Tuulia Mattila

Effects of capital inflows on emerging market economies

How FDI from Chinese investors impacts on growth of Sub-Saharan African countries?

Helsinki Metropolia University of Applied Sciences

Metropolia Business School

Bachelor's Degree in Business Administration

European Business Administration

Thesis

5.5.2017

Abstract

Author **Title** **Number of Pages** **Date**	Tuulia Mattila Effects of capital inflows on emerging market economies: How FDI from Chinese investors impact on economic growth in Sub-Saharan Africa? 41 pages + 0 appendices 5 May 2017
Degree	Bachelor's Degree in Business Administration
Degree Programme	European Business Administration
Instructor	Michael Keaney, Senior Lecturer

Description

Even though the implications of foreign direct investment (FDI) have been studied greatly, only a small part have focused on Sub-Saharan Africa (SSA). With young and relatively talented workforce, SSA will provide enormous opportunities for multinationals entering the region.

The purpose of this research is to examine whether FDI from China has a significant impact on economic development in Sub-Saharan African countries. In addition, it identifies the difference between the motivations of Chinese and Western foreign direct investment. It highlights job creation, infrastructure development, industry dynamics and spillovers as key drivers.

Results indicate that FDI is associated with positive consequences under certain conditions. For instance, infrastructure development has enjoyed positive influence of increasing FDI from China. However, when taking into account all factors, foreign direct investment from China has a weak or insignificant positive relationship with growth in Sub-Saharan Africa.

Keywords:	Sub-Saharan Africa; Foreign Direct Investment; economic growth; China

Contents

List of Figures

List of Abbreviations

FDI	Foreign direct investment
SSA	Sub-Saharan Africa
GDP	Gross domestic product
BRIC	Brazil, Russia, India and China
LIC	Low-income countries
SME	Small- and medium-sized enterprises
ODI	Overseas direct investment

Introduction

Foreign Direct Investment (FDI), defined as "*investment made to acquire a lasting interest in or effective control over an enterprise operating outside of the economy of the investor*" (International Monetary Fund, 1993) has gained an enormous role in the international economy especially after the Second World War. In past decades, FDI flows have grown rapidly in global scale and today, many countries see foreign direct investment as an important component towards deeper economic development and integration. Especially in developing countries, foreign direct investment has become a significant source of external finance and way to integrate into the global market place.

Nevertheless, Sub-Saharan Africa (SSA) has been neglected due to the region's small market size, poor infrastructure, weak regulatory frameworks, and debt problems, and in some countries political instability. However, in past years, market conditions and economic environment have improved to a certain extent, leading to increasing foreign capital flows to the continent. In past years, developing and transition economies have enjoyed steady increases in FDI as the investment flows to developed economies have fluctuated remarkably. In 2012, the share of total FDI to developing economies exceeded the first time the share received by developed economies, which continued also in 2013. (Pigato & Tang, 2015) This indicates that investors see developing and transition countries as prominent market places and the interest towards these countries has increased.

Recently, China has become the greatest investor in SSA. Between 2005 and 2014, net annual direct investment from China to Sub-Saharan Africa has increased eight-fold. Moreover, the total stock of Chinese investment has increased incredibly twenty-hold. China has invested also various infrastructure projects building many roads, bridges, schools and hospitals. In exchange, China has gained access to various natural resources, such as oil and copper. China has imported these resources and then manufactured cheap products that are exported back to Africa. Even though many African consumers benefit from cheap exported products, China has benefited at the expense of small, local players.

This thesis will provide an analysis of the relationship between foreign direct investment and economic growth. Furthermore, it focuses on the implications for the Sub-Saharan African economy with special emphasis on Chinese FDI. It examines the key determinants of Sub-Saharan African economic performance and the motivations of Chinese FDI.

This research addresses two major questions. Firstly, it examines what kind of correlation do foreign capital inflows and economic growth factors have in Sub-Saharan Africa. Secondly, it analyses whether foreign direct investment from Chinese investors foster growth in Sub-Saharan African countries or not. Additionally, this research will have sub-questions depending on the answers to the major questions.

The following chapter briefly reviews current status of relevant literature related to the determinants, theoretical framework and the impacts of FDI on economic development. The third chapter provides the characteristics of the current state of the SSA economy and analyses the quality of institutions affecting foreign investment. The fourth chapter comprises a conceptual model concerning impacts of Chinese FDI on SSA economies. It goes through the global FDI trends with special emphasis on FDI from China to SSA. In addition, it examines the motivation for and total distribution of Chinese investments. The fifth chapter examines the implementation of the research and addresses specific problems including reliability of data and validity issues. The sixth chapter presents the main findings from the analysis. The seventh chapter analyses the main findings and examines possible future research. The eighth chapter concludes the study and gives recommendations.

