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FACULTY OF SOCIAL SCIENCES

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2021 **Filip Mocák**

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The impact of a new scramble for Africa between the EU and China – a comparative case study of foreign direct investment in Senegal and Zambia

Master's thesis

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2. I hereby declare that my thesis has not been used to gain any other academic title.
3. I fully agree to my work being used for study and scientific purposes.

In Prague on 2021, July 27 Filip Mocák

References

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Abstract

The goal of this research is to shed light on the impact of European foreign direct investment and growing Chinese foreign direct investment in Sub-Saharan Africa through lenses of neocolonialism and orientalism. A case study analysis is utilized to grasp the topic appropriately. Two case studies were set – Senegal and Zambia case study. While Senegal serves predominantly as a case study for the impact of EU foreign direct investments, The case study of Zambia helps to understand how Chinese FDI inflow affects Sub-Saharan countries. Therefore, six hypotheses were outlined. This work researches the impact of FDI on the level of democracy represented by the democratic index of The Economist Intelligence Unit, business freedom embodied in The Heritage Foundation's economic freedom index, and stability of state symbolised by the fragile state index studied by The Fund for Peace. All three indexes above are available for free online. The correlation between EU FDI and level of democracy was confirmed while Chinese FDI negatively affects democratic development in studied countries. Next, European FDI positively affects the level of economic freedom in Senegal as well as Zambia. Nevertheless, increased Chinese FDI inflow to the countries deteriorated their economic freedom. Lastly, there is no clear relationship between Chinese FDI and the fragility of the state even though in the case of Senegal, a small deteriorating factor was reported. Equally, European FDI had a positive impact on the stability of the state in the case of Senegal. Even though EU FDI inflow to Zambia declined, the fragile state index remained unchanged, meaning there is no clear connection between the two factors in Zambia.

Abstrakt

Cílem tohoto výzkumu je objasnit dopad přímých evropských zahraničních investic a rostoucích přímých čínských zahraničních investic v subsaharské Africe prostřednictvím teorie neokolonialismu a orientalismu. K náležitému uchopení tématu byla použita komparativní případová studie. Konkrétně dvě případové studie byly stanoveny – Senegal a Zambie. Zatímco Senegal slouží především jako případová studie dopadu přímých zahraničních investic EU, případová studie Zambie pomáhá pochopit, jak příliv čínských přímých zahraničních investic ovlivňuje subsaharské země. Proto bylo načrtnuto šest hypotéz. Táto práce zkoumá dopad PZI na úroveň demokracie, svobodu podnikání a stabilitou státu. Všechny tři aspekty jsou vyjádřeny třemi indexy. Tyto indexy jsou k dispozici zdarma online. Korelace mezi PZI EU a úrovní demokracie byla potvrzena, zatímco čínské PZI negativně ovlivňují demokratický vývoj v případových studiích. Dále, evropské přímé zahraniční investice pozitivně ovlivňují úroveň ekonomické svobody v Senegalu i v Zambii. Zvýšený příliv čínských přímých zahraničních investic do zemí nicméně však zhoršil jejich ekonomickou svobodu. A nakonec neexistuje jasný vztah mezi čínskými přímými zahraničními investicemi a nestabilitou státu, přestože v případě Senegalu byl zaznamenán menší zhoršující se faktor. Podobně jsou na tom i EU PZI. Evropské přímé zahraniční investice mají pozitivní dopad na stabilitu státu v případě Senegalu. Na druhou stranu, přestože příliv přímých zahraničních investic z EU do Zambie poklesl, fragile state index zůstal nezměněn, což znamená, že mezi těmito dvěma faktory v případě Zambie není jasná souvislost.

Keywords

Comparative case study, Sub-Saharan Africa, neocolonialism, orientalism, foreign direct investment, Senegal, Zambia, China, the European Union

Klíčová slova

Komparativní případová studie, Subsaharská Afrika, neokolonialismus, orientalismus, přímé zahraniční investice, Senegal, Zambie, Čína, Evropská unie

Title

The impact of a new scramble for Africa between the EU and China – a comparative case study of foreign direct investments in Senegal and Zambia

Název práce

Důsledky nového dělení Afriky mezi Evropskou unií a Čínou – komparativní případová studie přímých zahraničních investic v Senegalu a Zambií

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Table of Contents

Introduction

In the 21st century, China became the global economic superpower. Especially after the economic recession in 2008, the Chinese economy skyrocketed while western economies had to deal with the larger economic consequences of the crisis. Naturally, with increasing economic power, China entered the realm of development aid as a global actor. It started to seek new potential trading partners as well as markets where it can sell its cheap products. Additionally, in order to maintain its economic growth, China needs to secure a supply of raw materials and natural resources as the demand for these products is increasing every year. Even though Chinese economic growth is still notable, figures show gradual economic growth slowdown recently. Therefore, China also needs new markets where it can invest to maintain the flow of capital. However, the rising economic power of China has many implications in the global world. Despite the fact that China opened up its economy to foreign investors, it is still under one-party rule. This authoritarian regime where fundamental human rights and rule of law are basically non-existent has many implications in regard to foreign investment.

With its demand for raw materials, China turned to Africa, one of the richest continents in natural resources. In the post-millennial era, Chinese interest especially in Sub-Saharan Africa increased dramatically. China commenced to invest heavily in Sub-Saharan African developing countries and started to contest the position of the EU as the main investor and trade partner in the region. Chinese attitude was met with scepticism by EU officials as both entities have different approaches vis-à-vis the African continent. On the one hand, there is the EU, a community of democratic states where rule of law and principles of democratic states are fundamental values, while on the other hand, there is authoritarian, and one could even claim totalitarian regime in China.

Chinese engagement in Sub-Saharan Africa was welcome as its investments were less conditional and required less democratic transformation than those coming from the EU. The EU in fact maintains its global narrative as a normative power pursuing democracy all around the world. In order to achieve EU funding, countries had to undergo strict democratic change and implement rule of law. Therefore, African autocratic regimes could not reach much of those EU investments. Those autocratic regimes became the gateway for Chinese investments. It is also noteworthy to say that with a new actor in

African economic affairs, African states have gotten more options for foreign aid and investments as well as leverage in negotiations with the EU.

Beijing invests predominantly in infrastructural projects and the energy sector. The general character of its projects is being as magnificent and impressive as possible in order to receive attention not only from surrounding countries but also from all around the world. For example, China funded the headquarters of the African Union in Addis Ababa, Ethiopia, a massive Merowe dam in Sudan, or large dams on the Omo river in Ethiopia. Its focus on infrastructure is undoubtful, but there is a question of whether China puts more emphasis on quantity than quality.

Nevertheless, with increasing Chinese investments in the region, Chinese political and economic influence has been growing steadily. All African countries support the one-China policy and strengthen their economic ties with Beijing. Countries indebted to China sell off their concessions for the exploitation of their raw materials. There is a growing concern, that countries excessively lending or receiving Chinese loans and investments will eventually become de facto Chinese servants.

There has not been however any comprehensive research about the implications of Chinese activities in Africa regarding the level of democracy or economic freedom. Hence, this research is conducted with the purpose to shed a light on this issue. Firstly, I will be outlining the EU foreign investment and Chinese foreign investment in the Sub-Saharan region. Next, through a comparative case study, I will be able to compare not only both different approaches vis-à-vis Sub-Saharan Africa, but also study how different tactics behind foreign investments affect levels of democracy. Moreover, the intention is also to find a correlation between foreign investments from Brussels and Beijing and wealth inequality, economic freedom, and risk of conflict. All four aspects are represented in numbers and coefficients and data are available online for free.

To present a clear message, this work will be divided into several parts. In the first part, I will present the theoretical framing of this research. This work is written predominantly through the lenses of neocolonialism as the main factor is economic development. However, it is also essential to look at the topic through orientalism, which has its cultural and political inferences. Next, the comparative case study is presented as the main methodological instrument. It is followed by research design where I define case studies, timeframe, data used in this thesis as well as the research question and eight hypotheses. The largest portion of this research consists of the analytical part. The analytical part is divided into three subchapters. Two of those outline background and ideas behind foreign aid and investments of China and the EU. The third subchapter presents two case studies, where foreign investments are analysed and compared with the factors outlined above. The analytical part is followed by Discussion, where I will be evaluating hypotheses and compare the results. Last, but not least, I will summarize my thought and results in the conclusion.

1. Theoretical framework

1.1 Neocolonialism

To grasp the topic appropriately, two theories are important to introduce – neocolonialism and orientalism. Even though both of these theories study the postcolonial era, the latter specifies more on cultural and political aspects while the former one explores also economic denominatives. The theory of neocolonialism or economic colonialism suits the best to explain foreign investments in the region. Neocolonialism was introduced for the first time by French Jean-Paul Sartre in his book *Colonialism and Neocolonialism* published in 1956. The concept was later applied to the African region after decolonization. Harry Magdoff in the 1970s developed Sartre's notion and argued that "in capitalist states, private economic instruments have become so fully developed that their informal use is sufficient for the effective control and exploitation of other countries' resources" (Waltz, 2010). Neocolonialism works with an economic imbalance between developed and developing countries. The rich countries exploit poor countries while maintaining their influence in the region via economic pressures. While countries achieved their independence, they are still unhealthily dependent on metropole due to the low level of economic development which suits best for metropole and its interest in the country (Waltz, 2010).

This theory stems from the old form of colonialism and implements imperialist tendencies. However, not in form of military power but instead through economic means. Neocolonialism is however distinct from imperialism because while the latter derives from internal conditions, the former one stems from policies (Waltz, 2010). The term neocolonialism was elaborated and presented by Ghanaian politician Kwame Nkrumah in the 1960s in the context of the African continent. He was a big critic of capitalism and how

Western imperialists exploited less developed parts of the world. As the class struggle evaporated in developed economies thanks to the implementation of the welfare state, Nkrumah (1965) believes that the clash between rich and poor was transmitted from the national level to the international field. Nkrumah (1965) describes the main idea of neocolonialism as a moment when “the state which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality, its economic system and thus its political policy is directed from outside.” The control over the country is usually through economic or monetary means by previous colonizing countries. But this is not always a rule. Nkrumah (1965) presents an example of South Vietnam, which was previously colonized by France was economically dependent or neocolonized by the US.

