomat*, January 10, 2020, https://thediplomat.com/2020/01/foreign-students-and-chinas-soft-power-the-case-of-uganda/.

[162] Mulvey.

[163] Mulvey.

Arguably, China's educational diplomacy push appears to capture and attract more focus from African countries with the hope of achieving human capital development in their countries. According to Tebogo Lefifi and Carine Kiala, "Chinese ministry of education announced that by 2018 there were 81,562 African students in China, representing 16.47 percent of all international scholars," making Beijing the a highly popular study destination for students from Africa willing to further their studies overseas, particularly with "students pursuing degrees in science, technology, engineering, and mathematics (STEM) fields."[164] Consequently, although France remains the topmost destination for African students studying abroad, China has surpassed traditional countries such as the United States or the United Kingdom. This is in large part due to the munificence of Beijing that offers African students' enormous scholarships. At the Forum on China-Africa Cooperation (FOCAC), China pledged to offer 50,000 scholarships to students across the continent for a three-year study period from 2018 to 2021, promising to help fund undergraduate programs, as well as masters and doctoral courses across several Chinese universities.[165] Uganda is increasingly becoming a key Chinese ally, and Uganda's president, encouraged by the Chinese model, has explicitly claimed vigorous financial incentives to attract more Chinese investors. It appears probable that the Ugandan graduates from the Chinese universities could potentially play an important role by acting as a link between the two countries and that it would be a major influencing factor contributing to closer economic and political ties.

E. ANALYSIS OF CHINA'S INVESTMENTS IN UGANDA

Uganda has always faced shortfalls in accessing some basic services such as energy, agriculture water and sanitation because of relying heavily on the informal sector. As such China provides investments that are often seen to produce results with ease. Much as Uganda demonstrates mutually beneficial Chinese investments, China's assistance may not be adequately efficient.

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[164] Tebogo Lefifi and Carine Kiala, "Untapping FOCAC Higher Education Scholarships for Africa's Human Capital Development: Lessons from Haigui," *China International Strategy Review*, July 8, 2021, 4, https://doi.org/10.1007/s42533-021-00074-y.

[165] Lefifi and Kiala, 4.

1. Investments

The manufacturing sector received almost twice the combined licensed projects from 2009 to 2019. China's willingness to invest creatively in the country's infrastructure such as power dams, roads, and rail transport appears to be very beneficial to Uganda's manufacturing sector. This looks to be aiding other critical service sectors like education and health, and in opening business opportunities that facilitate the free movement of goods and services. Further, this could be the likely reason the manufacturing sector has attracted a large share of the Chinese licensed projects, as seen in Figure 13. It is not surprising that data from the China Statistical Yearbook, "Overseas Direct Investment by Countries or Regions," published by the Johns Hopkins University SAIS China-Africa Research Initiative, identifies the top sectors for such projects as manufacturing, construction, and mining.[166] These sectors received a huge allocation of Chinese investment capital that provided enormous amounts of FDI—areas of undercapitalized assets in Africa.

The same trend can be seen in Uganda as manufacturing leads with a sizeable chunk of licensed Chinese projects. Even as some Chinese projects establish long-term local partnerships, not all Chinese companies enable technological upgrading of their Ugandan competitors. Small and medium-size Chinese firms, for example, have some technological advantage over their Ugandan counterparts and may compete rather assist them with their businesses, thus limiting technology transfer. Some analysts have noted that labor costs in China are rising and thus becoming expensive, whilst in Africa, Uganda included, the cost of labor remains cheap. Chinese firms are therefore moving in for manufacturing to capture cheap labor. Chinese demand for and purchase of raw materials from Uganda has improved trade and export incomes. However, importation of Chinese labor along with Chinese investment further exacerbates the problem of surplus labor and unemployment as well.

[166] *China Statistical Yearbook* (Beijing: China Statistics Press, n.d.), sec. "Overseas Direct Investment by Countries or Regions" various years ; Ministry of Commerce People's Republic of China, *2011 Statistical Bulletin of China's Outward Foreign Direct Investment*, various years ; and Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: China-Africa Trade," China Africa Research Initiative, accessed February 7, 2022, http://www.sais-cari.org/data-china-africa-trade.

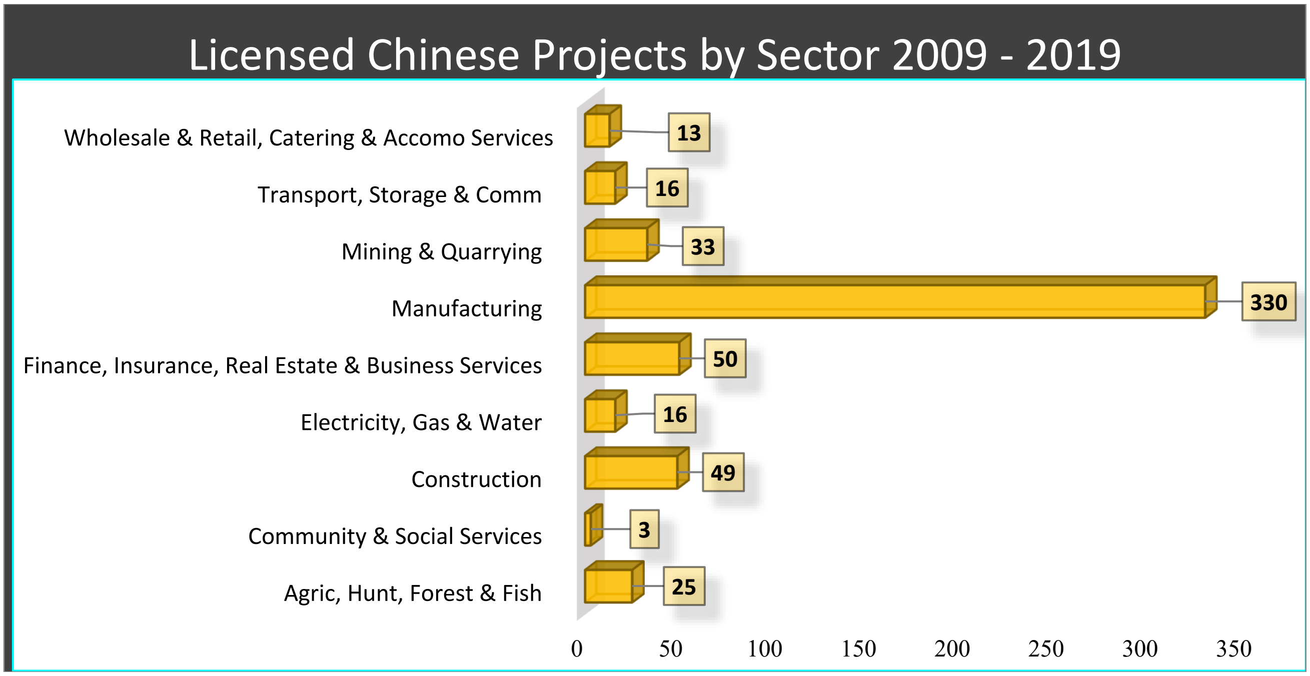

Figure 13. Planned Chinese Investments by Sector in Uganda, 2009–2019 (in US$ billion)[167]

Deborah Brautigam, in her testimony before the U.S. Senate Committee on Foreign Relations a decade ago, stated that "China … contributes or invests in sectors—such as infrastructure and potentially job-creating extractive industries—that African governments want to develop and from which African publics hope to see concrete benefit."[168] While David Shinn averred that "the Chinese have, indeed, gone heavily into infrastructure, but they have done that because that is precisely what the Africans have requested."[169] Therefore, it is sufficient to say that China's strategy of engaging massively on projects like infrastructure, construction, manufacturing, and mining industries appears to have persuasive effects of attracting friendship with Uganda.

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[167] Adapted from African Centre for Media Excellence, "Data on Chinese Investments in Uganda," Data.ug, accessed February 8, 2022, http://catalog.data.ug/dataset/activity/data-on-chinese-investments-in-uganda.

[168] U.S. Senate, *China's Role in Africa: Implications for U.S. Policy: Hearing before the Subcommittee on African Affairs of the Committee on Foreign Relations*, Senate, 112th Cong., 1st sess., November 1, 2011, 18–19, https://www.govinfo.gov/content/pkg/CHRG-112shrg72397/pdf/CHRG-112shrg72397.pdf.

[169] U.S. Senate, 31.

Uganda's engagement in the Sino-Africa relationship brings about several long-term prospective manufacturing and industrial benefits that can be achieved from relocating some Chinese industries to Uganda, which has abundant cheap labor, and those benefits include increased trade and FDI.