1 Theories, Determinants and Impacts of FDI

The status of current literature relating to the subject is divided into three sections. The first section reviews the definitions and key features related to FDI according to different authors. The second section goes through the theoretical framework of foreign direct investment with emphasis on models and motives. The third section focuses on impacts of foreign direct investment on economic development. It has been divided into three sub-sections focusing on studies with positive results, studies with negative results, and studies focusing on capital flows from China to Sub-Saharan Africa particularly.

1.1 Foreign Direct Investment

In order to explain the concept of foreign direct investment and its relation to economic growth, it is first useful to clarify the definitions and key factors of FDI. According to different authors, definitions, basic factors, meanings and effects related to foreign direct investment vary greatly. Overall, FDI is divided into inward FDI and outward FDI depending on the direction of money flows. In 1999, Mallampally and Sauvant argued FDI to be one of the major external private capital flows. FDI is undertaken due to the aim of controlling production and profits in foreign countries with long-term prospects. (Mallampally & Sauvant, 1999) In 2001, Reinhart and Montiel stated that FDI refers to the movement of financial and human capital to a country different to that of investors. (Reinhart & Montiel, 2001) In 2007, Ayanwale extended the previous definitions and stated that a company should acquire at least one-tenth of the equity in order to gain ownership. The ownership less than one-tenth is recorded as portfolio investment and is not categorized as foreign direct investment. (Ayanwale, 2007)

1.2 Theoretical Framework of FDI

The development of classical international trade theories is considered as an early concept of foreign direct investment. The first theory trying to explain foreign direct investment can be seen as Ricardo's Theory of Comparative Advantage in 1817. In addition, main researches and theories concerning foreign direct investment are Microeconomic Theory by Stephen Hymer in 1960, Product Life Cycle Theory by Raymond Vernon in 1966 and the eclectic paradigm / OLI-model by John Dunning. In addition to the theories mentioned above, also dependency theory and FDI fitness theory will be discussed.

The first attempt to explain foreign direct investment rests on the theory of Comparative Advantage by David Ricardo. It was a base for the Hecksher-Ohlin model, introduced in 1933, which argued that countries export products that can be produced most easily and abundantly. It is one of the first attempts to explain the development of the concept of international movements of capital for international trade due to differences of resources between the countries. However, Ricardo's theory of Comparative Advantage is based on only two countries with perfect mobility of factors at local level and thus foreign direct investment cannot be explained by it. (Kurtishi-Kastrati, 2013)

In 1960, Stephen Hymer introduced the microeconomic theory of international production, which is considered as a milestone of foreign direct investment studies. Until 1960, foreign direct investment by multinational companies were seen as international capital flows across borders. According to Hymer, foreign direct investment can be successful as long as there are market imperfections that may create advantages and challenges. Fundamentally, companies have two main reasons for internationalisation; ownership-specific assets together with variables regarding to the company's dimension and variables arising from market failures. He stated that foreign direct investment is beneficial only, when the benefits of exploiting firm-specific advantages, such as technology, overseas are higher than additional costs of doing business overseas. (Denisia, 2010)

In contrast to Hymer's microeconomic theory, Caves (1971) argued that the main influencing factor is the diversification of products. According to Caves, foreign direct investment can be classified into vertical, horizontal and conglomerate FDI. In case of vertical FDI, companies invest in businesses that are in different stage of the value chain and usually have a role as supplier or distributor, for instance. It also involves decentralisation of production chain, as companies tend to lower their costs. In certain cases, it is indeed referred as efficiency-seeking FDI as the main motive is to improve the cost effectiveness of the production. Horizontal FDI occurs when companies acquire companies within the same industry as it operates domestically. It can be also referred as market seeking FDI as it seeks to take advantages of new, potentially larger markets.

In contrast to two models mentioned above, in conglomerate FDI companies acquire companies from completely new industries through foreign direct investment.

In 1966, Raymond Vernon developed a product life cycle theory where he argued that production life cycle consists of four different stages: innovation, growth, maturity and decline. After World War II, it was used to explain certain investments in manufacturing industry in Western Europe made by the US companies. In the first stage, companies have an advantage by possessing new technologies. The technology will become known as the production further develops. In the first stage, US companies created new innovative products for local consumers and exported the surplus to foreign markets. Europe had relatively high demand for manufacturing products after the World War II and by exporting surplus to Europe, American companies had the advantage of technology over their foreign competitors. However, as the product becomes standardized, competitors will start to copy the production and therefore, foreign companies may need move parts of the production in those regions in order to maintain their market share. (Vernon, 1966) In addition, Vernon argued than FDI is beneficial in relation to exporting domestic products, when total cost of local manufacturing is less than total cost of exporting.