There are also other notions about economic neocolonialism. Martin said it is “the continued state of underdevelopment and dependency of Africa in spite of its enormous wealth, and tremendous economic potential” (Uzoigwe, 2019). Leys highlighted the harmony and conflict between foreign capital local businesses, local political bourgeoise and government (Uzoigwe, 2019). The majority of academics coincide that neocolonialism is the main cause of the underdevelopment of African states. It is also referred to as a geopolitical strategy to use capitalism and globalization of business to control society (Durokifa & Ijeoma, 2018). Neocolonialism can be also reflected in scientific research. Research provided by Dahdough-Guebas & al. in 2003 showed that authors from developing countries are excluded from co-authorship in publications (Boshoff, 2009).

Nkrumah’s ideas are the most radical and influential regarding neocolonialism. Therefore, for the purpose of this research, his ideas are presented and elaborated on. Nkrumah stems from Lenin’s concept of imperialism. While Lenin describes imperialism as “the highest stage of capitalism,” Nkrumah labelled neocolonialism as the last stage of imperialism (Nkrumah, 1965). Capitalism has a competitive character with a principle of production for private gain. It is a system where wealth is distributed unevenly also on the international level and, from the perspective of Lenin’s imperialism, such unequal distribution of capital and high economic competitiveness among capitalist countries resulted in World War I. After World War II, imperialist countries politically and economically weakened imperialist countries faced another problem – decolonization. At the very moment when western countries needed natural resources to stabilize their economies, colonized countries, often rich in natural resources, gained independence.

Nkrumah elaborates on the so-called African paradox. It means the continent is rich in raw materials, but African governments lack control over those resources. Those seeking economic development should industrialize their economies. Industrialization is the only way for the continent with the lowest income per capita. Many Africans live in poverty and face starvation. However, they are economically exploited by neocolonizators and pushed towards agriculture. Agriculture especially makes a significant proportion of economic activities in Africa. Nevertheless, relying on agriculture leaves African economies being prone to natural disasters, endemic illnesses, or a change in international market prices while its economic productivity is rather low. The industry and services are lagged behind and investments in these sectors are negligible. As an ore-rich continent, mining is a significant sector for economic development. Nevertheless, having no means of processing natural resources within the borders of Africa leaves countries to export their primary resources to developed countries. Manufactured products are then exported from developed countries back to the African market causing an outflow of capital from developing countries to the developed ones. Even wages of people working in the mining sector in Africa are lower in comparison to Europe or the US leaving Africa in poverty. Nkrumah (1965) summarizes the circle saying, "it goes to feed the industries and factories of Europe and America, to the impoverishment of the countries of origin." This all happens because the imperialist policies were formed by materialistic needs rather than by local socio-economic problems. African representatives "would govern on behalf of foreign benefactors and would in effect 'betray' the economic interests of their own people" (Langan, 2018).

Financial and monetary systems are tied with imperialist countries. Through capitalism and the rise of globalization, the demand for new resources has been increasing. Acquired political independence from former colonizers was followed by the help to boost the development in former colonies. Nkrumah acknowledged a shift in colonizing strategy. Instead of direct military control over the territory, imperialists offer foreign aid in the form of capital. The "freedom" that colonies gained after WW II was changed to the economic dependency on foreign capital (Nkrumah, 1965).

One of the factors of neocolonialism is the Western monopoly over international capital and the world market. It means developed countries decide on the prices of commodities on the market. While developing countries increased their productivity to accumulate larger profits, the opposite happened. Another aspect is high-interest rates. In his work, Nkrumah (1965) presented that between 1956 to 1962, the capital worth over US$ 30 000 million was exported to developing countries while. However, the interest and profit soared to exceeding £ 15 000. This creates an economic binding between developed countries offering aid to less developed ones. Next, as countries started to reject direct foreign aid as a form of economic colonization, imperialists introduced multilateral aid. Western countries through international organizations such as International Monetary Fund or World Bank offer loans to developing countries in exchange for providing information and reviewing their policies and plans. Other forms of economic exploitation are also agreements of economic cooperation, free trade agreements, or the establishment of funds which often had strict conditions such as purchasing goods from donor nations. There are also hidden or not obvious means such as imperialist control over shipping rates (Nkrumah, 1965). Nkrumah was not the only one whose criticism was vocal regarding the European Economic Community and its approach vis-à-vis Africa. The first president of Guinea, Sékou Touré identified association agreements between African associates (former colonies) and European Economic Community as a problem for the economic development of African countries since it would only maintain asymmetrical relationships and exploitation of natural resources (Langan, 2018). In his work, Jack Woddis, a British communist, repudiated association agreements claiming that they maintain the subordinate position of African states (Langan, 2018).

Besides economic aspects of neocolonialism, there are also cultural and ideological forms how to control newly independent states. Decolonization caused a power vacuum in certain countries leaving them more prone to coups d'état. To preserve stability in the region, former colonizers stepped in with a generous offer. They offered military advisers or bases in exchange for exclusive rights to the certain industry sector or to issue paper money as well as exemption of customs duties or taxes. Another form of Western dominance is Hollywood-produced movies or Western information channels which are self-claimed to be objective. Mainly during the Cold War, newspapers tried to shape a notion about new revolutions and identified perpetrators as communist terrorists (Nkrumah, 1965).

A way how to tackle down this situation is African unity. Nkrumah (1965) claims that it is only when the artificial boundaries that divide her (Africa) are broken down so as to provide viable economic units, and ultimately a single African unit, that Africa will be able to develop industrially, for her own sake, and ultimately for the sake of healthy world economy." Cooperation among African states is an essential way for economic development. Interdependence is a trend of globalization. There are examples of larger economic or political units all around the world. Thus, Africa should not lag behind. One of the main arguments to support the unification of Africa is the fact that certain regions are richer for natural resources than others causing uneven economic growth and leaving the ones less fortunate being dependent on foreign aid. Nkrumah (1965) called out African states to act immediately as "each month that passes, the foreign interest of neocolonialism get tighter grip on Africa's economic life." The situation is severe as foreign companies dominate national markets in Africa. Those big firms often are as wealthy as certain African states, if not even richer. Domination over the national market leaves once politically independent country economically dependent on its foreign investor. Hence, the unification of Africa would create an opportunity for local businesses to establish themselves on the market. Barriers in cross-border trade should be eliminated as well as unified policies regarding tariffs and export control should be proposed (Nkrumah, 1965).

Furthermore, Africa would get stronger bargaining power to obtain higher prices for its goods or impose suitable taxation of foreign capital. Nkrumah (1965) believes that united Africa would boost the modernization of the agriculture sector as well as the industrialization of the economy. However, his perception is not more of a capitalist view but rather a centrally planned economy. He sees African modernization of its economy as a hierarchy where national planning bodies will be coordinated by a single planning body on the continental level (Nkrumah, 1965).

Nkrumah's ideas also faced academic criticism. One of the main problems of his work was his perception of Africa as a mere victim of the system. Additionally, the overall notion of his work pictures the West as the only problem of African countries. He also does not acknowledge the misgovernance of the African elites and if he actually does, the blame is on the exploitation of developed countries. Misgovernance of African representatives lies not only in their incapability to govern but also reflects a factor of political culture. The political culture on the African continent is revolving around powerful men having power in their hands. They, in order to uphold their position, need to maintain a corrupt client-patron relationships with their supporters based on their ethnic group or political reward – so-called neopatrimonialism. They often make poor political decisions just to remain in power. This corrupt relationship is proved to have an impact on economic development in developing countries. (Langan, 2018).

In the 1960s and 1970s, the neocolonialist approach was accompanied by dependency theories. Even though both concepts accentuate inequality, North-South division, exploitation, and Marxist perception of the world, there is a significant distinction. While neocolonialism rejects any economic determinism and "it pays much greater attention to the role of aid and 'development' interventions in maintaining the economic and political structures that perpetuate poverty," dependency theories pointed out technological supremacy that allowed the West to control the world economy and doomed developing countries to continuous underdevelopment (Langan 2018). Dependency theorists perceive the economic system as a determined structural problem. They advocated for import substitution industrialisation which is "the need for developing country governments to diversify their economies away from colonial patterns of production and exchange, and to instead build an industrial base capable of generating skilled jobs and prosperity" (Langan, 2018). The change could not happen if Western capital and companies remained dominant in developing world. Therefore, their position in the developing countries should be challenged and replaced by local businesses (Langan, 2018).

However, as Nkrumah stated that the class struggle between bourgeois and the working class moved from national level to global level, dependency theorists proclaimed that such struggle reoccurred in the developing countries but in form of "comprador class" and the rest. This comprador class represents elites in developing world which "would align itself to the economic interests of external capitalist interests" (Langan, 2018). Comprador class benefits from the North-South asymmetry and foreign direct investments from the developed world. Despite the fact that such a class exists, economic development was present. This dependent development signalled a crisis within dependency theorists (Langan, 2018). On the other hand, neocolonialism does not deny any economic development whatsoever under the capitalist world order. On the contrary to economic determinism of dependency theories, neocolonialists analysed whether elites "are able to exercise policy sovereignty, or whether or not their state institutions are 'captured' to such a degree that they do more to serve foreign interests than that of their own citizenries" (Langan, 2018).

Nevertheless, Nkrumah did not reject foreign aid completely. If the money were controlled by developing states, the capital could be allocated to industrialization and economic growth. However, there is still a thin line between losing sovereignty to benefit from foreign capital (Nkrumah, 1965). Woddis perceives foreign money as a form how to have influence over economic policies in developing countries as well as to boost infrastructure projects (Langan, 2018). Those infrastructure projects seem at first glance as a positive outcome of foreign aid, but in reality, constructing roads, bridges or ports only facilitates extraction of natural resources and their export to Europe and the US. Hence, the primary beneficiaries are foreign companies exploiting developing countries. Furthermore, neopatrimonialism in the region creates a problematic aspect as much of foreign aid ends up in their or their supporters' pockets. The criticism here is the lack of conditionality regarding foreign investments. Foreign donors must insist on good governance as well as protection of human rights. There is also criticism of foreign aid as a core of the problem for development. The thing is, as Moyo states, "the aid feeds into corrupt governance systems, with the result that local elites do not rely upon the successful cultivation of a local entrepreneurial class and taxation (Langan, 2018).

Langan in his book distinguishes three types of foreign aid. Each type is distinct from one another and has its own specifics. The first type is project aid. Project aid is a form of funding for a certain initiative that aims to reduce poverty. It is a category of donor assistance that targets the concrete sphere, such as building a highway or support for agribusiness. Next, there is budget support. It is a mechanism where donor directly sends capital to the government treasury. It is less conditional than project aid and it prevents duplication of aid, something that has occurred in project aid quite frequently. Donors and recipients agree on policies and cooperate in their implementation. Last, but not least there are Direct Finance Institutions (DFIs). Most common are European Investment Bank (EIB) or the British CDC. DFIs offer loans and grants to the private sector to boost the creation of jobs and promote investments even in risky business climates. However, DFIs, or more precisely EIB was often criticized even by the European Parliament for its investments in extractive industries or for providing loans to businesses that did not comply with international labour standards (Langan, 2018).