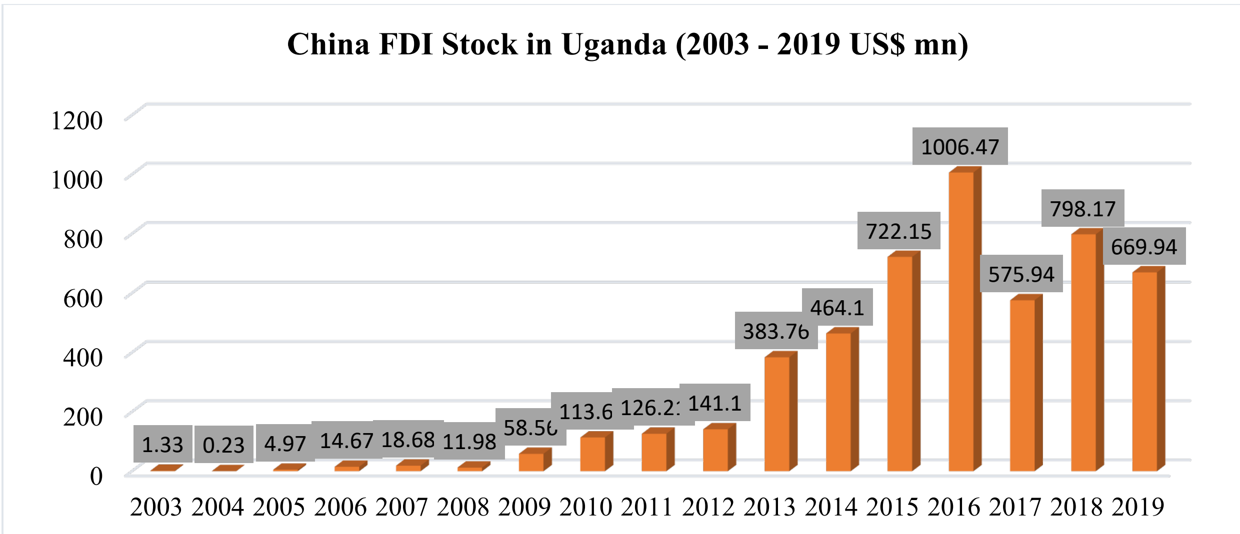

Figure 14. Chinese FDI Stock in Uganda, 2003–2019 (US$ million)[170]

Having overtaken other powerful global economies as the principal investor as measured by FDI, China has continually opened up and reinvested in the Ugandan economy and Africa at large.[171] Uganda as a developing country may favor FDI over other forms of capital flows. By allowing diversification of lending and investment, China's FDI reduces risks that would have been faced by the owners of capital. Capital market integration contributes to the most effective performances of accountability, limiting government's ability to pursue unfavorable policies. Of course, FDI allows technology transfer, particularly capital inputs that are hard to achieve by trading in goods and services. Uganda as a recipient of FDI gains from employee training that leads to human capital

[170] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: Chinese Investment in Africa," China Africa Research Initiative, January 8, 2021, http://www.sais-cari.org/chinese-investment-in-africa.

[171] Johns Hopkins School of Advanced International Studies - China Africa Research Initiative.

development while profits that FDI generates provides the host country with corporate tax revenues. From these various channels, FDI principally should be a contributor to the growth and increase in domestic investments of Uganda. Therefore, in summary, FDI has a stronger impact on domestic investment than do loans.

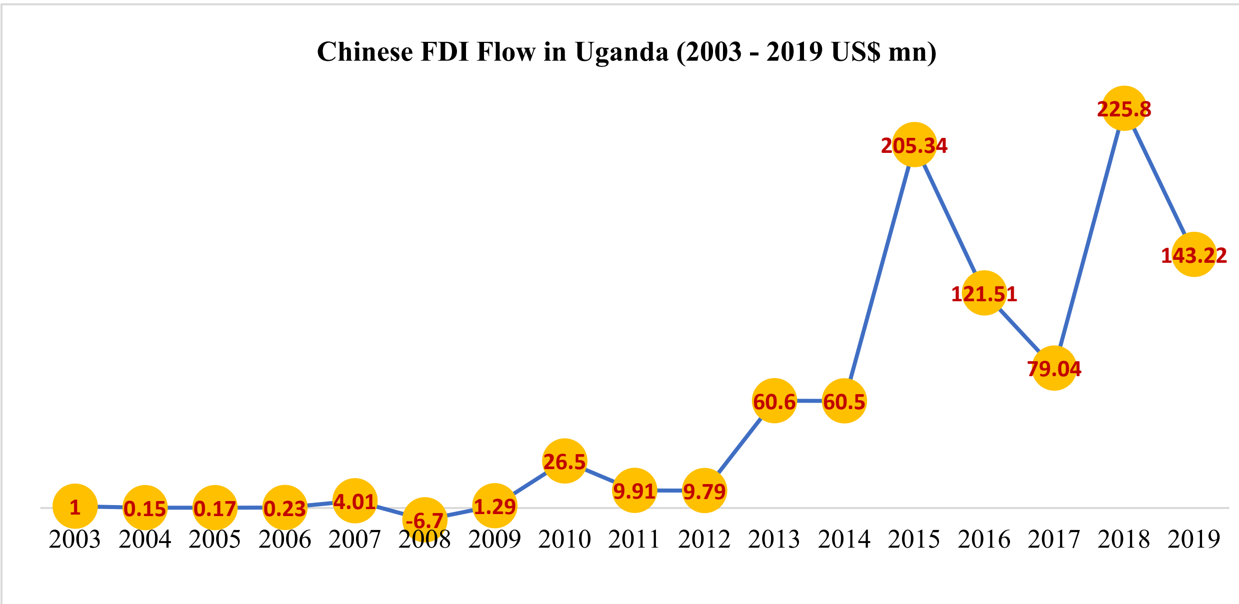

Figure 15. Chinese FDI Flow in Uganda, 2003–2019 (US$ million)[172]

FDI share in total inflows, on the other hand, is extremely risky in countries that have a lot of debts, poor credit ratings, and institutions of lower quality. Foreign investors such as China would prefer operating directly in Uganda rather than relying on local financial markets. Uganda should, however, expand its international capital markets by improving the overall investment environment with proper functioning markets and hence formulate policy recommendations focusing on improving the investment climate for all domestic and foreign capital.

[172] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative.

2. Trade

Although trade volume between China and Uganda was observed to be increasing over the past two decades, there is a notable trade imbalance between the two countries. For example, based on UN Comtrade data prepared from 2000 to 2019 (Table 9), China's exports to Uganda amounted to US$823.7 million in 2016 while imports from Uganda were worth only US$37.6 million during the same period.[173] Over a period of 10 years (2010–2019) China's exports to Uganda were worth approximately US$5.7 billion against imports amounting to approximately US$0.5 billion, creating a trade imbalance of US$5.2 in 2019. How would Uganda rectify this imbalance? Without doubt the Ugandan government has turned to China as a development partner that provides funding to most of its projects. Chinese exports to Uganda of mainly manufactured goods may be crowding out some local Ugandan manufactured goods and hence displacing local workers and enterprises. It is imperative, therefore, that the Ugandan government gain leverage in negotiating contract terms to include local sourcing for services or equipment. Over reliance on Chinese capital would not yield better terms that will hugely boost Ugandan participants in the industries or sectors related to these projects. One might be inclined to argue that China uses this huge trade imbalance to find markets for its manufactured products. Hence, it appears probable that a reduction in the trade gap between China and Uganda is unattainable in the near future.

Table 9. China's Trade with Uganda, 2000–2019 (US$ million)[174]

China Exporting to and Importing from Uganda 2000–2019 (US$ millions)		
Year	**China Exporting to Uganda**	**China Importing from Uganda**
2000	14.403852	0.836515
2001	16.240307	1.236219
2002	28.059393	5.602695
2003	51.388917	3.503326

173 United Nations Statistics Division, "UN Comtrade Database." Data was from 1992–2019.

174 Adapted from: United Nations Statistics Division, "UN Comtrade Database." Data was from 1992–2019.

China Exporting to and Importing from Uganda 2000–2019 (US$ millions)		
Year	**China Exporting to Uganda**	**China Importing from Uganda**
2004	76.42706	11.641231
2005	79.36634	20.001905
2006	137.801795	17.784982
2007	202.945426	19.898324
2008	230.100406	17.060339
2009	231.172136	20.103286
2010	257.526058	26.567283
2011	359.381703	40.249339
2012	495.142823	42.874601
2013	452.212523	71.925435
2014	486.645734	111.569259
2015	553.400101	85.583492
2016	823.682295	37.617419
2017	777.367201	33.412539
2018	706.399878	47.167395
2019	741.309691	42.278151

3. Agriculture

Uganda's economy is overly reliant on agriculture, and the country's hope of reaching middle income status is dependent on citizens' efforts to achieve an environmentally sustainable economy. Uganda's economy is also considered to be fast growing although there are varied regional, rural–urban inequalities. Raising agricultural productivity in Uganda remains significantly crucial and will help in creating wide-ranging improvements in the welfare of citizens and thereby reducing poverty. This at the same time translates to promoting regional equity in the country, thereby reducing regional and rural–urban inequalities. Uganda's Vision of 2040 listed a clear vision for agricultural transformation as one the measures that will improve the livelihoods of the rural population.[175] The significance of this is echoed in the annual agricultural survey

[175] National Planning Authority, *Uganda Vision 2040* (Kampala, Uganda: Government of Uganda, 2017), https://www.gou.go.ug/content/uganda-vision-2040. The Cabinet approved the National Vision Statement, "A Transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years." iii.

conducted by the Uganda Bureau of Standards (UBOS) in 2018, which indicated that the "agricultural sector has been the backbone of the Uganda's economy for decades, employing over 80 percent of the rural population and about 64.3 percent of the working population."[176] Strategically, agriculture as a sector significantly contributes to the national coffers and also benefits the population that heavily relies on it. It is fundamental that the government prioritize extension services country-wide, promoting modern agricultural farming methods, encouraging improved technology practices like irrigation, and making available improved seeds for better yields. Lastly, the sector remains a significant area for investment that can also incorporate value-addition of several agricultural products as a way of receiving higher prices from the products.