Many neo-classical theories assume economic growth to be mutually beneficial (Pareto optimal), even in situations where benefits are not equally distributed. In opposition to this, Raul Prebisch, first director of the United Nations Economic Commission for Latin America, developed dependency theory in the late 1950s. It used Marxism as a base point and stated that economic growth in advanced economies does not necessarily lead to growth in less-developed economies. He argued that over time advanced economies will become wealthy at the expense of less-developed economies. (Ferraro, 2008) He explained the problem as the less-developed economies export primary commodities to the advanced economies who then manufacture products and sold them back to the less-developed economies. By doing so, advanced economies get access to natural resources and gain profits as they export manufactured products back to the less-developed economies. This is also known as unequal exchange theory or unequal terms of trade.

In order to completely understand foreign direct investment, it is essential to first understand the motivations behind foreign direct investment. John Dunning developed the Eclectic Paradigm that is also known as OLI-framework in 1979. It attempts to explain why multinationals choose foreign direct investment over alternative models, such as licensing, joint ventures or outsource production, in order to serve foreign markets. It is a further development of the internationalisation theory and mixed three different theories regarding foreign direct investment: ownership-specific advantages (OSA), location-specific advantages (LSA) and firm-specific advantages (FSA). Ownership-specific advantages refer to intangible assets or competitive advantages in the home country, which can be transferred abroad at relatively low costs leading to higher income levels or reduction at costs. Ownership-specific advantages can be divided into three different groups. A company can have a monopoly advantage, in which it has an ownership of natural limited resources, patents and trademarks and therefore has privileged access to markets. Moreover, a company can have exclusive knowledge of technology and innovation activities. Lastly, a company can enjoy economies of scale and scope or have greater access to financial capital. (Denisia, 2010)

Furthermore, companies can have location-specific advantages, which are specific characteristics of the foreign markets that allow the company to exploit its competitive advantage. Location advantages accrue only if foreign markets can provide large markets through trade liberalisation, low cost inputs or good infrastructure. Internationalisation-specific advantages occur when the company can maintain its competitive position by controlling the entire value chain in the industry due to the international market imperfections. According to the OLI-framework, foreign direct investment takes place only when all three advantages come together. (Kurtishi-Kastrati, 2013)

Additionally, country attractiveness is one of the key components when thinking of motivations of internationalisation. The institutional FDI fitness concept model, developed by Saskia Wilhelms in 1998, explains key factors in a country’s ability to attract, engage and retain FDI. According to Wilhelms, key determinants of institutional FDI fitness are the government, markets, education and the socio-culture. The study was examined in an econometric cross-section in 67 emerging economies and showed that the most significant determinants of FDI are the government and market variables. Economic openness, rule of law and corruption was reflected with high government fitness. High government fitness tends to increment FDI by reducing instability and investment risk. In addition, high market fitness has a major effect on how attractive the country is in terms of FDI. Countries with well-developed domestic and international markets for goods, services and capital have high market fitness. This includes high trade volume, low tax rate, high urbanisation and availability of credit and energy. The two other components are not as significant but still have an impact. High educational fitness can increase FDI flows as country's workforce makes it internationally competitive when thinking in terms of education and productivity. On the other hand, countries with high sociocultural fitness can adapt and are open to FDI and international markets trends and therefore attract FDI to the country. (Wilhelms, 1998)

1.3 Impact of FDI on Economic Development

There are many predictions regarding the impact of FDI on economic development in the host country. Many macroeconomic studies on the impacts of international capital flows have examined that foreign direct investment can have a positive influence on the economy and thus promote economic growth in the country. For instance, in 1986, Romer argued in his research "Increasing Return and Long-Run Growth" that foreign investment might help poorer host countries by transferring technology and business expertise from richer home countries. According to his endogenous growth theory, FDI has a significant impact on economic growth not only through capital accumulation and technology transfer but also through labour training and skill acquisition. This may create a spillover effect and thus increase the productivity and benefit the economic growth. He argued that these spillover effects boost the productivity of all companies within the country, not just the ones receiving foreign capital. (Romer, 1986) However, some studies have argued that FDI may in some cases slow the economic growth. In contrast to Romer, Boyd and Smith (1992) stated that FDI can influence on the current allocation of capital invested leading to slowed economic growth in certain cases. (Zhang, et al., 2014)

Furthermore, in some studies, FDI is found to have a positive effect under certain policy conditions especially in countries with high trade openness and human capital stock. In 1994, Blomstrom, Lipsey and Zejan argued that the positive effects of foreign direct investment are mainly related to the wealth of the country. According to their study, FDI has greater positive impact in countries with higher income levels. (Blomström, et al., 1992) In 1996, Balasubramanyam, Salisu and Sapsford argued that in developing countries that pursued outward-oriented trade policies, foreign direct investment flows were associated with higher economic growth rates. (Balasubramanyam, et al., 1996) In addition, in 1995, Borensztein, De Gregorio and Lee argued in favour of the importance of the stock of human capital in the effects of foreign direct investment in growth. (Borenstein, et al., 1995) They studied FDI flows from industrial countries to 69 developing countries between 1970 and 1980. Their results suggest that the higher productivity of FDI holds only when the host country has a minimum of a threshold stock of human capital. In addition, their results provided that foreign direct investment tends to increase total investment in the economy more than one to one. (Borenstein, et al., 1995)