1.2 Orientalism

Edward W. Said published a book named Orientalism in 1978. A ground-breaking work regarding the Western perception of the rest of the world. Said in his book distinguishes two aspects – Orient and Occident. Both of those concepts are not the inert fact of nature but rather a manmade classification of two different perceptions of the world., "based upon an ontological and epistemological distinction made between "the Orient" and (most of the time) "the Occident" (Said, 1978). On the one hand, there is Occident, a western civilization that views Orient, eastern regions, as something exotic, primitive, irrational and eventually inferior to the western world. Even though there is a clear theoretical distinction between Orient and Occident, geographically speaking, both concepts are not clearly defined as it depends on the perception of the viewer. Additionally, Orient could not exist without Occident and vice versa. Both aspects are interdependent on each other to define and reflect support each own's existence. As Said states in his book "the relationship between Occident and Orient is a relationship of power, of domination, of varying degrees of a complex hegemony" (Said, 1978).

It is difficult for Occident to understand oriental thinking. Both structures have a different way of thinking as they had a different history. The theory of orientalism is a product of a western culture that proves its dominance over the narrative. Hence, Occident has a misconception of Orient, creating an inaccurate profile of the other one. The principal characteristic of Orientalism is a biased perception of the Orient. The fundamental problem of Orientalism as a field of study is its western insight. Orientalists look at Orient through western lenses which automatically results in misinterpretation and prejudice. Certain aspects were allocated to oriental ethnicities such as Jews or Arabs. It helped to distinguish many societies within Orientalism. This only proves how the Occidental view lacks individualism and is more prone to generalization of groups of people with similar physical or behavioural characteristics (Said, 1978).

Said took Gramsci's perception of hegemony to examine western culture and its discourse about non-European societies. It is the cultural hegemony of European society "that gives Orientalism the durability and the strength" (Said, 1978). The notion of 'us' Europeans against 'them' non-Europeans only deepens the gap between two entities. European culture is "precisely what made that culture hegemonic both in and outside Europe: the idea of European identity as a superior one in comparison with all the non-European peoples and cultures" (Said, 1978).

Europeans in their perception of prison believe in their superiority over inferior societies. Thanks to this belief, they were capable to dominate the world and influence the discourse. Orientalism, even though it at first glance seems so, is not an objective notion about Orient. It only helps to justify European imperialistic behaviour. Orientalists are the one who understands the Orient, even better than Oriental people do. Orientalism only reasserts European superiority over Orient (Said, 1978).

2. Methodology

The case study is used as a method for conducting this research. Subsequently, the EU and Chinese approaches will be analysed and compared. Hence, comparative case study appears logical for multiple case studies as it helps to replicate patterns of chosen cases and evaluation of their commonalities and differences through comparison (Rialp, A., Rialp, J., Urbano & Vaillant, 2005; Sheridan, Halverson, Litts, Brahms, Jacobs-Priebe & Owens, 2014). A comparative case study is "is the systematic comparison of two or more data points ("cases") obtained through use of the case study method" (Kaarbo & Beasley, 1999). The case study has many definitions. Lijphart's notion of case study is a study of a single case that is closely associated with the comparative method, as contrasted with experimental and statistical methods" (Kaarbo & Beasley, 1999). Orum et al. described a case study as an in-depth research method of a certain social phenomenon using qualitative research methods. George and McKeown state that a case study is focused on "within-case analysis to evaluate claims about causal process" (Kaarbo & Beasley, 1999). There are many more instances of the definitions in Gerring's book. Most of them depend on the field of study (Gerring, 2017).

For the purpose of this research, I used definition provided by John Gerring (2017) in his book, who outlines case study as "an intensive study of a single case or a small number of cases which draws on observational data and promises to shed light on a larger population of cases." It is noteworthy to say that many case study analyses have quantitative character. However, this research is focused on qualitative research. It means it will not "employ statistical procedures or other means of quantification, focusing instead on understanding the nature of the research problem rather than the quantity of observed characteristics" (Baškarada, 2014). A case study with multiple cases used in the research aims to "serve as a basis for either empirically testing previous theories or building new theoretical explanation of the phenomenon being researched" (Rialp, A., Rialp, J., Urbano, & Vaillantet, 2005).

At the very beginning, it is necessary to define what a case in the case study is. A case may be referred to as a single instance or data point such as "a subject in an experiment, a survey respondent, or the non-occurrence of war between belligerents"

(Kaarbo & Beasley, 1999). Next, the case study used in this research has several characteristics. First of all, it is highly focused. It means that “a considerable time is spent by the researcher analysing, and subsequently presenting the chosen case, or cases, and the case is viewed as providing important evidence” to support the main argument (Gerring, 2017). As only a small number of cases is used to increase the attention to each case. This is called a small-C study. Large-C study on the other hand stems from a bigger sample of cases, but the study does not dig deep into the cases. Hence, there is a causality between the number of cases and the intensity of how those cases will be examined. In this research, the small-C study is conducted. Next, as our goal is causality between who variables, this case study is observational. Lastly, these case studies below intend to shed light on a larger context even though only a few cases are utilized. However, as Gerring (2017) also notes, there is no certainty of how chosen cases reflect or represent the larger context. It is due to the fact that there is only a limited number of cases, and the context is rather broad and heterogeneous. Therefore, to reduce the level of misinterpretation or to avoid misleading results, it is necessary to select proper cases (Gerring, 2017).

To conduct case study research, it is necessary to follow several steps. The first one is a formulation of a research question. The most suitable question words for the case study are how and why since their emphasis is “on the underlying process, on the causal nexus between the independent variables and the phenomena to be explained” (Kaarbo & Beasley, 1999). With defining the research question, a researcher must consider also the dependent variable. A focused research question is a crucial factor to identify the most important variables. Lijphart warns on too many variables problem to avoid being overwhelmed by a large number of variables which could have an influence on the possibility to unveil relationships (Kaarbo & Beasley, 1999).

Then, there is a clear specification of variables from the existing theory. A researcher should concentrate on signalling out those variables that will be assessed in the analytical part. As King et al stated, “a large list of potential explanatory variables investigated in a small number of cases yields an indeterminate research design, and thus the case study researcher must choose a focused set of candidate explanatory variables to investigate” (Kaarbo & Beasley, 1999).

The third step is the selection of cases. It is the most important part of the research design. The selection process depends on the subject of the research. However, it is essential to mention, that drawing a random sample of cases is not possible as “the universe of cases is not known or is not accessible" (Kaarbo & Beasley, 1999). Therefore, it is useful to follow few criteria. One of these is the minimalization of variability in other variables that could potentially have an effect on the researched relationship. Another aspect when utilizing the comparative case study method is the selection of comparable cases. Comparability is a necessary factor "in which the researcher chooses cases as similar as possible to minimize the number of explanatory variables" (Kaarbo & Beasley, 1999). On the other hand, there is no need to leave out cases that are not comparable on dimensions that do not have an impact on the investigated relationship (Kaarbo & Beasley, 1999). Comparability depends on the theoretical framework of the research. Next, there is a condition that the selection of the cases "should allow for the possibility of variation in the values of the dependent variable" (Kaarbo & Beasley, 1999). Without such variation, the researcher cannot presume any causal inference. To ensure the variation, a researcher has two options. Selected cases are either "based on variation in the values of an explanatory variable," (which is considered as the best option as it causes no inference problems) or "on variation in the values of the dependent variable" (Kaarbo & Beasley, 1999). A drawback for the first option is, however, the fact that the value of the dependent variable is already known to the researcher and therefore it might cause biases in the case selection process. Last but not least, a researcher should choose not only comparable cases but that alter the values of the different variables but also cases with an alternative rationalisation. As Kaarbo & Beasley (1999) state "the case selection design may include variation across some dimension associated with an alternative explanation of the relationship being investigated. What the researcher attempts to do in this step is to demonstrate that the relationship holds across different subgroups of a population. This gives the researcher, upon the conclusion of the study, the opportunity to challenge an alternative explanation."

The next step is the operationalization of the variables that are examined. To conduct a comparative case study, it is necessary to create a codebook to guide the collection of evidence. George means by that the fact that "a standardized set of questions in the controlled comparison is necessary to assure acquisition of comparable data from the several cases" (Kaarbo & Beasley, 1999). Kaarbo and Beasley (1999) add up that not only structured questions are necessary, but the researcher should also structure the answers as well. This is due to the fact that the researcher should specify beforehand what is needed to see in the evidence "to make a judgment of its value." Operationalization should be applicable to other cases not examined in the research.

The penultimate step is the coding of variables and their presentation. The presentation should be in a form of narrative, which "tells a story based on the variables and coded values and allows the researcher to show the variables in their context" (Kaarbo & Beasley, 1999). Here, any ambiguity should also be addressed. The length of this part depends on the research question, the number of cases, and the variables (Kaarbo & Beasley, 1999).

The last one is the actual comparison of the evidence and examination of the patterns across the cases. In this stage, a researcher "determines whether any independent variables differentiate across the different outcomes of the dependent variable" (Kaarbo & Beasley, 1999). Here, the aspects presented in theory should be matching with patterns seen in the cases. This technique is called pattern matching and it is the key advantage of the case study research. As Yin notes "in pattern matching, a single predicted pattern can be compared to the pattern observed in the cases or, alternatively, mutually exclusive rival patterns can be compared for their consistency with the pattern observed in the cases" (Kaarbo & Beasley, 1999).

The very important question here is whether the purpose of the case study is descriptive or causal interpretation. In this case study research, I aim for causal inference. A causal case study is oriented around causality. It means I intend to explain how X affects Y and what impact X has on Y. Small-C analyses focuses on "measurement of key variables, mechanisms, potential confounders, scope conditions and so forth" (Gerring, 2017). But even causal inference has its subdivisions It can be exploratory, estimating, or diagnostic. The research aims for the exploratory case study as it is "intended to identify a hypothesis, denoted H" (Gerring, 2017). Hx is a causal hypothesis of our interest. Cases chosen for causal inference are necessary to be as independent of each other as possible, represent a larger group or context and the case selection should be able to be tested for viability (Gerring, 2017).