Figure 16 shows agriculture a distant fourth, with 9 percent of planned Chinese investments; yet, dismantling of the traditional agricultural practices of rural population by providing modern agricultural extension services is critical to transforming the greatest potential for improved productivity and equitably moving the country forward and lifting the rural population out of poverty.[177] Chinese investments are instead largely aimed at manufacturing, construction, finance, insurance, real estate and business services. Agriculture represents a distant fourth place, receiving a paltry share of that investment, even though it appears to be the main area that positively creates jobs, connecting and linking Ugandan supply chains to consumers. Agriculture further acts as a linkage to other entrepreneurial investments that may offer huge projects to the Chinese while taking note of constructive impacts on development. These big Chinese run projects are likely to be attractive investment prospects outside China, and they feature prominently in Ugandan economic investment planning by technocrats in their efforts to understand China's role in Uganda.

[176] Food and Agriculture Organization of the United Nations, "FAO and UBOS Launch the Annual Agriculture Survey Report, Providing Key Statistics for the Agricultural Sector," FAO in Uganda, December 6, 2020, https://www.fao.org/uganda/news/detail-events/es/c/1293240/.

[177] African Centre for Media Excellence, "Data on Chinese Investments in Uganda.

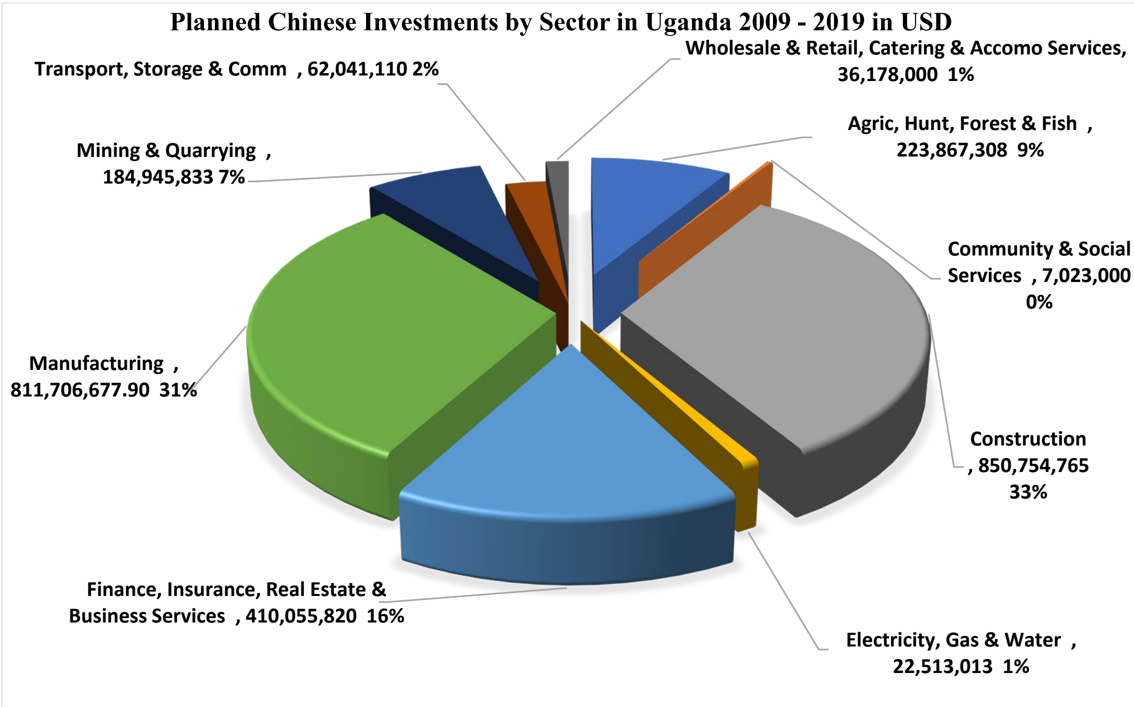

Figure 16. Planned Chinese Investments by Sector in Uganda, 2009–2019 (US$ billion)[178]

4. Employment

Institutions of higher learning in Uganda graduate young people yearly, who are well qualified and capable of joining the job market. Nonetheless, these young graduates find it extremely challenging to find openings in the job market due to intense competition for the few available jobs. With the pretext of being investors, Chinese instead end up flooding the country and snapping up petty jobs that would otherwise be filled by the locals.

Figure 17 shows manufacturing taking 40 percent of planned employment, closely followed by construction at 28 percent.[179] These key sectors require skilled personnel, and this may limit the number that can be recruited. Perhaps key sectors such as agriculture, agro-processing horticulture, and even tourism do not necessarily require highly trained

[178] Adapted from African Centre for Media Excellence, "Data on Chinese Investments in Uganda."

[179] African Centre for Media Excellence.

skilled personnel, but they can employ several thousands of people with even limited education.

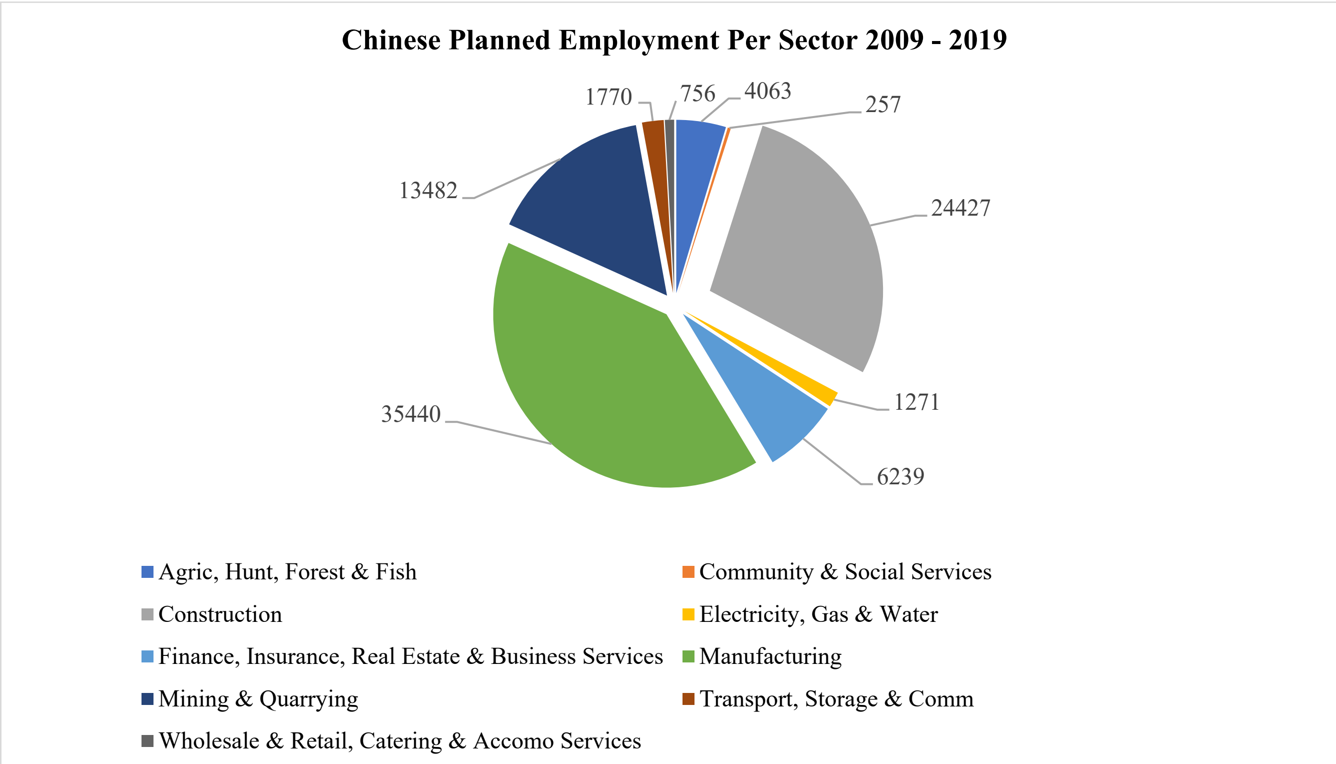

Figure 17.Chinese Planned Employment per Sector, 2009–2019[180]

While investments have created employment opportunities by offering jobs and added businesses, which have been well received by Ugandan population, poor working conditions and environmental practices of Chinese companies have been reported. Further, Mayers and Barungi in their ACODE briefing reported that "many people evicted from their land to make way for the new projects have not been compensated."[181] As the scope and scale of China's investment and business interests continue to expand in Uganda, they are targeting the huge potential of the country's natural resources. Yet there is little debate and investigation on how these Chinese investments are impacting the country that seems to be willing to offer use of its wetlands, forests, and other natural resources. Rather

180 Adapted from African Centre for Media Excellence.

181 Mayers and Barungi, "Chinese Investment in Uganda," 1.

attention should be focused on the wider range and scale of these investments in order to track their prospects to sustainable development that Uganda can achieve. Without meaningful government and community engagement with Chinese companies on issues such as the environment, legal compliance, social responsibility, full reporting, and continuous reminders for the investors to improve their policies and practices, the host community or country may achieve little benefit from Chinese investments.

F. SOME CHALLENGES POSED BY CHINA'S INVESTMENTS IN UGANDA

Many see these investments as innocent magnanimity, or mutually beneficial economic cooperation, but some scholars opine that there are reasons for concern as well. Uganda today is also accumulating a lot of debts from easy-to-get Chinese loans. Rodney Muhumuza in his article stated that "Uganda's national debt stood at over US$10 Billion in 2018, nearly a third of it owed to China, according to official figures."[182] Similarly, a senior Bank of Uganda official stated that, "unless the country is able to sustain a GDP growth rate of at least 7 percent—which economic projections show Uganda will not do—the country will default on its [debt] payments."[183] It appears probable that Uganda might be heading toward a debt crisis due to Chinese loans that are likely to threaten the country's sovereign assets.