However, some company-level studies have found insignificant or even negative effects of foreign direct investment on economic growth in particular countries. Many of these suggest that foreign direct investment does not accelerate positive spillover effects and thus does not contribute to growth in the host country. For instance, in 1993 Haddad and Harrison studied Moroccan manufacturing sector and tested foreign direct investment spillovers in a company level. They came to a conclusion that productivity tends to become smaller in industries with higher amounts of foreign companies. (Haddad & Harrison, 1993) In 2001, Hanson studied whether the benefits of foreign direct investment suffice for countries to justify certain policy interventions or not. His study "Should Countries Promote Foreign Direct Investment?" found out that there is only a weak evidence that FDI creates positive spillovers to the host country. As multinational companies tend to be attracted to countries and industries with high productivity, there is only a little evidence that this would increase the productivity of domestic companies. (Hanson, 2002)

Carkovic and Levine analysed the correlation between economic growth and foreign direct investment in their research *"Does Foreign Direct Investment Accelerate Economic Growth?* (Carkovik & Levine, 2002) They used average panel data from five-year periods between 1960 and 1995. They found out that the exogenous component of FDI does not promote FDI's positive influence. Prasad, Subramanian and Rajan (2007) came to almost the same conclusion. They investigated whether foreign capital inflows directly boost growth and found no evidence. However, their study focused on uphill capital flows from nonindustrial to industrial countries. They concentrated on whether the growth of home countries was hurt more with this pattern of capital flows than on export capital. (Prasad, et al., 2007)

China’s impact on the Sub-Saharan African economy comes especially through trade and investment. Kaplinsky, McCormick and Morris (2008) analysed the impact of production flows, foreign direct investment flows and aid flows on Sub-Saharan Africa. Their analysis stated that China’s present and potential impact on Sub-Saharan Africa has indeed grown. In addition, Mlachila and Takebe (2011) analysed foreign direct investment flows from BRIC-economies (Brazil, Russia, India and China) to low-income countries (LIC). Their analysis supports the evidence that FDI accelerates growth. (Mlachila & Takebe, 2011) In addition, most of the companies were either partially of wholly state-owned and FDI has often been targeted to natural resource industries in natural resource rich countries. As the time horizon is usually long-term, initial investment has spread to agriculture, manufacturing and the service sector, such as telecommunications, over time. Especially foreign direct investment plays a most important role in the growth of non-resource rich countries. Both studies mentioned above used limited data from UNCTAD, which came out relatively positive. However, it is rather difficult to examine the growth impact of foreign direct investment, as many small and medium-sized enterprises (SMEs) do not register their investments. (Zhang, et al., 2014)

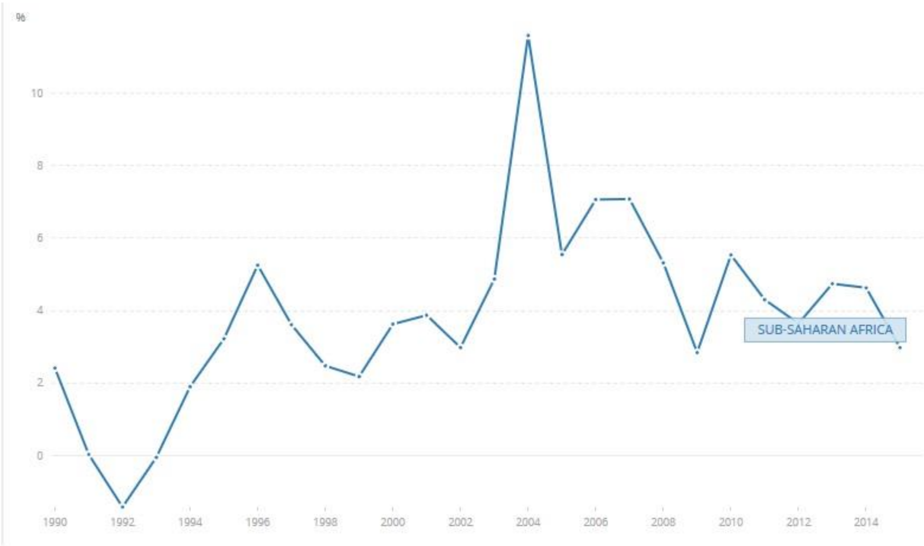
2 Overview of Sub-Saharan African Economy