As mentioned above, an explanatory case study works with an assumption of what outcomes Y does X affect or why does even Y occur? If case selection in the explanatory case study is based on outcome Y, it is a change in the outcome Y that is the core of the research (Gerring, 2017). However, there is a general notion that the selection process that depends on Y is not the best way to choose a representative sample. But, as Gerring (2017) noted in his book “it is difficult to envision a viable case-selection strategy that takes no notice of values for the outcome of interest.” He offers an example of a geologist examining the cataclysmic consequences of earthquakes. The geologist will not study the consequences where earthquakes occur less likely than in parts where earthquakes are common phenomena (Gerring, 2017).

3. Research design

Through the case study research method, I will be analysing how investments from the EU countries and China had an impact on the wellbeing, economic environment and democracy of selected African countries. Additionally, the comparative case study method allows me to compare investments of both countries and analyse their consequences on political and socio-economic aspects of selected cases. It is necessary to keep in mind, that this research is conducted through the lenses of neocolonialism which concerns economic aspects as well as orientalism, which has cultural and political implications.

The first and fundamental criterion for the selection of cases is how many investments Africa attracts. Certain countries are less attractive to foreign investments. Additionally, some countries are more interesting in various foreign investments from various countries. Such countries are for example Egypt, Nigeria, or South Africa (Pairault, 2020). However, to achieve a clear case study overview, it is necessary to choose as homogenous foreign investments portfolio as possible. Thus, Egypt, Nigeria, and South Africa are left out from case study selection. Thanks to research conducted by Thierry Pairault, I was able to distinguish the largest foreign investments recipient countries and separate EU investments from Chinese investments.

The next criterion is a geographical subdivision. Africa is divided into five geographical groups. It is Eastern, Western, Central, and Southern Africa. As this research is focused on sub-Saharan Africa, Northern Africa is naturally out of the selection process. Additionally, as Southern Africa is created by three larger states, Botswana, Namibia, and South Africa. Foreign investments in South Africa are incomparably larger and very heterogeneous than the rest of the group. Additionally, foreign investments in Namibia and Botswana are negligible in comparison to the rest geographical subdivisions. Hence, I decided to leave out Southern Africa. Combining the first and the second criterion there is clear evidence of homogeneity in foreign investments. Chinese foreign investments prevail in Eastern Africa. On the other hand, foreign investments in Western and Central Africa are dominated by EU countries. However, grasping the topic with a clear vision requires at two economically similar countries to receive as homogenous foreign investments as possible. In Central Africa, Angola and Congo are recipients of the predominantly EU foreign investments. China heavily invests in the Democratic Republic of Congo. Therefore, Central Africa is not the right choice for the analysis as its foreign investment inflow is heterogeneous.

As I narrowed down selection of cases to Western and Eastern regions, which both have their specifics, it is necessary to choose concrete case studies that represent these subdivisions. The cases I selected are Senegal and Zambia. These cases are the main representatives for both regions. Both countries have similar GDP. Zambia's GDP accounts for 26.7 billion dollars while GDP of Senegal is 24.1 billion dollars. Both countries share also similar population 17.1 million in comparison to 15.9 million respectively. Their GDP per capita are the same – 1.5 thousand dollars as well as GNI per capita 1.4 thousand dollars. The have also similar income tax rate – Zambia 35% and Senegal 40%.[1]

What I will be analysing in these selected case studies are three aspects. The first one is whether there is a correlation between foreign investments and the level of democracy or democratization process. The level of democracy is assessed through the democracy index published by The Economist. Next, this research is focused on the relationship between foreign investments and the level of economic freedom which is represented by the index of economic freedom published by conservative The Heritage Foundation and The Wall Street Journal. In addition to that, this research will study whether there is a correlation between the risk of conflict and foreign investments. The risk of conflict is represented by the fragile states index developed by The Fund for Peace. All these indexes and their methodological frameworks are available online for free.

Furthermore, it is noteworthy to state that observation is time framed. This research analyses the foreign investments from 2010 until 2018. During this period, it is possible to track down the development of each of the indexes as well as foreign investments flowing to selected case studies. Hence, the research question and hypotheses are as follows.

[1] Georank. Senegal vs Zambia: Economic Indicators Comparison. Retrieved from: https://georank.org/economy/senegal/zambia

RQ: How do European and Chinese foreign investments in African countries affect the socioeconomic and political situation?

H1: The level of democracy is improving in countries receiving European FDI.

H2: The level of democracy in countries targeted by Chinese FDI is stagnating or even deteriorating.

H3: European FDI affects positively the level of economic freedom.

H4: Economic freedom in countries where China is allocating its FDI remains unchanged or worsened.

H5: EU FDI impacts positively political stability in recipient countries.

H6: Countries receiving Chinese FDI are more prone to political instability.

It is also necessary to address what is understood as foreign investment. Here, I will present a definition offered by James Chen (2020) who states that "foreign investment involves capital flows from one country to another, granting the foreign investors extensive ownership stakes in domestic companies and assets." There are several types of foreign investments. The first one is foreign direct investments which are "long-term physical investments made by a company in a foreign country, such as opening plants or purchasing buildings" (Chen, 2020). On the other hand, there are also foreign indirect investments which "involves corporations, financial institutions, and private investors that purchase shares in foreign companies that trade on a foreign stock exchange" or commercial loans which are "loans issued by domestic banks to businesses in foreign countries or the governments of those countries" (Chen, 2020). As there are many types of foreign investments, the best option is to narrow it down to FDI as there are databases which trank FDI inflow from both, China and the EU.

Furthermore, as the EU is a political and economic organization encompassing 27 sovereign states, it is also essential to note the fact that by using the term EU foreign investments, I mean also foreign investments from the largest investing EU countries which are France, United Kingdom, Germany, and Italy. However, even though United Kingdom left the EU project in 2020 after the Brexit referendum in 2016, I will still count UK foreign capital as a part of the EU foreign investments. This might result in a misleading outcome, nevertheless, the UK and the EU share fundamental democratic values and common goals in the region.

4. Analytical part

In order to pursue the analysis, it is necessary to introduce the means which China and the EU utilize to invest in African countries as well as their intentions and goals in the African continent. To better understand the topic, it is also essential to present the context and short historical context. Hence, before the analysis of each case study, there is a brief overview of both actors.

4.1 China and its foreign investment strategy

China was the fastest growing economy in the last decade. It increased its global output increasingly and its supply of global labour doubled. (Zafar, 2007)). In 2017, China became the world's largest economy according to Eurostat data from 2017.[2] Its economic power has been growing significantly over the past decades. With a booming economy, China naturally started to explore new markets that can dominate by its cheap goods. In addition to that, Chinese demand for raw materials and other natural resources increased rapidly. Hence, it needs also to maintain secure supplies to preserve its economic growth. Its economic growth was possible thanks to "a gradual approach to reform, a carefully managed exchange rate, and a variety of interventionist policies, Chinese policymakers have helped reduce the role of the state sector and lay the foundations for a more dynamic and export-oriented private sector" (Zafar, 2007).

As the African continent is rich in natural resources and its market has been overlooked for a long time, China decided to enter the arena as a big investor. Chinese trade accelerated between 2001 and 2006. This is also reflected in figures. While in 1997, Chinese trade with Africa was estimated at around US$5 billion, it skyrocketed to US$55.5 billion in 2006 and approximately US$75 billion in 2007. On the other hand, African export rose massively from US$4.8 billion in 2001 to US$28.8 billion in 2006. This proved that China started to compete with other African trading partners like the EU or the US and became a more prestigious market for African materials. (Taylor, 2009).

Diplomatic links between China and Africa also intensified. The 2000 China-Africa Cooperation Forum consisted of 46 African countries out of 53, most of those from the

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[2] Eurostat (2020). *The 2017 results of the International Comparison Program China, US and EU are the largest economies in the world*. Retrieved from: https://ec.europa.eu/eurostat/documents/portlet_file_entry/2995521/2-19052020-BP-EN.pdf/bb14f7f9-fc26-8aa1-60d4-7c2b509dda8e

Sub-Saharan region. It was followed by the second and third Forum on China-Africa Cooperation (FOCAC) in 2003 and 2006. Since its introduction, FOCAC has been organized every three years. The aim of FOCAC is to strengthen the position of developing countries in North-South dialogue as well as contest Western position in Africa by Chinese investments to create a new international political and economic order (Taylor, 2009). The Beijing Declaration of the Forum on China-Africa Cooperation[3] was presented after the first FOCAC meeting. In this document, all parties declared that the countries that have different values, historical and cultural backgrounds, levels of developments and social systems have the right to decide and choose their approaches in the protection of human rights in their own countries (The Beijing Declaration of the Forum on China-Africa Cooperation, 2000). This was welcome by many African leaders who were opposed to western conditionalities in foreign aid. In 2006, China announced the cancellation of US$1.4 billion debt, creation of US$5 billion funds comprised of commercial loans, and during the third FOCAC meeting, Chinese officials pledged to build a new headquarters for the African Union in Addis Ababa in Ethiopia worth US$127 million and to double its foreign aid to Africa by 2009. China continually started to intertwine not only economically but also politically with the continent (Staden, Alden & Wu, 2018; Amusa, Monkam & Viegi, 2016; Taylor, 2009).

In 2006, China published its first official document, a White Paper titled China's Africa Policy which outlines China's policies towards Africa (Taylor, 2009; Zafar 2007). The White paper acknowledges a similar historical experience China shares with Africa. This creates an opportunity for profound friendship between the two entities based on "sincerity, equality and mutual benefit, solidarity and common development" (China's African Policy, 2006). China-Africa friendship is "proceeding from the fundamental interests of both the Chinese and African peoples, establishing and developing a new type of strategic partnership with Africa, featuring political equality and mutual trust, economic win-win cooperation and cultural exchange" (China's African Policy, 2006). In the document, China defined itself as the world's largest developing country. It also outlined its intention to cooperate on political as well as economic levels. Mutual high-level visits, exchanges between the Communist Party of China and friendly African parties or strengthening cooperation in international matters will be accompanied by the rise of

[3] Beijing Declaration of the Forum on China-Africa Cooperation. Retrieved from: https://www.fmprc.gov.cn/zflt/eng/zyzl/hywj/t157833.htm

Chinese investments in infrastructure, agriculture, and mining in Africa, trade cooperation between the two actors as well as economic assistance and media, administrative, environmental, police and even military cooperation (China's African Policy, 2006).

China-Africa Development Fund (CADFund) was introduced in 2006 and launched in 2007. The main objective of this first Chinese equity fund focusing on Africa was investment promoting sustainable economic development and boosting industrialization in Africa. Its ambition is to reduce poverty, improve living standards of African people but more importantly "build a tightly-knit "community of shared future for all mankind" through market-oriented investment." CADFund assists Chinese investors to find the capital necessary for investing in Africa, shares risks for such investments as well as helps Chinese investors with problems in expanding their capital in Africa.