Furthermore, not all the benefits accruing from these investments shall be distributed widely and equally throughout the country. Corrupt governments and local officials, local bureaucracy, and inefficient officials tend to frustrate policy during preparatory stages and licensing procedures of Chinese projects. So, even if an environment conducive to investment is set in place, the citizens should insist on doing away with corruption and tendencies that make investments unreliable. With that in mind, this study also focuses on why government contributes less to the development of projects

[182] Rodney Muhumuza, "As China Builds up Africa, Some in Uganda Warn of Trouble," AP News, October 24, 2019, https://apnews.com/article/economy-uganda-financial-markets-global-trade-international-news-62ab13badad04dd7b38a69b69eac61d1.

[183] Neil Edwards, "How Will China React to Uganda's Looming Debt Crisis?," *Africa Program* (blog), November 5, 2019, https://www.cfr.org/blog/how-will-china-react-ugandas-looming-debt-crisis.

after they have been handed over by donors, and it examines mechanisms to sustain and support such developmental projects that may have societal effects.

Moreover, as Chinese entrepreneurs set up factories in Uganda, large consignments of cheap Chinese goods are imported into the country, leading to unfair competition that adversely affects local production. According to a paper presented by Makhtar Diop, World Bank representative for the Africa Region, “an irony of Chinese entrepreneurs setting up factories in African countries is that the import of cheap Chinese goods was another factor destroying local production.”[184] Admittedly, Chinese migrant workers have also flooded Uganda as contractors, but some end up doing petty trade or businesses that undercut local businesses. Additionally, Chinese employers are known to offer low wages to local workers.[185] Besides low pay, most of these workers also complain of poor working conditions and lack of protective equipment. It remains unclear why these undesirable practices are unique to and widely spread across Chinese investors.

Beyond these business practices by Chinese companies, other factors pose hurdles to indigenous entrepreneurs. FINCA Uganda has reported that “while the [Ugandan] economy continues to grow, unreliable electrical service, high energy costs and an inadequate transportation infrastructure provide serious obstacles for low-income entrepreneurs seeking to build businesses and incomes.”[186] As Uganda directs resources to construct power generation facilities (such as the Karuma and Isimba Hydro-electricity generation dams currently under construction), high energy costs (electricity) become unsustainable for small scale investments.

As previously mentioned, substantial numbers of Chinese migrant workers are flooding Uganda, often camouflaged as contractors, and they tend to replace Ugandan workers.[187] Over time, this is likely to affect capacity building, skills training, and

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[184] Makhtar Diop, “Lessons for Africa from China’s Growth,” World Bank Speeches & Transcripts, January 13, 2015, https://www.worldbank.org/en/news/speech/2015/01/13/lessons-for-africa-from-chinas-growth. Speech presented at Tsinghua School of Economics and Management.

[185] Diop.

[186] FINCA International, “Fighting Poverty in Uganda.”

[187] FINCA International.

technology transfer from the migrant Chinese to the indigenous people. It is important therefore that Uganda strengthen its trade and investment agreements with China. By doing so, they can a) further strengthen intra-regional trade, b) ensure that more development assistance is aligned with the national priorities, and c) insist on transparency in Chinese aid flow, including loans. Finally, based on previous instability in Uganda's history, the government must create conditions that define and measure economic growth, put in place conditions conducive to investment, and establish various models for structural transformation that contribute meaningfully to the development of projects handed over by the donors.

V. GHANA

Ghana is a vibrant economy driven primarily by the oil and petroleum, mining, and services sectors that keep improving and are significant revenue sources. Due to its resources, business-friendly environment, and democratic predisposition, Ghana has become one of the leading FDI destinations in Africa. Ghana and China established diplomatic relations in 1960 and have since maintained a good partnership.

A. CHINESE FOREIGN DIRECT INVESTMENT IN GHANA

Ghana and China have signed several bilateral agreements on trade, projects funding, and investments. The cooperation between the two countries has created an atmosphere that fosters mutual respect and a friendly investment environment. In a recent interview, Korankye-Sakyi asserted that Ghana would "be a priority country to benefit from Chinese FDI due to China's south-south cooperation and Ghana's leadership role in the Africa Continental Free Trade Area (AfCFTA)."[188] Significantly, Chinese investments in Ghana continue to be regular and are mainly in the services, manufacturing, construction, and trading sectors.

Data from Ghana Investment Promotion Centre (GIPC) shows that China registered 47 projects in Ghana in 2009, 72 in 2010, and 82 projects in 2011.[189] Of the 47 Chinese projects registered in 2009, 23 were in the manufacturing sector, nine in general goods, six in services, four in building and construction, four in tourism, and one in the liaison sector.[190] In 2010, of the 72 Chinese projects, 23 were in the general trade, 21 in manufacturing, 13 in services, four in agriculture, four in tourism, four in building and construction, two in export, and one in liaison.[191] China's increasing investments in Ghana

188 "Interview: Ghana Poised to Be Priority Destination for Chinese Investment: Trade Analyst," Xinhua, April 24, 2021, http://www.xinhuanet.com/english/africa/2021-04/24/c_139903381.htm.

189 Ghana Investment Promotion Centre (GIPC), *GIPC Quarterly Report* (Accra, Ghana: Ghana Investment Promotion Centre (GIPC)), 2009 & 2010, https://gipc.gov.gh/quarterly-reports/.

190 Ghana Investment Promotion Centre (GIPC).

191 Samuel Frimpong, Ayertey Saviour, and Saviour Ayertey Nubuor, "Research on the Chinese Investments in Ghana," *Journal of Economics and Sustainable Development* 4, no. 4 (2013): 122, https://www.researchgate.net/publication/284534911_Research_on_the_Chinese_Investments_in_Ghana.

means increases in direct and indirect employment, which adds to the country's economic growth. The GIPC reports for the third quarters of 2013 and 2014 show that FDI created a total of 8,660 and 5,154 jobs in Ghana, respectively. The jobs openings have invariably reduced poverty, translating into an improvement in the lives of the local people. Also, a substantial amount of money has been invested in the Ghanaian economy. Again, the GIPC report for 2014 shows the value of FDI amounted to a total of US$1.6 billion, of which US$1.1 billion was from Chinese FDI that was invested in Ghana over six years.

Table 10 shows the value of quarterly Chinese investment in Ghana from 2013 to 2018.

Table 10. Chinese Investment Value in Ghana, 2013–2018 (US$ million)[192]

Year	Quarter 1 Jan–Mar	Quarter 2 Apr–Jun	Quarter 3 Jul–Sep	Quarter 4 Oct–Dec	Total Investment
2013	12.55	23.97	-	5.39	41.91
2014	5.96	-	1,104.45	499.51	1,609.92
2015	27.35	-	144.05	-	171.4
2016	5.95	270.64	17.02	7.92	301.53
2017	27.04	17.08	4.24	183.85	232.93
2018	15.57	65.48	9.97	68.37	159.41

As shown in Figure 18, the value of Chinese investments reflects some variations in the six years as the number of projects increased or decreased in different quarters.[193] The third quarter of 2014 and the second quarter of 2016 recorded high investment values in terms of the four and 13 Chinese registered projects, respectively. In 2014 Chinese companies undertook many construction projects accounting for the leap in Chinese investments. China was ranked the number one source of investment by the number of

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[192] Adapted from: Ghana Investment Promotion Centre (GIPC), *Quarterly Reports*, 2013–2018, https://gipc.gov.gh/quarterly-reports/.

[193] Ghana Investment Promotion Centre (GIPC).

projects in 2013 and by value in 2014.[194] In total, the value added to the economy eventually improved Ghana's GDP growth. This trend follows for other periods, allowing foreign exchange inflows to the economy.[195] In 2014 a Chinese construction company, Huasheng Jiangquan Group, pledged to pay in excess of US$2 billion for the development of an industrial park in the western part of Ghana, a project likely to employ about 5,000 people.[196]

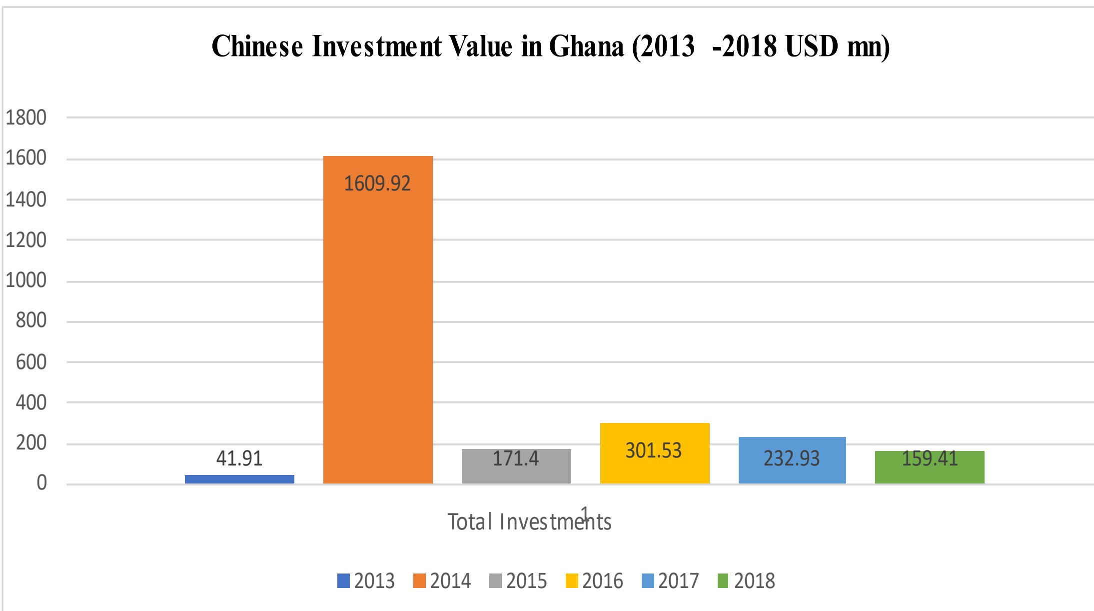

Figure 18. Chinese Investment Value in Ghana, 2013–2018 (US$ million)[197]

[194] Ghana Investment Promotion Centre (GIPC).