In recent years, some of the Sub-Saharan African countries have achieved the world's highest growth in terms of gross domestic product (GDP). Moreover, Sub-Saharan Africa has enjoyed an average 5 % growth yearly in the past decade, leading to improved living standards and health care in the region. Additionally, the economic environment improved together with political stability leading to increased foreign capital inflows. However, more recently the global slowdown has influenced the region. Especially China's decline in growth has had a remarkable effect on Sub-Saharan Africa, as China is a major trade partner and investor in the region. (International Monetary Fund, 2016)

In 2015, Sub-Saharan Africa faced weakened economic activity as growth for the region declined to 3,5%. This is the lowest level for 15 years and can be seen also from Figure 1 below, demonstrating growth in annual gross domestic product (GDP) in Sub-Saharan Africa between 1990 and 2015. As usual, country circumstances in the region have varied significantly. The main reason behind the slowdown comes from declining commodity prices, which have put the largest economies in the region under severe strain. This also had an effect regionally. Moreover, political risks together with security and humanitarian concerns have had a significant impact on economic development. The decline is expected to continue even further in 2016 to 3%, which is the worst economic performance in two decades. (International Monetary Fund, 2016) However, it has been forecasted that the economy will rebound in 2016 and the growth continue to accelerate also in 2017 due to the rebalancing commodity markets.

Owing to the sharp decline in commodity prices, many of the largest Sub-Saharan African economies have faced economic difficulties. The growth rate for these countries has dropped to 3,3% between 2014 and 2015. This influenced not only oil exporters, such as Angola and Nigeria, but on also some non-energy commodity exporters, like Ghana, South Africa and Zambia. In addition, poor infrastructure is one of the major obstacles related to economic growth in the SSA region.

Figure 1, GDP growth in SSA 1990-2015



Source: The World Bank, 2016

Currently, the most significant issue holding back African countries' economic development has been very poor infrastructure. Especially poor transport, communications and energy infrastructures have had significant impact on Africa's share of global manufacturing and this is extremely disproportionate to its population.

In recent years, developing countries have continuously increased their proportion as investors in Sub-Saharan Africa. In 2015, 50% of the top 10 investors were indeed from developing economies. In addition, China's foreign direct investment stock has increased more than threefold from 2009 to 2014 and it is currently the largest developing country investor in the Sub-Saharan region. The increase in foreign capital inflows has improved the state of infrastructure in the region creating positive spillover effects.

2.1 Role of Institutions

Institutions have a significant impact on the economic, political and social environment in the region. They are often defined as *"a set of rules, compliance procedures, and moral and ethical behavioural norms designed to constrain the behaviour of individuals in the interests of maximizing the wealth or utility of principals*." (North, 1981) In terms of foreign direct investment, institutions play the utmost important role when thinking of country attractiveness, economic environment and investment risk. Many studies have certainly found a positive correlation between weak institutions and low foreign capital inflows. (Gastanaga, et al., 1998)

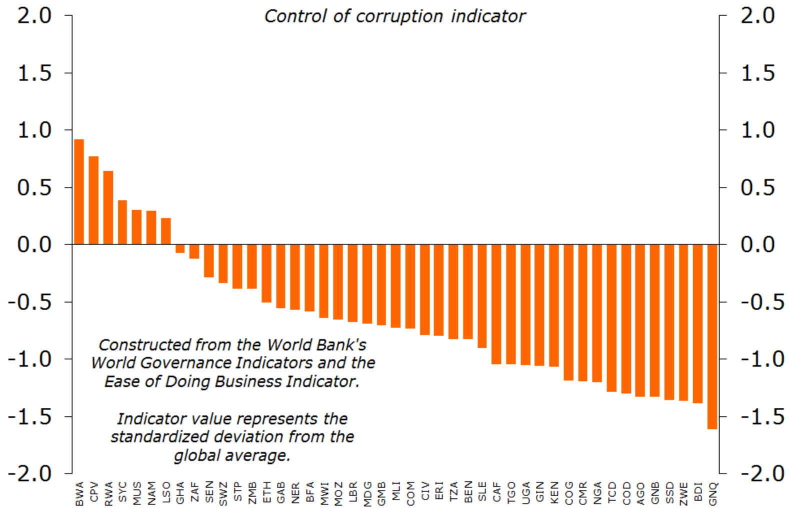
2.1.1 Political Institutions

In recent decades, political stability has improved to a certain point in the region. However, there are still vast regional differences and overall, the institutional quality is relatively weak. Even though many countries in the region have democracy, the high level of corruption is one of the major issues throughout the region as Figure 2, control of corruption indicator in SSA below demonstrates. In addition, politics are usually controlled by one party. As a result, institutional quality is rather weak, harming long-term GDP growth. The high level of corruption is linked to weak rule of law, weak business environment and government ineffectiveness.