A significant acceleration in Sino-African relations came after Xi Jinping became the president and more importantly the General Secretary of the Communist Party of China in 2012. In the 2015 FOCAC meeting, he promised US$60 billion worth of funding to Africa. While since 2013, Chinese loans accounted for US$18 billion, by 2015 they dropped to US$13 billion. However, Chinese loans in Africa skyrocketed in 2016 to US$30 billion. Additionally, the China-Africa Industrial Capacity Cooperation Fund was established to boost investments in the manufacturing sector with a budget worth US$10 billion. Chinese foreign direct investment stock was also gradually rising. From US$491 million in 2003, it increased to US$ 40 billion in 2016. Xi Jinping also pledged Chinese assistance, investments, and cooperation in peace and security in four areas. It is military assistance, anti-piracy and mediation efforts, multilateral exchanges between high-ranking defence officials, and security-development nexus. The last area is the most interesting one. The 2015 FOCAC action plan "emphasizes economic underdevelopment and poverty levels as the root causes of conflicts ranging from terrorism to illegal fishing, human trafficking, and other non-traditional security matters" (Eom, Brautigam & Benabdallah, 2018). Out of promised US$ 60 billion worth of investments in 2016, 17% were allocated to Nigeria, an oil-rich country. Nigeria was also the largest recipient country of Chinese foreign investments. 8% of the US$60 billion was distributed to Ethiopia and 5% was given to Zambia (Sow, 2018).

China commenced pouring money to Africa to create a network of trade with a goal to manage access or buy up concessions for the exploitation of African natural resources. The line between concessional financing and other financial assistance is blurry as Chinese investments are a mix of both (Isaksson & Kotsadam, 2020). Chinese companies started to build infrastructure, exploring oil, mining raw materials, build new energy power plants, explore telecommunications services, invest in agribusinesses, or develop the tourism sector. Most notably, China is focused on vital infrastructural projects like building dams, ports, airports, roads, or even renovation of government offices (Amusa, Monkam & Viegi, 2016; Zafar, 2007). It is noteworthy to mention that "China tends to maintain control over the projects it funds from the project initiation phase to the project completion phase, often using Chinese contractors for work performed in the recipient countries" (Isaksson & Kotsadam, 2020). The use of Chinese contractors ensures not only the oversight of the projects but also a destination for a surplus of Chinese labour. Hence, finances remain in the Chinese market. And, lastly, Chinese investments are demand-driven, meaning it depends on the request of recipient countries where money is allocated (Isaksson & Kotsadam, 2020).

Between 2000 and 2012, China invested in over 1700 projects worth over US$750 billion. Infrastructure is an essential prerequisite for further development as well as it is necessary for transportation of raw materials from Africa to China. Chinese manufacturers also got access to the African market and benefited from African customers by selling cheap textile, low-cost electronics, and vehicles (Amusa, Monkam & Viegi, 2016; Zafar, 2007). This imbalance is also reflected in trade figures from 2014 and 2015 when Chinese exports to Africa boosted from an estimated US$102 billion in 2014 to US$150 billion in 2015. On the other hand, Chinese imports from Africa fell from US$114 billion in 2014 to US$39 billion in 2015. Nevertheless, Chinese exports to Africa dropped significantly from US$150 billion in 2015 to US$88 billion in 2016, but Chinese imports from Africa remained steady between 2015 and 2016 (Eom, Brautigam & Benabdallah, 2018).

It is necessary to address the role of the Communist Party of China in framing Chinese foreign investments. The Communist Party underwent a transformation from the revolutionary party based on the class struggle to more focused on order and security. After the Chinese communist revolution in 1949, the main policy of the Communist Party domestically has been constructed around "an unwritten social contract between the party and the people, where(by) the people do not compete with the party for political power as long as the party looks after their economic fortunes, meanwhile, the foreign policy that sustains an international environment supportive of economic growth and stability in China serves these objectives" (Taylor, 2009). This policy is expressed through the idea of China being a responsible great power. This concept means that China will adhere to and operate according to international rules and norms while being a part of multilateral institutions such as the World Bank, International Monetary Fund. A peaceful international environment is a requirement for Chinese strategy to go global and to motivate its corporations to invest beyond Chinese borders and build up its role on the international capital markets. Furthermore, as much as China aims to dominate in foreign investments, it also needs foreign investments to flow into China to promote economic growth. This is the reason why China is a pioneer in the promotion of international stability in the global world. On the other hand, even though China proclaims its intention to follow international law, its compliance varies depending on the problem or the context (Taylor, 2009).

Once an underdeveloped country, China places itself as a country that understands the difficulty of development and economic growth. In the global world, economies are interconnected, and China promotes its win-win approach vis-à-vis Africa. Nonetheless, the level of development of China and Africa is very different. China's argument is that the Sino-African relationship is mutually beneficial for both entities (Taylor, 2009). Nevertheless, as figures from 2005 show, China had five times bigger purchasing power parity than the whole Sub-Saharan region. While the physical size of China is significantly smaller than the one of Sub-Saharan Africa, its economic size is incomparable to its African trading partners (Zafar, 2007). Experts consider the Chinese approach as "a new colonizing power" with the main goal – exploitation of natural resources (Taylor, 2009).

Additionally, criticism that China receives is its blind eye to autocratic regimes. China is well-known for its non-interference in the internal affairs of recipient countries. Chinese influence rises especially in those countries where dictators rule and where human rights have been violated (Isaksson & Kotsadam, 2020). These states are often in desperate need of Chinese investments as other countries like the US or EU member states halt investments of their capital. It is not surprising that authoritarian state like China has a different approach as democratic western entities and does not differentiate their potential investments in regard to human rights (Taylor, 2009). The only de facto requirement for accessing Chinese capital is support for the one-China policy. Chinese foreign aid is also attractive thanks to minimal lending conditions on governance and fiscal management. As Chinese aid is not conditional this results in "African governments to delay reforms that promote openness and accountability" as well as it gives "the propensity for corruption in the management of natural resources" (Zafar, 2007). Besides all of that, China has been notorious for its lack of environmental protection and enforcement of workers' rights. Naturally, this trend is notable also overseas, especially in Africa, where China does not care about labour rights or environmental safeguards. It is noteworthy to say that such a Chinese approach is contrary to Western policies regarding good governance and development (Taylor, 2009).

Corruption is another phenomenon that is necessary to be addressed. Even though most of the companies are state-owned, their main goal in the capitalist market is profit. Which is nothing ground-breaking. However, the government consisting of the only party has its own ambitions domestically as well as internationally. Chinese officials often press on the companies to reduce projected profit margins which result in less profitable projects, something that in a capitalist system is unthinkable. Gill and Reilly summarize it by saying this clash of interest results in "an increasing set of tensions and contradictions between the interests and aims of government principals – the bureaucracies based in Beijing tasked with advancing China's overall national interest – and the aims and interests of ostensible agents – the companies and businesspeople operating on the ground in Africa" (Taylor, 2009).

4.2 The EU and its foreign investment strategy

First of all, it is essential to briefly outline the EU development cooperation with Sub-Saharan Africa as it sheds light on the historic relationship between the two entities. Links between Africa and certain EU members can be traced back to the colonial era. During and after the decolonization period, European countries maintained close ties with their former African colonies. After WWII, European countries underwent a certain level of integration process to boost their bad economic situation. The common European development policy (EDP), European Investment Bank (EIB), and European Development Fund (EDF) were born with the Treaty of Rome in 1957. Back then, the EDP was naturally shaped by former colonial relations. European countries, especially France which back then served as a bridge between European Economic Community (EEC) and Africa, intended to remain in contact with their former colonies due to their need for raw materials and maintain access to the markets. The EEC member states, and former African colonies signed several agreements regarding foreign trade and investments (Kaya, 2017).

The first one was the Yaoundé Convention from 1963, which recognized the sovereignty of former African colonies as well as established preferential trade arrangements for African countries to the European market. Under the Yaoundé Convention, the EDF commenced with over 2.2 billion dollars which were spent during the period of 20 years, but only a certain amount of money was allocated to former African colonies. Yaoundé Convention was followed by Lomé Conventions signed in 1975. With Lomé Conventions, more African countries joined the trade partnership. Additionally, Lomé Conventions abandoned the principle of reciprocity that was a problematic part of Yaoundé Conventions (Kaya, 2017; Hurt, Lee & Lorenz-Carl, 2013; Bartels 2007). However, the relationship was rather imbalanced. Even though both sides accentuated frequently a word partnership, "the term itself has masked the yawning disparities between the sides and the donor – client or 'collective clientelist' nature of the relationship" (Kotsopoulos & Mattheis, 2018).

Eventually, this disparity was changed when Lomé Conventions were replaced by Cotonou Agreement signed in 2000. In the 2000s, the main instrument of the EU's relations with Sub-Saharan Africa was development aid. Back then, the EU hand in hand with the US were the largest donors of foreign aid to Sub-Saharan Africa. However, the EU relations with Africa were fragmented since the EU relations with North Africa were managed by the European Neighbourhood Policy, but affairs with Sub-Saharan Africa were managed by Cotonou Agreement (Kaya, 2017; Hurt, Lee & Lorenz-Carl, 2013; Bartels 2007). Cotonou Agreement expired in 2020, but its principles were negotiated and implemented in the so-called Post-Cotonou Agreement, which will be in force until the next agreement will be signed by African countries and the EU. Cotonou Agreement gives an opportunity to African states to negotiate free trade agreements - Economic Partnership Agreements (EPAs). Participation in EPAs will attract more EU investments. Even though only fourteen African countries have signed EPAs so far, West Africa and the East African Community are finalizing their signature processes[4].