[195] Shem Oirere, "Ghana Losing Millions in Revenue to Concealed Chinese Companies," SeafoodSource, March 26, 2021, https://www.seafoodsource.com/news/environment-sustainability/report-finds-concealed-chinese-companies-denying-ghana-fishing-revenues.

[196] "Chinese Investors Continue to View Ghana as a Hub for Expanding Exports into West Africa," Oxford Business Group, November 18, 2014, https://oxfordbusinessgroup.com/analysis/chinese-investors-continue-view-ghana-hub-expanding-exports-west-africa.

[197] Adapted from: Ghana Investment Promotion Centre (GIPC), *Quarterly Reports*, 2013–2018.

In the communications section, mobile communication has received a boost from Chinese investment. Huawei, a communications giant, partnered with Ghana Investment Fund for Electronic Communications (GIFEC), and is providing voice and mobile broadband services to about 3.4 million people in 172 remote rural communities through its innovative solutions.[198] The initiative through the RuralStar Pro Solution will increase Ghana's mobile network coverage rate from 83 percent to 95 percent. With the extension of internet access to rural communities, the local businesses will be exposed to the global market, connected to better health and hygienic practices, and able to attract people to the countryside for tourism business, reverse migration, etc. In transportation, Ghana's Africa World Airlines (AWA) is a joint Ghanaian–Chinese venture in the air transport sector, making it the first African civil airline with Chinese investment. The HNA Group, China, China-Africa Development Fund, Social Security and National Insurance Trust, Ghana, and SAS Finance Group are joint owners of the company, which began operations in 2012 with Embraer 145 Jets.[199] AWA operates domestic flights between Accra, Kumasi, Takoradi, Tamale, and Wa. Furthermore, it connects international flights to Abuja and Lagos, located in urban areas in Ghana. According to the GIPC, Chinese companies are in the lead with FDI in Ghana. By the third quarter of 2019, 200 Chinese companies had been established in Ghana.[200]

In addition to the projects just described, several Chinese business entities are engaged in steel production, fishing, fast foods and restaurants, IT equipment trading, wig manufacturing, construction, plastic and packaging.[201] Some prominent Chinese-owned companies registered in Ghana include Ghana Chinese Chamber of Commerce, China Shandong International Ghana Limited, Inspur Group Limited, Sinohydro Group Limited,

[198] Verny Joy, "Huawei to Connect 3.4 Million Individuals in Ghana Through Its Innovative Solution," *Digital Times*, March 1, 2021, https://www.digitaltimes.africa/huawei-to-connect-34-million-individuals-in-ghana-through-its-innovative-solution/.

[199] CGTN Africa, "Ghana Benefiting from a Joint Aviation Venture with China," *Africa Live* (blog), May 2, 2016, https://africa.cgtn.com/2016/05/02/ghana-benefiting-from-a-joint-aviation-venture-with-china/.

[200] Ghana Investment Promotion Centre (GIPC), *Quarterly Reports*, 2019, https://gipc.gov.gh/quarterly-reports/.

[201] CGTN Africa.

China State Construction Engineering Corporation, Imperial Peking Chinese Foods Limited. These companies have flooded the Ghanaian market with many products, making goods easily accessible and affordable. Additionally, Chinese companies have offered hundreds of jobs to Ghanaians and enhanced the technical skills of these employees. Indirect employment has also increased through other services.

On the other hand, there have been concerns about much cheaper and readily available products from China that are outcompeting goods produced by local businesses and pushing them to bankruptcy. Given that the local industry is developing, the situation is likely to drive the country to deindustrialization if the glut of Chinese goods in the local markets continues at the current rate. Others argue that some groups, especially the low-income consumers, benefit from the cheap imports from China. Further, some argue the competition is forcing the Ghanaian manufacturing industry to improve the quality of its products.

B. TRADE BETWEEN CHINA AND GHANA

China is among the leading trading partners of Ghana. According to Shi Ting Wang, China's Ambassador to Ghana, in 2018, trade between Ghana and China realized US$7.3 billion, up from the previous year's US$6.67 billion, making Ghana's volume of trade with China the seventh-largest in Africa in 2018.[202] However, while Ghana exports primarily raw materials such as cocoa beans, petroleum, rough wood, and manganese ore to China, the goods shipped to Ghana from China are finished products, mainly machines, electronics, textiles, and household goods. According to Xiaoyang Tang, quoting from the UN Conference on Trade and Development 2014 figures, noted that trade between Ghana and China is not balanced, though imports of oil from Ghana significantly boosted China's import volume.[203] China's primary commodities exported to Ghana included vehicles and machinery (26.14 percent), metalware and glass (21.47 percent), garments and footwear

[202] Jemima Esinam Kuatsinu, "Ghana, China Trade Hit US$7.3 Billion," *Ghanaian Times*, December 9, 2019, https://www.ghanaiantimes.com.gh/%EF%BB%BFghana-china-trade-hit-us7-3-billion/.

[203] Xiaoyang Tang, "8 Geese Flying to Ghana? A Case Study of the Impact of Chinese Investments on Africa's Manufacturing Sector," *Journal of Contemporary China* 27, no. 114 (2018): 929, https://doi.org/10.1080/10670564.2018.1488106.

(18.92 percent), and chemicals, plastic, and rubber (14.1 percent). This same trend has continued over the last 20 years or more. Table 11 depicts some major export commodities to China in 2019 and values derived. In 2019 oil and petroleum products were Ghana's primary foreign exchange earner as almost all commodities exported were in the raw state.

Table 11. Ghana's Major Exports to China, 2019.[204]

Year	Commodity	Value (USD mn)
2019	Distillation products, fuels, oils, distillation	2,380.00
"	Ore slag and ash	274.98
"	Cocoa and cocoa preparations	128.71
"	Fish, crustaceans, mollusks, aquatics, invertebrates	10.40
"	Wood and articles of wood, wood charcoal	10.00
"	Oilseed, oleaginous fruits, grain, seed, fruits	2.81
2019	Iron and steel	1.14

Commodities shown in Table 11 are exported in their raw state, and therefore, have low monetary value in the international market.[205] Whereas in tonnage, these commodities look huge, their monetary gains remain low because of no value addition. Ghana needs to add value to its exports to attract higher prices. Figure 19 is the graphical representation that shows distillation products, mineral fuels, and oils accounting for the largest portion of these exports (about 85 percent) while iron ore accounts for the least with less than one percent.

204 Adapted from: Trading Economics, "Ghana Exports to China - 2022 Data 2023 Forecast 1996–2019 Historical," Trading Economics, accessed February 6, 2022, https://tradingeconomics.com/ghana/exports/china.

205 Trading Economics.

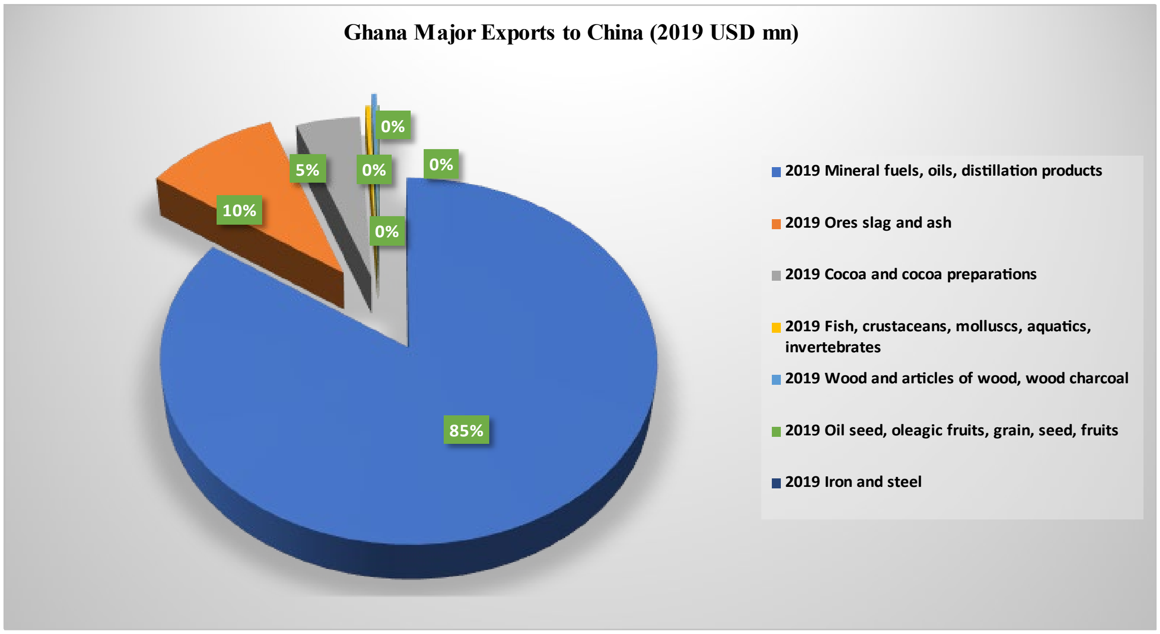

Figure 19. Ghana's Major Exports to China, 2019 (US$ million)[206]

In 2019 Ghana's exports to China were valued at US$2.67 billion, with oil and petroleum accounting for US$2.05 billion; manganese ore, US$389 million; and cocoa, US$73.8 million.[207] Between 1995 and 2019, Ghana's exports to China increased annually at a rate of 30.4 percent, from US$4.29 million to US$2.67 billion in 2019. In comparison, China's exports to Ghana in 2019 were worth US$4.35 billion, made up of coated flat-rolled iron (US$166 million), rubber footwear (US$145 million), and pesticides (US$132 million). Also, Chinese exports to Ghana continued to increase by 18.7 percent annually from US$71.3 million in 1995 to US$4.35 billion in 2019. The value of Chinese exports compared to that of Ghana's exports shows wide variations, a trend across Africa. There has been a steady increase in monetary value of Chinese merchandise exported to Ghana in comparison with the previous heavy imports of raw materials. However, China is well ahead of Ghana in terms of monetary value of exports due to its value-added goods.