Overall, weak political institutions have a weakening impact on the economic environment, which may reduce potential foreign direct investment. However, for instance, Democratic Republic of Congo still hosts extensive resource extraction by foreign companies despite its weak political institutions. In addition, due to the amount of red tape, governments are usually inefficient, which can reduce the state's ability to raise tax. Lastly, such weakness influences confidence in public institutions and political processes, such as elections, and thus hinders the democracy. (Dumitru & Hayat, 2015)

In addition, internal conflicts, terrorism and security issues, such as organised crime, diminish the quality of institutions. However, in recent years the rise of civil society in the region has influenced the quality of governance and political stability in the region.

Figure 2, Control of corruption Indicator in SSA



Source: World Bank

2.1.2 Economic Institutions

Inefficient governance has a direct impact on economic institutions in the region. Especially small- and medium-sized enterprises are suffering from informal administrative practices and red tape. According to the World's Bank Ease of Doing Business Report from 2016, it will take approximately 24,5 days to start a business in the region on average. Furthermore, Mauritius was the only country ranked in the top 50 in the world measuring the regulatory business environment. (World Bank, 2015) Even though many African countries have improved their business environment and their score, Africa is still far behind when compared to the global average.

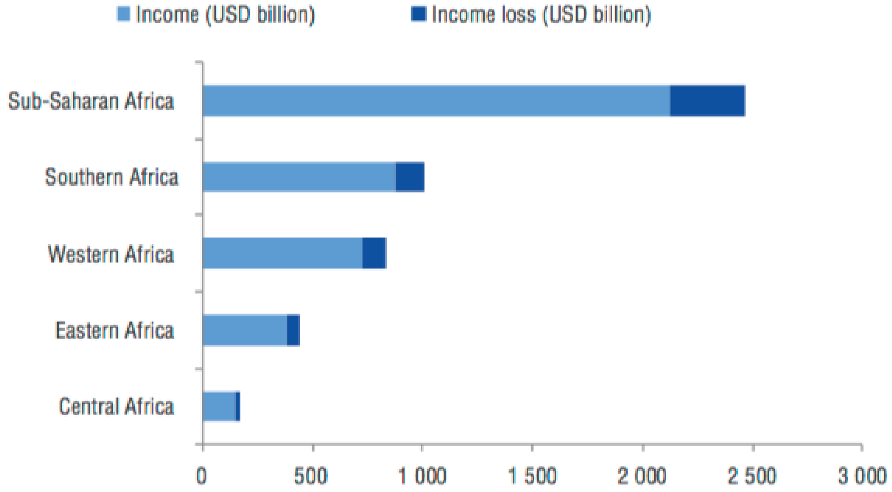
In addition, the public infrastructure in the region has suffered from weak maintenance policies and management systems. Many Sub-Saharan African countries, such as Ghana, Nigeria and South Africa have suffered from unreliable electricity production and road maintenance, harming economic development. (AfDB, et al., 2016)

2.1.3 Social Institutions

Currently one of the greatest issues in Sub-Saharan African social institutions is gender discrimination. According to the Social Institutions and Gender Index (SIGI), over 50%

of SSA countries show a high to very high level of discrimination. Furthermore, this will have a significant effect on the economic development due to the negative influence on women's level of education, labour force participation and technological progress and productivity. In order to gradually remove discrimination, countries should introduce policies that support gender equality and at the same time remove discrimination from their legal framework. In the long-term, countries could enjoy macroeconomic gains as GDP per capita growth rate would increase. (OECD, 2015) Figure 3 below examines income losses arising from discriminatory social institutions by sub-region.

Figure 3, Income losses from discriminatory social institutions by sub-region



Source: OECD

FDI is affected mainly through labour laws, which will potentially have an effect on economic growth and foreign direct investment. For instance, implementing labour laws that reduce gender discrimination impact on economic growth and foreign capital inflows. Overall industrial disputes can be seen as barriers to invest and reduce country attractiveness. By reducing industrial disputes, such as gender inequality, foreign investors can be more attracted to invest to the country. (Economic Commission for Africa, 2006)