The objective of EPAs is to reduce poverty in African, Caribbean and, Pacific (ACP) countries while promoting sustainable economic growth through trade and investments. EPAs are built on an equal partnership approach and offer free access to the EU market. Being part of EPAs should attract more EU investments to the country and establish a stable investment environment[5]. In 2014, the EU finished negotiations with

[4] Economic Partnership Agreements (EPAs). Retrieved from: https://trade.ec.europa.eu/access-to-markets/en/content/economic-partnership-agreements-epas
[5] Economic Partnerships (Last update 2021). Retrieved from: https://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships/

West Africa regarding EPA, yet ratification of the agreement is still in process. West Africa is the EU's largest trading partner from Sub-Saharan Africa. This also means that West Africa is the most important EU investment destination.[6] Figures from 2020 show, that EU export to the West African region accounted for almost €26 billion, which is a slight downfall from €31 billion worth of EU export from 2014. The goal of West Africa – EU EPA is to promote a secure investment climate in order to promote and attract more FDIs as well as sustainable economic growth. Secure investment environment regards to "predictable regulatory environment and enhancing good governance, reducing corruption and increasing political stability."[7] It aims to increase the sustainable employment rate while opening new opportunities for EU investors to invest abroad.[8]

The EU engagement in the African continent has also been targeted with criticism. One of the main skepticisms is due to the colonial past which still affects mutual dialogue up until this day. The colonial legacy creates a narrative that the EU aid to African states should be compensation for European acting on the continent in the past. Even after the decolonization process, a vast majority of African states remain dependent on European economic activities, trade, and investments. To show it in figures, around 75% of Sub-Saharan trade is with the EU, not to mention that the EU imports 85% of African agricultural products. Colonial past is also reflected in education and communication as French and English are the official languages in the majority of countries. Furthermore, Franc currency unions are the legacies of French imperialism in the colonial era that exist until now. As Taylor explains "the colonization process resulted in Africa's economies being oriented more towards the needs of European capital than the requirements of the local population, and so set up a pattern of dependency that is very difficult to break" (Kotsopoulos & Mattheis, 2018).

Another criticism is the European view of partnership. The EU frequently and enthusiastically used this term in previous conventions while in reality, the relationship between ACP and the EU was totally different. European countries, which were more economically developed than ACP countries positioned themselves as a "patron" that should lead less developed African states towards economic development and

[6] West Africa (Last update 2021). Retrieved from: https://ec.europa.eu/trade/policy/countries-and-regions/regions/west-africa/

[7] European Commission. (2016). *The Economic Impact of the West Africa – EU Economic Partnership Agreement*. Retrieved from: https://trade.ec.europa.eu/doclib/docs/2016/april/tradoc_154422.pdf

[8] European Commission. (2021). *Economic Partnership Agreement with West Africa*. Retrieved from: https://trade.ec.europa.eu/doclib/docs/2014/july/tradoc_152694.pdf

democratization. This relationship could be also described as a donor-client relationship. This pattern was meant to be broken in Cotonou Agreement. Nevertheless, change in the meaning of partnership in the Cotonou Agreement only “exacerbated the asymmetries of Lomé by eliminating the hitherto contractual nature of the relationship” (Kotsopoulos & Mattheis, 2018). Hand in hand with criticism of the European meaning of partnership, the ACP countries have also been vocal about the bargaining power asymmetry. With the economic capacity that European countries had during the decolonization period, many of the meetings between the EU (or more precisely with the EEC) and ACP were often one-sided. On the other hand, the EU officially promoted cooperation based on equality between the two entities. However, the terms and conditionalities were proposed predominantly by the EU, while ACP countries were no other choice but to agree since they needed EU capital (Kotsopoulos & Mattheis, 2018).

Next, there is a political aspect of EU-Africa relations. The EU conditionality for trade development and investments was perceived as a politicization of the relationship. The conditionality was naturally met with antagonism from the African side. One of the conditions for the inflow of EU capital was good government practices or protection of human rights. The problem is that the idea of good governance was not the same as the African viewpoint as well as the EU could not comprehend the fact that its practices have not worked in the African context. On top of that, the EU demanded to be involved in the selection of development projects and their monitoring. It also introduced political dialogue regarding EU development aid which is elaborated below (Kotsopoulos & Mattheis, 2018).

Similar to Sino-African FOCAC meetings, the EU commenced regular formal dialogues with African countries. The First EU-Africa summit was held in 2000. During the first summit, both entities agreed to frame their strategic partnership into an official document. The problematic aspect was the perception of each other (Kammel, 2014). On the one hand, there is the EU which is viewed as a patronizing actor dictating to African countries what to do, where to invest. On the other hand, there are African countries that the EU perceived as overly dependent on development aid and lacking any actions of democratization process (Friedrich Ebert Stiftung, 2014a). The second EU-Africa summit happened in 2007, where both sides agreed to start cooperation on equal footing. Additionally, A Joint Africa-EU Strategy (JAES) was adopted. The main purpose of this strategy is to “take the Africa-EU relationship to a new, strategic level with a strengthened political partnership and enhanced cooperation at all levels. The partnership will be based on a Euro-African consensus on values, common interests, and common strategic objectives. This partnership should strive to bridge the development divide between Africa and Europe through the strengthening of economic cooperation and the promotion of sustainable development in both continents, living side by side in peace, security, prosperity, solidarity, and human dignity" (A Joint Africa-EU Strategy, 2007).

In the long run, four objectives are identified in JAES for strategic partnership between Africa and the EU. It is "to reinforce and elevate the Africa-EU political partnership to address issues of common concern…; to strengthen and promote peace, security, democratic governance, and human rights…; to jointly promote and sustain a system of effective multilateralism, with strong, representative institutions…; to facilitate and promote a broad-based and wide-ranging people-cantered partnership which should involve nonstate actors…" (Kammel, 2014). Both actors agreed that a healthy investment environment is an essential aspect of African economic development. Additionally, Africa states pledged to promote a business-friendly environment to attract more foreign investments. The EU pledged to allocate its foreign capital to the agricultural sector, environment sustainability, infrastructure, energy sector gender equality and to stimulate youth employment, which is astonishingly high in the region. The EU will utilize EDF, the Instrument for Stability, the Development Cooperation Instrument as well as EU financial institution for foreign investments – European Investment Bank (A Joint Africa-EU Strategy, 2007). These JAES principles regarding investments stated above are relevant up until this day.

The 2014 EU-Africa summit changed EU-Africa relations significantly. The EU countries dropped their patronizing character while African countries were less confrontational and ideological resulting in more reciprocal partnership. The summit declaration stresses out more the importance of investments than the previous summits as it acknowledged "it is time for a fundamental shift from aid to investments" (Friedrich Ebert Stiftung, 2014b). This comes at the time when FDI inflows between 2001 and 2012 grew five times from US$ 27.2 billion to stunning 132.8 billion dollars. This rapid increase was caused predominantly by Chinese investments; however, Europe remained the largest source of FDI to Africa. It is necessary to mention that the EU maintained its narrative that good governance is a fundamental aspect for promoting peace, stability, and economic development in Africa. The EU stressed the importance of fighting climate change, economic transformation, and sustainability (Friedrich Ebert Stiftung, 2014b).

The latest African Union-European Union Summit was in 2017. The central topic was investing in youth for a sustainable future. The most interesting thing, however, was a shift from EU-Africa to the recognition of the African Union in the AU-EU summit (Mattheis & Kotsopoulos, 2017). The big topics discussed were investments and good governance practices as the main factor for the attraction of foreign capital. Another significant factor in the declaration is a climate action that affects not only the EU but also Africa. Both parties pledged to invest in structural sustainable transformation in Africa[9].

The EU remains the main foreign investor in Africa, even though China is contesting its position recently. It is essential to outline the main principles under which the EU invests in foreign countries. The EU aims to secure investment fields in order to avoid any discrimination or mistreatment by the recipient country. Next, its ambition is to promote transparency and predictability to make it easier for its investors to invest abroad. Lastly, sustainable development is an important aspect. The EU promotes high labour and environmental standards as well as the protection of human rights.[10]

As was mentioned above, a significant player in investment actions is European Investment Bank (EIB) which has been fostering EU investments since 1963. In 2015, the EIB financing activity accounted for €84.5 billion making it the largest international financial institution in the world. Currently, EIB operates under Cotonou Agreement. Its main goal is to support projects promoting sustainable social, economic, and environmental development. EIB manages the operations made under the Investment Facility (IF) which focuses on providing funding for the private sector mainly in infrastructure and its loans are guaranteed by the EU member states. The EIB is a publicly owned autonomous international financial institution whose shareholders are EU member states. The largest contributors to EIB are France, Germany, Italy, and Spain (Ahmad & Naicker, 2021). Its objective is to promote investments in commercially run public entities in all sectors. The IF functions as a fund "where loan amortizations are reinvested in new operations, which makes it a financially sustainable facility" (Bilal & Große-Puppendahl, 2016). Its funding consists of a combination of EDF and EIB's own resources resulting in

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[9] Investing in Youth for Accelerated Inclusive Growth and Sustainable Development (2017). Retrieved from: https://www.consilium.europa.eu/media/31991/33454-pr-final_declaration_au_eu_summit.pdf
[10] European Commission. *Access2Markets: Investment*. Retrieved from: https://trade.ec.europa.eu/access-to-markets/en/content/investment

€7.3 billion worth of funding between 2000 and 2020. This amount of funding is however allocated to all ACP, which means only a certain amount is distributed to Africa. In 2015, the IF allocated €536 million to EU Infrastructure Trust Fund (ITF) for Sub-Saharan Africa (Bilal & Große-Puppendahl, 2016). ITF was launched in 2007 by the EIB. The main objective of ITF was to provide investments in infrastructural projects in Africa such as electricity interconnection projects between Benin and Togo or the Félou hydroelectric plant in Mali as well as the construction of roads, railways, or ports[11]. The operation of ITF ended in 2019 and it was replaced by Africa Investment Platform[12].

4.3 Case studies

Outlining the Chinese and EU approach in foreign investment helps to better comprehend the overall investment strategy in Sub-Saharan Africa. However, before digging deep into the research of the case studies, it is necessary to outline what implications have a foreign direct investment (FDI), particularly in the Sub-Saharan region. There are four main roles of FDI in the region. The first one is a lack of domestic capital in low-income countries. External capital serves as a considerable substitution for domestic savings. Next, Sub-Saharan countries do not have adequate foreign exchange to finance imported goods or services. Thirdly, FDI can substitute the gap between governmental tax and revenues from taxes raised locally. Lastly, FDI contributes to entrepreneurship, technology, and skills which most developing countries are missing (Todaro & Smith, 2011). FDI also helps to integrate less developed countries into the global economy. Developing countries promote large FDI inflow also due to the spill-over effect. This is a very important aspect of FDI since it refers to the diffusion of knowledge – unintentional or otherwise – from multinational affiliates to domestic (local) firms" (Farole & Winkler, 2014).