[206] Adapted from: Trading Economics.

[207] Alexander J. G. Simoes and Cesar Hidalgo, "The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development," in *2011 AAAI Workshop* (Scalable Integration of Analytics and Visualization, San Francisco, 2011), 39–42, https://www.researchgate.net/publication/221605462.

C. CHINESE LOANS TO GHANA

Ghana is among the countries in Africa that have secured a substantial amount of loans and aid from China. Ghana's loans from China have been used mainly for infrastructure development, improving sea and airport facilities, schools and hospitals, road and bridge construction, irrigation projects, hydroelectric dams, railways development, etc. Whereas some loans have in monetary repayment terms, others rely on the exchange of commodities. Loans contracted from the Chinese for projects like the Bui Dam, railway development between Tema and Akosombo, comprehensive road network projects, and hospital projects, among others, were negotiated with repayment in the form of commodities like bauxite, petroleum, and cocoa beans.

In 2006 the Ghana government reached an agreement with the Chinese on resource-for-infrastructure to construct the Bui Hydro-electric Dam.[208] The project was estimated at US$790 million, the second-most expensive project in Ghana after the Akosombo Dam, and saw Ghana seeding it with 40.000 metric tons of cocoa beans until the power sales agreement started on completion of the project.[209] The Bui Dam connects power to urban and rural areas and provides a reservoir for irrigation in its catchment area, increasing agricultural yield in Ghana's northern regions. The project, which has been acknowledged as cost-effective, was initially estimated to cost US$1.2 billion by a French contractor. The Chinese contractors executed the project at US$622 million, bringing to view the fact that the cost would have been much higher if Ghana's traditional donors had executed the project.[210]

In 2010, Ghana signed a multi-billion-dollar agreement with the Chinese government for loans totaling US$12.25 billion, which were advanced by Eximbank and CDB for various development projects such as dams, railways, roads, gas fields, etc.[211]

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[208] Kwame Adovor Tsikudo, "How the Bui Dam Set up China's Future Engagement Strategy with Ghana," The Conversation, July 27, 2021, http://theconversation.com/how-the-bui-dam-set-up-chinas-future-engagement-strategy-with-ghana-164970.

[209] Tsikudo.

[210] Anthony Yaw Baah and Herbert Jauch, eds., *Chinese Investments in Africa: A Labour Perspective* (Accra, Ghana: African Labour Research Network, 2009).

[211] Oxford Business Group, "Chinese Investors Continue to View Ghana as a Hub."

The deal for the development of the natural gas fields by the Ghana National Gas Company (GNGC) has helped stabilize electric power production and supply, which had crippled Ghana's economy in 2014. Ghana now saves a lot on the cost of using natural gas for its thermal power generation units, which contribute about 60 percent of power consumption in the country. The company supplies not less than 50 percent of the liquified petroleum gas (LPG) consumed in Ghana cheaply, encouraging commercial and domestic consumption of LPG.[212]

Until 2010, Ghana imported light crude oil (LCO) to power its thermal power units. In 2013, according to a World Bank estimate, gas from Ghana's oil field cost US$2.25/MMBtu while LCO was US$17.24/MMBtu, which means Ghana could save US$14.99 on every MMBtu unit. In 2014, for example, Volta River Authority (VRA) spent an additional US$1 million at roughly US$17.24/MMBtu a day to run its thermal units on LCO in contrast to gas from the West Africa Gas Project at the cost of US$8/MMBtu.[213]

In 2018, Ghana signed a memorandum with China for a loan of US$2 billion to develop its bridge and rail infrastructure in exchange for five percent of Ghana's bauxite reserves.[214] As part of the deal, the Chinese government has committed to giving 100 vehicles to the Ghana Police Service and pledged a 300-million-yuan (US$42.7 million) grant and 250 million yuan of debt relief.

D. ANALYSIS OF CHINA'S FOREIGN DIRECT INVESTMENT IN GHANA

The Chinese have several investments in Ghana that continue to grow, ranging from steel production to fast foods restaurants. Currently, Chinese companies are thriving in many sectors in Ghana, with the big ones in communication, construction, plastic products, and fishing. The growth of these companies has been attributed to the business-friendly

212 Ghana National Gas Company, "Our Impact on Ghana's Industrialization," Ghana Gas, accessed February 5, 2022, https://www.ghanagas.com.gh/ghana.

213 Jorik Fritsch and Rahmatallah Poudineh, *Gas-to-Power Market and Investment Incentive for Enhancing Generation Capacity - an Analysis of Ghana's Electricity Sector* (Oxford, UK: Oxford Institute for Energy Studies, 2015), https://doi.org/10.26889/9781784670351.

214 Elliot Smith, "China's $2 Billion Deal with Ghana Sparks Fears over Debt, Influence and the Environment," CNBC, November 21, 2019, https://www.cnbc.com/2019/11/21/chinas-2-billion-ghana-deal-fears-over-debt-influence-environment.html.

atmosphere and good investment climate and returns. The increased number of business outlets also translates to direct and indirect employment opportunities. According to PriceGhana.com, a multi-topic online information hub, hundreds of Chinese companies and manufacturing facilities are in Ghana.[215] The companies add to Ghana's GDP growth and revenue, and their employees and those involved in indirect businesses with their presence have seen improvement in their living conditions. According to Green Economy Assessment Report Ghana, a Ghana Government, ISSER and UNEP collaboration, between 1991 and 2013, Ghana recorded a remarkable decline in total poverty figures from 51.7 to 24.2 percent.[216] Bilateral trade between Ghana and China showed yearly growth reaching a volume of US$7.3 billion in 2018 and bringing in about US$6.7 million in 2019. However, the increasing number of Chinese businesses and imports of finished products have put a lot of pressure on their local counterparts as they face stiff competition. In Ghana, research supports the assertion that local businesses struggle to compete with cheap imports from China. Nonetheless, there has been substantial improvement in the quality and outlook of locally manufactured goods in the market, which is evident in the packaging and finishing. Laurence Marfaing and Alena Thiel have indicated that in 2011 and 2012, though some traders from Senegal and Ghana welcomed the initiative of opening gainful economic activities with China, the more established local businesses expressed dissatisfaction with the increasing presence of Chinese companies, as their monopoly on the market was increasingly undermined.[217] Chinese trading companies are also undermining local businesses, primarily in the textile and plastics industries.

Also, there are reported labor abuses, unfair conditions, refusals to hire local skilled hands, and low wages by Chinese companies in Ghana. Some observers see Chinese

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215 PGadmin, "List of Chinese Company in Ghana (2022)," Prices Ghana, August 4, 2021, https://pricesghana.com/chinese-company-in-ghana/.

216 United Nations Environmental Programme, *Green Economy Assessment Report: Ghana* (United Nations Environmental Programme, 2015), vii, https://www.greengrowthknowledge.org/research/green-economy-assessment-report-ghana.

217 Laurence Marfaing and Alena Thiel, "The Impact of Chinese Business on Market Entry in Ghana and Senegal," *Africa: Journal of the International African Institute* 83, no. 4 (2013): 646–69, https://www.jstor.org/stable/24525679.

mistreatment of Ghanaian workers as unjust and unethical.[218] According to George Ofosu and Daavid Sarpong, the trends found in Chinese companies across Africa are tense labor relations, violation of employees' rights, hostile attitudes, poor working conditions, and unfair labor practices. Anthony Yaw Baah and Herbert Jauch asserted that there are reports of common local labor abuses in Ghana, including working without pay, compulsory overtime, and using casual labor for periods exceeding six months.[219]

On the other hand, some Ghanaian attitudes and practices affect foreign businesses in negative ways. Sometimes, the embedment of politics into the business space and lack of openness in government actions and inflexible local business interests have caused excessive time being wasted for new investors.[220] The government's preparedness to assess the political inclination of Ghanaians involved in businesses, as well as corrupt practices of government officials and others in the business fraternity have been of concern to investors. Though Ghana's anticorruption laws empower the judiciary and law enforcement to deal with corruption, is the laws are not enforced to the letter. Foreign investors have complained of a lack of respect for contract provisions, compulsory renegotiations of contract terms, and threats of contract cancellations that derail investors' confidence.

E. CHALLENGES POSED BY CHINA'S INVESTMENT IN GHANA

Despite the advantages Ghana derives from China's investment and loans, all has not been easy going. Chinese businesses and investments have been fraught with challenges and sometimes misunderstandings over agreements, cultural differences, mistreatment of local workers, environmental concerns, shoddy merchandise, and poor construction, among others. For instance, there was significant opposition to a US$2 billion loan that the Chinese facilitated in exchange for a 5 percent concession of Ghana's bauxite.

