

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.