Another phenomenon that needs to be addressed is Special Economic Zones (SEZ). SEZs are "geographically delimited areas administered by a single body, offering certain incentives to businesses which physically locate within the Zone" (Barton, 2014). This model is set to promote economic development, attract FDI, create jobs, and overall

[11] African Union. *Connecting the African continent – Africa-EU Infrastructure Fund.* Retrieved from: https://africa-eu-partnership.org/en/success-stories/connecting-african-continent-africa-eu-infrastructure-fund

[12] EU-Africa Infrastructure Trust Fund. *More than 12 years of EU-AITF involvement coming to an end.* Retrieved from: https://www.eu-africa-infrastructure-tf.net/

stimulate economic activity. SEZ incentivizes external investors thanks to fiscal concessions, free-market governance, and improved infrastructure. The model of SEZ was successful in boosting economic growth in China or Malaysia. African experience is however more problematic due to mismanagement, bad location, ineffective design, or limited maintenance and promotion (Barton, 2014).

4.3.1 The case study of Chinese FDI – Zambia

Zambia is a landlocked country rich in natural resources. It has one of the youngest populations by median age in Africa. Its (mostly urban) population is estimated at 17.9 million with annual 2.8% growth. As its population is very young, it is predicted that the demand for jobs, health care, and social services will increase in upcoming years. Zambia is considered a lower-middle-income country since 2011, even though two-thirds of Zambians still live in poverty. According to World Bank data, Zambia is a stable democracy where elections are held every five years.[13]

Agriculture plays only a minor role in Zambia's economy. The main agricultural commodities are cotton which is used for the domestic textile industry, corn, and peanuts.[14] On the other hand, Zambia is the African second-largest copper producer. Its economy is very reliant on copper which makes Zambia vulnerable to changes in commodity prices[15]. FDI is predominantly targeting its mining sector due to copper. A large barrier for Zambia's economic growth and foreign investments is its poor infrastructure. China is the largest FDI donor in Zambia. For example, Chinese company Sinohydro Corporation is constructing Kafue Gorge Lower hydroelectric power station which is set to be finished by the end of 2020. The project is valued at approximately US$ 2 billion. Another project funded by China is the Batoka Gorge hydropower station planned on the Zambezi River on the border between Zambia and Zimbabwe[16].

Chinese investments in Zambia can be traced back to 1978. However, only after the 2006 meeting between n Zambian president Levy Mwanawasa and Chinese president Hu Jintao, the first Special Economic Zone was planned. Currently, there are two SEZs in

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[13] The World Bank. (2021). *Zambia*. Retrieved from: https://www.worldbank.org/en/country/zambia/overview#1
[14] Britannica. *Zambia*. Retrieved from: https://www.britannica.com/place/Zambia/Religion#ref44125
[15] Country Profile: Republic of Zambia. Retrieved from: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Zambia_Country_Profile.pdf
[16] Santader Trade. (2021). *Zambia: Foreign Investment*. Retrieved from: https://santandertrade.com/en/portal/establish-overseas/zambia/investing#figures

Zambia, both of which are overly focused on Chinese FDI. One in Chambishi focused on the copper industry and one near Lusaka with a focus on tobacco, electronics, and garments. By 2008, China invested in Zambia around US$ 1.3 billion worth of investment. Chinese companies in Zambia face criticism regarding poor working conditions, low pay rate, and their reluctance towards labour unions. In 2005, an explosion at the Beijing Research Institute of Mining & Metallurgy explosives factory near Kitwe killed 46 Zambian workers. A year later, Chinese managers shot and wounded six people at the Chambishi mine who were demonstrating over poor paychecks. In 2010, Chinese managers again shot and wounded 11 protesting workers at the Collum mine in Southern Zambia (Barton, 2014).

According to China Global Investment Tracker,[17] between 2010 and 2018, China's investments and contracts were worth US$ 12.41 billion. China invested in 30 different projects within the same period, mostly in construction, telecommunications, and railways projects. The official numbers of Chinese FDI are only estimated as the Chinese administration tends to overestimate their FDI commitment in their yearbooks. Therefore, data from the SAIS China Africa Research Initiative are used. Between the years 2010 and 2018, Chinese FDI inflow to Zambia accounted for US$ 2.52 billion. In contrast, total FDI inflow from the EU (considering not only FDI from European Commission or EIB but also member states including the United Kingdom) to Zambia was €2.21 billion.

The table shows Chinese FDI to Zambia worth in a million US dollars.[18]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
FDI	75.05	291.78	291.55	292.86	424.85	96.55	218.41	305.80	523.73

The table shows of EU FDI to Zambia worth in a million €.[19]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
FDI	264.46	281.58	252.39	268.35	307.70	295.03	314.25	223.63	117.20

[17] American Enterprise Institute. *China Global Investment Tracker.* Retrieved from: https://www.aei.org/china-global-investment-tracker/
[18] China Africa Research Initiative. *Data: Chinese Investment in Africa*. Retrieved from: http://www.sais-cari.org/chinese-investment-in-africa
[19] European Commission. (2021). *EU Aid Explorer*. Retrieved from: https://euaidexplorer.ec.europa.eu/content/explore/recipients_en

The amount of Chinese FDI inflow to Zambia tripled from US$ 75 million to US$ 291 million between 2010 and 2011. Since then, FDI inflow was steadily increasing until 2015 when the total volume of FDI dropped from US$ 425 million to US$ 97 million. The highest peak of Chinese FDI inflow was in 2018 when the size of FDI was half-billion dollars. On the other hand, even though EU FDI inflow remained stable between 2010 and 2013, there is a declining trend of EU FDI inflow since 2014, except for 2016 when EU FDI peaked at €314 million. EU FDI inflow dropped from €308 million in 2014 to €117 million in 2018.

During the same period, the Democratic index measured by the Economist is outlined below.[20] The Democratic index of Zambia was on a rise between 2010 to 2014. Zambia shifted from a hybrid regime to flawed democracy in 2011. However, since then index dropped significantly from 6.39 in 2014 to 5.61 in 2018, 0.07 points below 2010. Zambia shifted back to a hybrid regime. The decline of the democratic system is noticeable since 2014.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Democracy index	5.68	6.19	6.26	6.26	6.39	6.28	5.99	5.68	5.61

From 2010 to 2017, the index of economic freedom is shown below.[21] Zambia's economic freedom index is similar to other Sub-Saharan countries. Even though it remained stable for much of the studied period, since 2014 when Zambia's index was the highest there is an observable downfall trend from 60.4 in 2015 to 54.3 in 2018.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Economic freedom index	58	59.7	58.3	58.7	60.4	58.7	58.8	55.8	54.3

Finally, the risk of conflict represented by the fragile states index between 2010 and 2017 is shown below.[22] Zambia had already a high ranking in 2010. Over the years, there is a visible trend of increasing fragility of the state from 83.9 in 2010 to 87.2 in 2018.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fragile state index	83.9	83.8	85.9	86.6	86.2	85.1	86.3	87.8	87.2

[20] The Economist Intelligence Unit. Retrieved from: https://www.eiu.com/n/
[21] The Heritage Foundation. *Index of Economic Freedom*. Retrieved from: https://www.heritage.org/index/explore
[22] The Fund for Peace. *Fragile States Index*. Retrieved from: https://fragilestatesindex.org/global-data/

4.3.2 The case study of EU FDI – Senegal

Senegal is a coastal lower-middle-income country in Western Africa. It offers a stable political climate as well as favourable geographical location as well as well-established institutions. Since its independence in 1960, Senegal underwent three peaceful political transitions. Even though Senegal is considered as one of the most stable democracies in Africa, it has experienced violence in the southern region of Casamance since the 1980s. The separatist movement waged a low-level insurgency against the government.[23] The violence stopped after the ceasefire in 2014[24]. It is also surrounded by countries like Mali, where terrorist groups are still active which could potentially destabilize its political environment. The population of Senegal is 16.7 million out of which a quarter lives in the capital Dakar, but overall, 50% of its population is urban.[25] One-third of the country's population lives in poverty.[26] Nevertheless, according to the International Food Policy Research Institute, the inflow of FDI in tomato export had a considerable impact on reducing local poverty and boosted the employment rate (Wouterse, Deininger, Selod, Badiane, Swinnen, Braun & Zilberman, 2011). Same as Zambia, Senegal has a very young population. The median age is 19 years.[27]

Its economy is predominantly focused on agriculture. Two-thirds of the population work in agriculture. The primary commodity for export is peanut. However, the government intends to diversify its production by cultivating cotton, corn, cassava, or sugarcane. Another major contributor to the budget is tourism thanks to its access to the ocean as well as fishing. Senegal has also a strong mining industry. It produces phosphates, gold, and, since 2014 discovery, also oil and natural gas[28] On the other hand, the tertiary sector has been growing significantly since 1990s. The reason was the urbanization of the Senegalese population and the growth of small businesses.[29]

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[23] The World Factbook. (2021). *Senegal*. Retrieved from: https://www.cia.gov/the-world-factbook/countries/senegal/
[24] BBC. (2021) *Senegal Country Profile*. Retrieved from: https://www.bbc.com/news/world-africa-14093674
[25] Deloitte. (2017). *Invest in Senegal A competitive investment destination in West Africa*. Retrieved from: https://www2.deloitte.com/content/dam/Deloitte/za/Documents/africa/za_ASG_Country%20Reports_Senegal_Repro.pdf
[26] The World Bank (2021). Senegal. Retrieved from: https://www.worldbank.org/en/country/senegal/overview
[27] The World Factbook. (2021). *Senegal*. Retrieved from: https://www.cia.gov/the-world-factbook/countries/senegal/
[28] Britannica. *Senegal*. Retrieved from: https://www.britannica.com/place/Senegal/Economy
[29] Senegal (2002). Retrieved from: https://www.oecd.org/countries/senegal/1826266.pdf

Senegal gradually improves its business climate. While in 2019 Senegal was ranked 141st in the Doing Business 2020 report, in 2020 it moved to 123rd position. It was thanks to its tax reforms and access to credit information.[30] Senegal also pursued SEZ strategy. In 2006 it introduced its first SEZ in Dakar. This was followed by two more designated SEZs in Diass and Sandiara in 2017.[31]

Senegal attracts the largest amount of FDI compared to its neighbours. The total volume of FDI by 2019 accounted for 6.4 billion dollars. Despite the fact that trade between the EU and Senegal has a decreasing tendency, Senegal is dependent on European FDI. FDI is allocated mostly into infrastructure, energy sector, water sanitation, and agriculture[32]. Out of all EU countries, France has been the largest investor allocating €209 million worth of investment out of a total of €409 million from the EU.[33] On top of that, France owns 78% of FDI stock worth €2.2 billion in 2015.[34]

Senegal faces also significant problems. Firstly, it is shrinking the European market which results in less FDI inflow. Next, its poor infrastructure makes its economic growth more difficult. Weak energy security and road have a considerable impact on the further development of businesses and foreign investments.[35] Another problematic aspect is its dependency on agriculture which makes it more vulnerable to climate change.[36]