[218] George Ofosu and David Sarpong, "The Evolving Perspectives on the Chinese Labour Regime in Africa," *Economic and Industrial Democracy*, 2021, 1–20, https://doi.org/10.1177/0143831X211029382.

[219] Baah and Jauch, *Chinese Investments in Africa*.

[220] Office of the United States Trade Representative, *2021 National Trade Estimate Report on Foreign Trade Barriers* (Washington, DC: Executive Office of the President, 2021), https://ustr.gov/sites/default/files/files/reports/2021/2021NTE.pdf.

Conservationists have vehemently opposed the deal because of the possible consequences of its effect on the environment of the Atewa forest in Ghana, an extension of the Upper Guinean Rainforest.[221] The concerns are that the mining of bauxite in the forested mountain, where the sources of the Densu, Birim, and Ayensu rivers are located, could have a possible major and permanent effect on the forest and pollute the source of drinking water of parts of Greater Accra, Eastern and Central Regions of Ghana. However, the Ghana government dismissed the concerns raised and has gone forward with the deal.

There are also concerns about China's real motive for funding vital projects in Ghana such as the Bui Dam, Ghana Gas, hospitals, sea and airports, and universities. As such, the Ghanaian government's over-dependence on Chinese loans for everything, giving the Chinese too much influence and control over the economy of Ghana, has been criticized. In an interview with CNBC, the managing director of Geopolitical Risk Advisory, Elizabeth Stephens, stated that "funding the construction of schools and universities is likely to enable China to exert significant influence over the curriculum at a time when concern is being raised about Chinese investment being used to influence teaching at Western universities."[222]

Mining by artisans and small-scale miners accounts for 37 percent of the raw gold and 100 percent of diamond produced in Ghana.[223] It offers employment for one million people and an additional three million indirectly employed by the sector. In 2009, many Chinese nationals arrived in Ghana to set up small and medium mining businesses; however, these mines flouted Ghanaian laws and regulations on mining. Reports from the mining communities indicated the Chinese employed chemicals and machines that pollute the water bodies. In 2018 a security force clamped down to stop illegal mining practices; 1,370 Chinese were arrested.[224]

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221 Smith, "China's $2 Billion Deal with Ghana Sparks Fears."

222 Smith.

223 Joseph Hammond, "Sweet and Sour: China in Ghana," *The Diplomat*, December 4, 2019, https://thediplomat.com/2019/12/sweet-and-sour-china-in-ghana/.

224 Hammond.

There are also reports of abuses by Chinese management of Chinese-owned companies and business entities that operate with low wages, sub-standard conditions, arbitrary dismissals, excessive use of casual labor, beatings, and other abuses. For instance, a report filed by the Environmental Justice Foundation indicated that Ghanaian workers on board a Chinese fishing vessel were subject to various abuses ranging from "beatings to lack of drinkable water or basic medicines and punishing working hours. This abuse of the crew goes hand-in-hand with threats, the bribery of fisheries observers and large-scale illegal fishing."[225] Additionally, reports indicate that Chinese-owned trawlers are devising ways to evade statutory charges, thereby denying the Ghanaian government millions in license revenue. These Chinese-owned vessels are disguised as locally incorporated trawlers to cheat the government by paying lower license fees and avoiding illegal fishing charges. According to the report, each year, Ghana loses between US$14.4 million and US$23.7 million in fishing license fees and fines in a country where the Chinese own 93 percent of trawl vessels.

[225] EJF Staff, "Ghanaian Workers Report Appalling Abuse Aboard Chinese-Owned Fishing Vessels," Environmental Justice Foundation, October 26, 2020, https://ejfoundation.org/news-media/ghanaian-workers-report-appalling-abuse-aboard-chinese-owned-fishing-vessels.

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VI. FINDINGS AND CONCLUSION

This section summarizes the findings of the research presented in the previous chapters on China’s involvement in Ghana, Uganda, and Africa in general. The analysis found evidence of some positive benefits to the African population as well as negative effects from Chinese investments.

A. FINDINGS

Ghana and Uganda share similar economic conundrums and expectations. Both countries have a relatively large population, with many living in marginally developed urban and poor rural communities. The growth of the two countries’ economies depends largely on exporting raw commodities for foreign exchange. Vital infrastructure, a catalyst for economic growth, is to a large extent limited or non-existent. Both countries seem to have fallen off with support from the West due mainly to strict conditions attached to loans and have turned to the Chinese for financial backing to develop their economies. Primarily, the Chinese have relatively flexible loan terms for African countries, including accepting natural resources in exchange for loan repayments. Both countries have negotiated huge concessional and commercial loans for major infrastructural development to open their economies. The loans from China have gone into rails and roads construction, hydroelectric dams, hospitals, gas extraction plants, ports and harbors, and stadia.

By and large, there are similarities in China’s dealings with both Ghana and Uganda. China trades with Ghana and Uganda; however, the trade data shows that exports from China to both countries are far much greater than what it imports. Trade is observed to be skewed in favor of China. For example, in 2016 China’s exports to Uganda were worth US$824 million while imports were as low as US$38 million (approximately 20 times more imports from than exports to China).[226] Similarly, China’s exports to Ghana in the same period were worth US$4,667 million, while imports amounted to US$1,310 million. Both countries, therefore, are bound to lose huge sums in foreign exchange by

[226] Adapted from: United Nations Statistics Division, “UN Comtrade Database.” Data was from 1992–2019.

paying for more imports from China than what they receive from their exports to China. This trade imbalance is unfavorable to both Ghana and Uganda as they receive less foreign exchange earnings while paying much more for imports from China. One might be inclined to believe that Beijing's influence and interests in both Ghana and Uganda (as well as Africa in general) is to expand markets for its finished products, mainly manufactured goods, as one way of supporting several of China's industries back at home.

Based on the data, China is also observed to be engaged in FDI in both countries and on the African continent. Data in 2016 showed that Ghana's FDI stock value was US$1,958 million while FDI flow was US$491 million.[227] Likewise, Uganda's FDI stock amounted to US$1,006 million in the same period, whereas FDI flow stayed at US$122 million. FDI is favored by developing host countries and has been demonstrated to be more beneficial than other forms of capital flow because of the resilience exhibited in times of financial emergencies. Similarly, FDI appears to increase domestic investments and economic growth, creating jobs to host countries in Uganda and Ghana. Uganda and Ghana are likely to gain from benefits that accrue from financial inflows such as technology transfer, the contribution of human capital development, and tax revenues from profits generated by FDI. Furthermore, FDI flows contribute to GDP growth, the creation of employment opportunities, and higher GDP growth through positive effects of increased overall productivity.

China's relationship with Uganda seems to have contributed to much-needed FDI in infrastructure projects, construction, and manufacturing that have generated new employment opportunities, hence stimulating growth. The trend for Uganda's economic growth in 2011–2020 shows registered GDP growth in 2018/19 at 6.8 percent (Table 12).[228]

[227] Adapted from: Johns Hopkins School of Advanced International Studies - China Africa Research Initiative, "Data: Chinese Investment in Africa," China Africa Research Initiative, January 8, 2021, http://www.sais-cari.org/chinese-investment-in-africa.

[228] Source: Uganda Investment Authority, *Annual Investment Abstract FY 2019 - 2020* (Kampala, Uganda: Uganda Investment Authority, 2021), 14, https://www.ugandainvest.go.ug/wp-content/uploads/2021/09/UIA-Annual-Investment-Abstract-FY-2019_2020_Final.pdf.

Table 12. Trend of Uganda's Economic Growth, 2011–2020[229]

Financial Years	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
GDP Growth Rates in %	3.8	3.6	5.2	5.1	4.8	3.8	6.2	6.8	3.1

Empirical data from DATA.dot UG on Chinese investments in Uganda over ten fiscal years (2009/10–2018/19) show 535 licensed projects in all sectors, with manufacturing taking a massive 330 projects valued at about US$812 million, or 61.7 percent.[230] Astonishingly, construction with only 49 projects (9.2 percent) was valued at roughly US$851 million (32.6 percent). Accordingly, the total amount of these planned investments was valued at approximately US$2.61 billion during the same period. Additionally, the highest number of Chinese licensed projects was observed in the financial year 2016/17 (78 projects), the same year that saw the highest Chinese FDI stock in Uganda.

Similarly, the same period saw 87,705 planned employment opportunities; again, manufacturing took a lead with 35,440 planned employment opportunities, representing 40 percent of the distribution of planned employment per sector. Furthermore, agriculture, hunting, forestry, and fishing, which were expected to provide 70 percent, had planned employment of only 4,063 (4.6 percent). It is therefore important to conclude that projects and investments funded by the Chinese create and provide some sizeable employment opportunities for Ugandans; however, positions that require skilled labor will probably be allocated to the Chinese.

Ghana received substantial Chinese loans for the funding of its megaprojects like the US$622 million Bui Hydroelectric Dam, the US$1 billion Atuabo Natural Gas of the

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229 Source: Uganda Investment Authority.

230 Adapted from African Centre for Media Excellence, "Data on Chinese Investments in Uganda," Data.ug, accessed February 8, 2022, http://catalog.data.ug/dataset/activity/data-on-chinese-investments-in-uganda.