3 Does FDI from Chinese Investors Foster Growth in Sub-Saharan Africa?

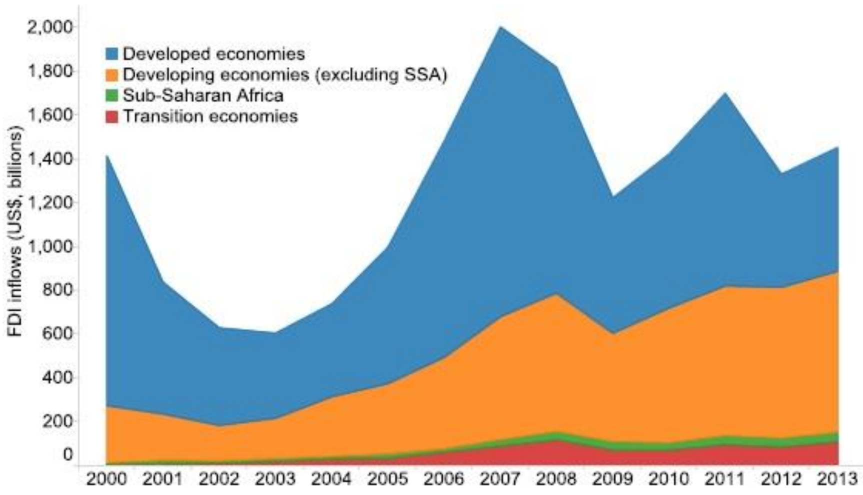
The impacts of Chinese FDI on Sub-Saharan Africa divide opinions. The region has enjoyed improved infrastructure, job creation leading to increased levels in employee training and skill acquisition and economic improvements through indirect spillovers mainly through trade. The following section discusses global FDI trends with special emphasis on Chinese FDI outflow development. In addition, it further examines modes of entry, motivations behind FDI and FDI distribution in SSA in terms of countries and industries.

3.1 Global FDI Trends

After a decline in 2012, global FDI flows started to grow again reaching US$1,45 trillion in 2013. However, it still has not reached the same level as in 2007 before the global financial crisis of 2008. Since 2009, developing and transition economies have enjoyed steady increases in foreign direct investment. By contrast, investment flows to developed economies have fluctuated remarkably. Between 2000 and 2009, the share of global FDI received by Sub-Saharan Africa increased from an average of 1,8% to 3,1%. In 2012, the share of total FDI to developing economies exceed the first time ever the share received by developed economies. This trend continued also in 2013 as developing economies received US$779 billion, accounting for 54% of global foreign direct investment. (See Figure 4) In 2013, global foreign direct investment flows to Sub-Saharan Africa indeed increased by 9,2% reaching US$45 billion, which is slightly faster than the global rate.

Still in 2012, investments from the European Union and the United States represented 26% of total FDI in SSA. However, FDI flows from developing economies to developing economies has grown in recent years. In 2012, South Africa, which was one of the major investment sources in the region accounted 4% of the total investment followed by China, Singapore and Japan. (Pigato & Tang, 2015)

Figure 4, FDI Inflows, Global and by Developmental Group, 2000-2013 in $ billions



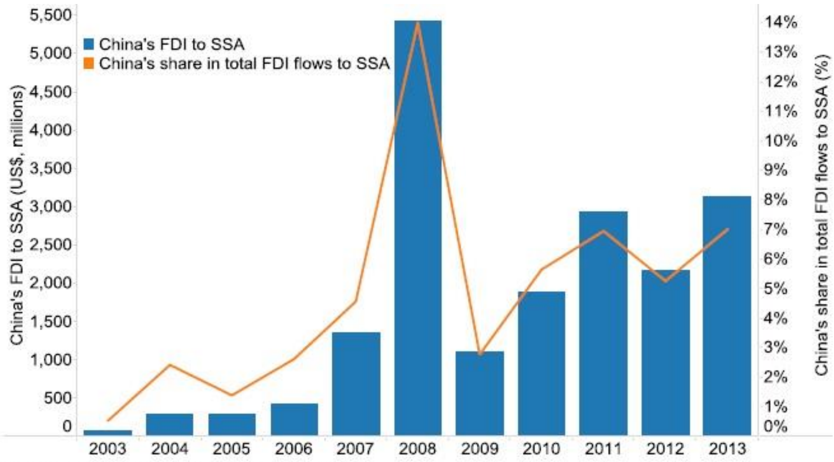
Source: UNCTAD 2014

3.2 Chinese FDI Outflows

In the late 1970s, China started to open up its economy to FDI and since the 1990s, it has been the largest recipient among developing economies. In past decades, Chinese companies started to invest also in other regions, mainly to Asia but also to Latin America and to the Caribbean. To Africa, China can be seen as a latecomer as it accounted for only a very small share of the total stock of foreign direct investment in the continent until recently. However, currently Africa is China's one of the most important partners in terms of trade and economic cooperation. Between 2000 and 2005, trade has increased by approximately fourfold from $11 billion to $40 billion. China has become one of the largest partners in Africa together with the United States and France. (UNCTAD, 2007)

Between 2005 and 2014, Chinese net annual direct investment flows have increased eight-fold to $3,2 billion. In addition, the total stock of Chinese investment has indeed increased twenty-fold to $32 billion. The development has been relatively steady despite the tremendous peak in 2008 caused by the purchase of a 20% share of South Africa's Standard Bank by the Industrial and Commercial Bank of China (ICBC). Currently, China is one of Sub-Saharan Africa's greatest investors. (The Economist, 2015) Figure 5 below demonstrates Chinese foreign direct investment flows to Sub-Saharan Africa between 2003 and 2014 in $US millions.