Between 2010 and 2018, the EU FDI inflow to Senegal was total €2.9 billion. Out of €2.9 billion worth of FDI, French investments accounted for €1.5 billion. The largest amount was allocated to the education sector and budget aid, €331.09 million and €261.95 million respectively. The EU also invested heavily in road infrastructure, climate action, urban development, and water sanitation. There is no clear evidence in a decrease in FDI during the studied period. On the other hand, between 2010 and 2018, Chinese contracts and investments accounted for 4.43 billion US dollars which were allocated only to 6 projects. China invested in the construction of the Gourbassi hydroelectric dam,

[30] Crédit Agripole Group. Senegal. Retrieved from: https://international.groupecreditagricole.com/en/international-support/senegal/investing?accepter_cookies=oui
[31] Locus Economica. *Senegal*. Retrieved from: http://www.locuseconomica.com/senegal
[32] Crédit Agripole Group. Senegal. Retrieved from: https://international.groupecreditagricole.com/en/international-support/senegal/investing?accepter_cookies=oui
[33] European Commission. (2021). *EU Aid Explorer*. Retrieved from: https://euaidexplorer.ec.europa.eu/content/explore/recipients_en
[34] Ministére de L'Europe et Des Affaires Étrangerés. Senegal. Retrieved from: https://www.diplomatie.gouv.fr/en/country-files/senegal/
[35] Senegal (2002). Retrieved from: https://www.oecd.org/countries/senegal/1826266.pdf
[36] Santader Trade. (2021). *Senegal: Foreign Investment*. Retrieved from: https://santandertrade.com/en/portal/establish-overseas/zambia/investing#figures

telecommunications, railway network.[37]Additionally, since 2015, China has begun to increase its FDI inflow to Senegal, which could be due to the newly explored oil and natural gas reservoirs. However, it is noteworthy to say that Chinese FDI is incomparably lower than the EU FDI.

Below is EU FDI in a million to Senegal from 2010 to 2018. [38]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
FDI	309.16	332.04	429.49	297.31	383.90	253.98	249.60	261.24	409.24

Below is Chinese FDI in a million to Senegal between 2010 and 2018.[39]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
FDI	18.96	0.19	4.47	10.44	7.06	-7.94	19.85	65.41	83.93

The democracy index shows a steady increase between 2010 and 2016. While in 2010 and 2011 Senegal was considered a hybrid regime since 2012 Senegal shifted to a flawed democracy. Nevertheless, since 2016 the democracy index dropped by 0.06 to 6.15 in 2017 and maintained this raking even in 2018. [40]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Democracy index	5.27	5.51	6.09	6.15	6.15	6.08	6.21	6.15	6.15

The economic freedom index has been relatively the same as the rest of Sub-Saharan countries. Between 2010 and 2016, Senegal's economic freedom index increased from 54.6 in 2010 to 58.1 in 2016, a massive improvement by almost 4 points. Nevertheless, since China started to invest in Senegal in 2016 the index rapidly decreased by almost 3 points to 55.7 in 2018.[41]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Economic freedom index	54.6	55.7	55.4	55.5	55.4	57.8	58.1	55.9	55.7

[37] American Enterprise Institute. *China Global Investment Tracker.* Retrieved from: https://www.aei.org/china-global-investment-tracker/
[38] European Commission. (2021). *EU Aid Explorer*. Retrieved from: https://euaidexplorer.ec.europa.eu/content/explore/recipients_en
[39] China Africa Research Initiative. *Data: Chinese Investment in Africa*. Retrieved from: http://www.sais-cari.org/chinese-investment-in-africa
[40] The Economist Intelligence Unit. Retrieved from: https://www.eiu.com/n/
[41] The Heritage Foundation. *Index of Economic Freedom*. Retrieved from: https://www.heritage.org/index/explore

The fragile state index between 2010 and 2016 had a growing tendency peaking at 83.6 in 2016. However, since 2016 the index fell to 79.6 in 2018. Yet again, it is interesting to notice, that China commenced pouring more FDI to Senegal in 2016. As of 2018, Chinese FDI inflow was the highest in the period while Senegal had its weakest ranking since 2013.[42]

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fragile state index	74.6	76.8	79.3	81.4	82.8	82.9	83.6	82.3	79.6

5. Discussion

The data outlined above show some interesting results. The first thing necessary to be noticed is the increasing FDI inflow from China in the case study of Zambia. The annual growth of Chinese FDI is growing while European FDI is rather fluctuating around €300 million. Another aspect is the total amount of FDI between 2010 and 2018. If compared to Chinese FDI inflow to Zambia, the amount of EU FDI inflow to Senegal is approximately 25% bigger than Chinese FDI. However, this is due to the fact, that China only recently commenced increasing its FDI in the region. Hence, the difference is rather alarming, and the EU should amp up its FDI inflow to keep up with China and maintain its dominant FDI donor position in Sub-Saharan Africa. Especially as Chinese practices (e.g., Zambia) in developing countries are criticized even by African governments. There is also a difference in approaches. Both countries accentuate economic growth as a goal for developing countries. However, while China is investing in infrastructural projects, telecommunication, and the energy sector, the EU is focused more on sustainability and climate action – hence its FDI allocation to education, water security, and urban development.

Moving to the confirmation of hypotheses. At first glance, hypothesis 1 and hypothesis 2 were not explicitly proved in the case studies. In both cases, the democratic index was growing annually. However, a fascinating occurrence happened in comparing the results of both. Firstly, let's have a look at Zambia. Since 2016 the EU FDI inflow dropped from €314.25 million to €117.20 million in 2018 while in the same period Chinese FDI inflow increased from 218.41 US dollars to 523.73 US dollars in 2018. The democratic index which was growing annually from 5.68 in 2010 to 6.28 in 2015 suddenly

[42] The Fund for Peace. *Fragile States Index*. Retrieved from: https://fragilestatesindex.org/global-data/

declined in 2016 to 5.99 and the deterioration continued until 2018 with 5.61. The second example is Senegal where EU FDI presence is dominant throughout the whole analysed period. Nonetheless, China amplified its FDI inflow to Senegal from US$ 19.85 million in 2016 to US$ 83.93 million. If we look at the democratic index which grew until 2016 to 6.21, a downfall happened after 2017 and the index remained the same in the following year accounting for 6.15. The trend here could potentially mean that Chinese FDI influence may have an impact on democracy. Therefore, Hypothesis 1 and Hypothesis 2 were proved to be right as there is a clear correlation between democratization and European FDI and between deteriorating democratic situation and Chinese FDI.

Hypothesis 3 was confirmed in both the Senegal case and the Zambian case. Senegalese economic freedom index was rising steadily until 2016 when China stepped in with its FDI 2016. Since then, its economic freedom index significantly dropped from 58.1 to 55.9 in 2017 and 55.7 in 2018. Similarly, while the EU FDI presence in Zambia was high, the economic freedom index grew from 58 in 2010 to 60.4 in 2014. Chinese FDI inflow overcome European FDI for the first time in 2014. This is also reflected in the economic freedom index which shifted from 60.4 to 54.3 in 2018. The data from 2017 and 2018 show that the reduction of European FDI and surge of Chinese FDI were reflected in the index. Zambian index dropped by 3 points in 2017 and 1.5 points in 2018 and ended up 54.3 points. This is an even worse outcome than the one from 2010. Hence, there is a clear correlation between Chinese FDI and the downfall of the index of economic freedom in both cases, even though only in a certain period. Hence, Hypothesis 4 was also proved.

Finally, hypothesis 6 appears was not confirmed nor denied by the research. Regarding Zambia, the Chinese increased FDI presence was not negatively reflected the stability of the state even after decreasing trend of European FDI. However, the Chinese growing FDI inflow to Senegal since 2016 seems to influence the fragility index as the fragile state index shrank from 83.6 to 79.6 in 2018. On the other hand, it seems that there is a correlation between the EU FDI inflow in Senegal and the increasinged fragile state index between 2010 and 2016 from 74.6 to 83.6. However, the decline of European FDI presence in Zambia since 2016 does not affect the fragile state index. Therefore, hypothesis 5 was confirmed in the case of Senegal but was not proved in the case of Zambia. Overall, both hypotheses 5 and 6 were only partly proved to be right.

Conclusion

In conclusion, while to some it might appear that Chinese FDI presence could negatively affect recipient countries, it is not always true. This may differ from case to case The example is the fragility of the state. While Chinese FDI had an impact on Senegal's fragile state index, in the case of Zambia, there was no clear correlation. Nevertheless, a clear correlation appears regarding democracy. In both cases, the level of democracy deteriorated since China amplified its FDI inflow. Additionally, Chinese FDI inflow also negatively affected economic freedom in Senegal as well as in Zambia, even though this was observable only during a certain period.

On the other hand, European FDI presence seems to have a positive impact on the level of democracy. It was confirmed in the case of Senegal where EU FDI inflow is much bigger than Chinese FDI. Senegal's democratization process was improving annually. In the case of Zambia, the decreasing trend of FDI since 2016 deteriorated the state of democracy in the country. Looking at economic freedom, European FDI amplified economic freedom in Senegal. The case of Zambia is interesting. During the period when the EU FDI remained high, economic freedom was growing. Nevertheless, after the decrease of its FDI to Zambia, economic freedom in the country dropped significantly. European FDI seems to also have a positive effect on the fragility of the state. Zambia was becoming less fragile when the EU FDI inflow was high. Similarly, Senegal fragility was decreasing annually, until China amplified its FDI inflow to Senegal.

Another aspect that needs to be addressed is the volume of FDI from China and the EU. During the studied period, China and the EU invested heavily in Zambia. It is necessary to point out, that the EU presence was much longer than the Chinese. Despite this fact, China was able to catch up with the EU FDI inflow and even overcome European FDI by 25%. This is a signal to the EU that it needs to reinforce its presence on the African market, or it will soon lose its position as the largest FDI donor.

It is also essential to mention the different approaches both actors have in Africa. According to case studies, Chinese FDI is allocated predominantly to mining, infrastructure projects, telecommunications, and the energy sector. On the other hand, there is European FDI, which focuses more on sustainability, education, climate action, and infrastructural projects. Both approaches have an impact on economic growth. However, China is more oriented on material projects like roads or ports to access raw materials needed for its economic development. The EU invests in social development to boost economic growth and motivate developing states to become less dependent on foreign aid. One is certain, the economic scramble of Africa between the EU and China is only beneficial for economic development in Sub-Saharan countries. The problem is its political consequences which will appear in the future.

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