Ghana Gas Company, the US$1.5 billion expansion of the Tema Harbor, the US$447 million Tema–Akosombo rail lines, and the supply of US$243.6 million in standard gauge locomotives and equipment. While the projects have created jobs, increased electricity coverage, allowed easy movement of people and goods, and facilitated shipping, they have increased Ghana's debt stock to China. As of May 2021, Ghana was indebted to China to the tune of US$3.5 billion.[231] Trade volumes have increased, reaching US$5.4 billion in 2012 and contributing to the GDP growth of 9.29 percent. Nevertheless, the trade volumes between the two countries continue to show disparities as the Chinese export volume to Ghana outweighs that from Ghana to China. Further, the Chinese have either financed a greater percentage of project cost or constructed several projects. For example, the US$94.8 million African Development Bank–Ghana government-funded four-tier Pokuase road interchange, the largest in West Africa, was constructed by Messrs China Zhongmei Engineering Company Limited. In fact, Chinese construction firms are building most highways and trunk roads in Ghana. Chinese FDI in Ghana has been constant, though the number of yearly registered projects fluctuates. The sectors that have recorded the most Chinese investment include services, manufacturing, and trade. In the local trading environment, Chinese malls have sprung up in the major cities of Accra, Kumasi, and Takoradi. Chinese goods, especially textiles and rubber, are ubiquitous in the Ghanaian market. Though these goods are affordable to the average Ghanaian with low income, they compete with local brands, putting some local traders out of business. In other cases, this competitive atmosphere has spurred improvements in business practices in local enterprises. For instance, the competition among domestic airlines has created available and affordable flights that have reduced travel time in doing business, especially between the north and south of Ghana; Accra to Tamale, a driving distance of 621 km, which takes over 10 hours, is now made in less than an hour by flight.

The roads and railways have opened the country, allowing easy movement of people and goods across Ghana. In 2018, China supplied Ghana with 35 standard gauge locomotives from China with coaches and freight cars to operate on the Chines funded new

[231] Derrick Bacha, "Kenya: Top Ten African Countries with the Most Debt Owed to China," *Nairobi News*, May 2, 2021, https://allafrica.com/stories/202105020154.html.

lines under construction.[232] Despite the support from China, however, some Ghanaians see China as motivated by self-interest, using soft power to enable its more comprehensive foreign policy that aims to expand the market for its goods and employment opportunities for its own workers, and to commit to a long-term stay in Ghana to achieve its goals. In all, while the Chinese are getting raw materials to feed their industries and market for their goods, Ghana is receiving substantial FDI from the Chinese, an enabler for the government's plan of infrastructure and industrial development. Therefore, both countries are in for a win-win situation regardless of the disparities already noted.

China has demonstrated an unwavering commitment to support African countries in emerging their economic doldrums as evidenced in its increasing projects and investments in the African continent. Nonetheless, China's compassion and increasing influence do not sit well with every African, likewise in Ghana and Uganda. Some Ghanaians and Ugandans have argued that the Chinese are generally seeking welfare and engage in business but are less interested in African affairs than in the continent's natural resources. If China were interested in the progress of African countries, it would be at the forefront of upholding democratic principles, demand accountability and promote good governance as a prerequisite for granting loans. However, it is highly unlikely that China will promote democratic principles since it is not a democracy.

Additionally, excessive generosity may woo African leaders to bestow too much confidence in the Chinese. The multi-million-dollar gifts and aid are tied to accessing resources from African countries. For instance, gifting 100 vehicles to Ghana police was part of the deal to access five percent of Ghana's Atewa bauxite reserves. If Beijing supports African economies, one would have expected to see these gifts replicated in various countries on the continent, but instead they appear to be selectivity done. Regarding projects, Chinese labor takes up sensitive positions that do not support skills transfer and better remuneration. In this context, Chinese investments do not provide any meaningful

[232] Larsey Naphtali Akwetteh et al., "The Current Railway Development and Its Influencing Factors in Ghana," *Open Journal of Social Sciences* 9, no. 3 (March 2021): 228–44, https://doi.org/10.4236/jss.2021.93015.

skills to an African, and the salary for local workers may not necessarily improve their wellbeing in the long run.

With the current African population of approximately 1.1 billion, China appears to seek an abundant labor force of young workers they can hire cheaply for low-cost efficiency indispensable to running labor-intensive projects and manufacturing enterprises that Chinese are involved in. Chinese enterprises, notably in Africa, are proactively incorporating local manufacturing on the continent, which would be expected to attract a significant number of African workers. But surprisingly, these Chinese companies are crowded with their nationals who are taking up most of the available vacancies, especially top management position. Africans are relegated to the few remaining available positions. Significantly, if China had wholesomely dedicated itself to solving labor shortages, we would hope to see more Africans employed to mitigate rampant unemployment in the continent

African countries have identified inadequate infrastructure as the main hindrance to their prosperity and development. Many African leaders are therefore turning to China, because it is equipped to implement a solution to this problem and ready to undercut competitors on the price for these major development projects. As the value of investments keeps increasing, China could take up this opportunity to ship in more hard investment assets to increase resource extraction while increasing exports to Africa. Crucially, infrastructure such as roads and railways are often connected to ports that promote trade amongst nations. As China's commercial and budgetary gains grow rapidly, so does their competence in influencing the political and diplomatic landscape in Africa. While China's economic benefits appear to be diverse, it is hard to ascertain Beijing's motives on the continent.

B. CONCLUSION

Whereas it is the wish of most African countries to have several investors to spur development, China has wielded excessive influence within African countries in the last three decades. The Sino-Africa relationship began in the late 1950s when Beijing signed bilateral trade agreements with countries that included Algeria, Egypt, Guinea, and

Morocco, among others. This connection with African countries has grown with time due to China's bilateral cooperation on strings-free financial assistance, trade, and investments, which have received massive approval from these countries. The inflow of Chinese investment and aid to Africa continues to open African countries' economies by contributing to infrastructure development, foreign direct investment, and social intervention programs, thereby offering direct and indirect employment.

African countries have positioned themselves for industrial and economic growth through their resources, strategic locations, and fast-growing population. China's involvement has impacted the economies of several African countries positively, spurring growth of Gross Domestic Product (GDP) and stabilizing economies. African countries' traditional trade and investment partners, i.e., the West, continue to support these countries; but with the West's greater demand for recipients to uphold democratic principles of good governance, human rights, and accountability, the Chinese are seen as more flexible. They do not interfere in domestic affairs, which African countries are more comfortable with. Many African countries have benefited from Chinese loans and aid. Across Africa, there are completed or ongoing massive infrastructural projects contributing to the economic growth and well-being of the people.

Ghana and Uganda are among the countries with substantial connections and bilateral relationships with China for loans, trade, investment, and social aid. Both countries have received various loans for projects, including mega ones like the US$1.3 billion natural gas development project, US$1.5 billion Tema Harbor expansion, and US$622 million Bui Hydroelectric Dam in Ghana. Uganda has the Karuma and Isimba Hydropower Dams projects valued at nearly US$2.8 billion, which are expected to produce a total of 883 megawatts, as well as industrial and agricultural parks projects with a combined value of about US$1.92 billion.

Increased trade and investment have been observed between the two countries and China; however, exports from China to the two countries are far greater than its imports from Ghana and Uganda. For instance, in 2016 China's exports to Ghana were worth US$4.7 billion while its imports from Ghana amounted to only US$1.3 billion. Similarly, China exported items worth US$824 million and imported US$38 million in items from

Uganda in the same period. For the most part, the two African countries export raw materials that fetch relatively low prices, while they import finished goods from China that attract higher prices. One is inclined to believe that Beijing's influence and interest in Ghana and Uganda is to open its industries to the outside market to sustain its growth. Arguably, Beijing may perhaps be promoting its strategic economic dominance on the continent which in turn would increase China's prominence in global fora such as the UN and the World Health Organization.

Both Ghana and Uganda have received substantial loans from China for infrastructure development, while Chinese contractors themselves also undertake many construction projects in these two African countries. These loans and projects have had several influences on Ghana and Uganda and have improved their economies, creating jobs for their citizens through Chinese FDI and loans. The Chinese have equally gained access to markets in Africa and secured raw materials to feed their industries. Chinese influence in Ghana and Uganda is a win-win situation but in different proportions.

These loans and projects have had several impacts on the economies of Ghana and Uganda, including increased employment opportunities, the opening-up of rural communities, the construction of good roads, extensive railways, and the facilitation of trade, etc. At the same time, these loans have also left the governments with huge debts that will take a long time to repay. Similarly, some critics believe that the Chinese are seeking to promote their own interests and economic strategies while paying little attention to Ghana, Uganda, or the African continent. In Ghana, for example, the Atewa bauxite exchange agreement with China has been criticized strongly for its disregard of environmental concerns. The Ghanian people thought the Chinese would back out due to the public's concerns, but they continued mining the mineral. While in Uganda, the Chinese are reportedly involved in degrading wetlands and similarly disregarding environmental concerns by the locals.

It is obvious that in the past few decades the governments of African countries, among them Ghana and Uganda, have favored loans and other aid from China not only because they are easily obtainable but because they come with relatively few conditions.

And these loans and investments have demonstrably increased growth and development in these countries as evidenced by expanded infrastructure and standard economic indicators. But looking more closely, one might ask whether all Ghanaians and Ugandans have benefited equally from this growth and development. The leaders of African countries might do well to consider the true costs of these loans and investments from and trade agreements with China as they enter future negotiations. The crushing financial debt accrued from these loans makes recipients more likely to cede access to natural resources in lieu of monetary repayments. Such arrangements can lead to irreparable harm to the environment and endanger the wellbeing of the local population. And the strings-free nature of these loans may only embolden corrupt leaders and lead to the erosion of democratic norms in African nations. More concerted oversight will be required as the relationship between China and African countries deepens, and it may be wise to rebalance this relationship by looking to other sources for investment and aid or new methods of tapping indigenous resources to fund growth and development in Africa.

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