Figure 5, Chinese FDI flows to SSA 2003-2013 in $ millions



Source: UNCTAD 2014; MOFCOM 2014

However, in recent years, capital outflows from China have increased enormously and as a result, the renminbi has fallen around 5,8% in year 2016. In order to prevent the further depreciation of the currency, China has sold dollars from its foreign exchange reserves. Now, China has put new restrictions on outbound foreign investment in order to control the capital outflows and thus easing the pressure on falling renminbi. State-owned enterprises, which are the main foreign investors in Sub-Saharan African countries, are now allowed to invest only $1 billion on a single overseas real estate transaction. (Wildau, et al., 2016) This will most likely have a downward effect on Chinese FDI flow stock in SSA countries in coming years.

3.3 Modes of Entry

China's FDI flows to SSA are mainly in the form of equity joint ventures with local companies. By doing so, they gain knowhow and experience regarding the African market and customers. This is particularly important as the regulatory framework and political institutions are relatively weak in Africa and can vary enormously between countries. Additionally, the political environment and rule of law influence the economic environment significantly affecting for instance red tape and trade openness. In addition, knowing the customer base is extremely important in regions like Sub-Saharan Africa, where the literacy rate and income levels are relatively low. According to the 2015 Ease of Doing Business survey from the World Bank, which analyses the regulatory framework for businesses in 189 countries, only Mauritius ranked in the top 50 of all Sub-Saharan African countries. Without local knowledge, multinational companies would face enormous challenges in doing business in SSA.

By partnering already existing African companies, Chinese investors have direct access to market and thus can quite easily increase their global market share. In addition, Africa has imposed import quotas on some products such as textiles and light industrial projects. By foreign direct investment, China has the possibility to bypass these restrictions. However, multinationals entering Sub-Saharan African markets still face certain problems and difficulties. The economic environment is relatively weak as Africa is the least developed region in the world. This creates unstable foreign exchange systems and often exerts negative pressure on investors. Even though low-cost labour is the major attraction for Chinese FDI in Africa, skilled workforce shortages have reduced the region's low-cost labour advantage enormously. This will have an effect on product quality and efficiency of production. In addition, foreign exchange regulations are rigid meaning that companies must have local currency accounts, increasing foreign exchange risk and adversely affecting the investment environment and risk. Furthermore, inadequate tax incentives have a negative effect on Chinese investment in Sub-Saharan Africa. (UNCTAD, 2007)

3.4 Why is China Investing in Africa?

Chinese investors are mainly attracted to natural resource wealth and therefore majority of Chinese FDI is targeted to resource-rich countries in the region. (See Figure 6 below) This also supports their aim to sustain manufacturing and market size in SSA. In addition, Chinese companies tend to invest in countries with relatively poor governance and regulatory frameworks. Even though the rule of law does not have an impact on Chinese investment decisions, overseas direct investment (ODI) is positively correlated with political stability within the country. In other words, Chinese investors are attracted by natural resources and modest political stability over the rule of law. For instance, Angola, Eritrea, Madagascar, Zambia and Zimbabwe are all rated to have relatively high political stability over rule of law and all of these countries have significant number of Chinese investments relative to their total FDI. (Dollar, et al., 2015)

This relationship exists also at a global scale. Total FDI in Africa is significantly attracted to natural resource wealth, market size, good property rights and rule of law, whereas Chinese overseas direct investment (ODI) does not take rule of law into account. Therefore, Chinese investment is relatively equally distributed between good and poor governance countries whereas western investment tends to focus only on the former. (Dollar, et al., 2015)

Additionally, foreign direct investment from Japan and Western countries has usually come from privately owned companies. They have been focusing mainly on profit maximisation with relatively short-time horizons. By contrast, a relatively large proportion of Chinese foreign direct investment comes from companies that are either wholly or partially state-owned. In China, a company is state-owned, if the state holds more than 50% of the equity. As these companies have access to relatively low-cost capital, the time horizon is usually long-term. In addition, these investments are aligned with achieving strategic objectives, usually getting access to natural resources and raw materials. (Kaplinsky, et al., 2008)

However, in recent years, the proportion of Chinese private investment flows to Sub-Saharan Africa has increased. Especially manufacturing industry has enjoyed a rise in Chinese private investment. In certain countries, such as Tanzania, Chinese private small-sized companies have assumed a significant role as a source of job creation and income. In addition, this has created productivity-enhancing spillovers, even though these companies are facing stiff competition from local clusters.

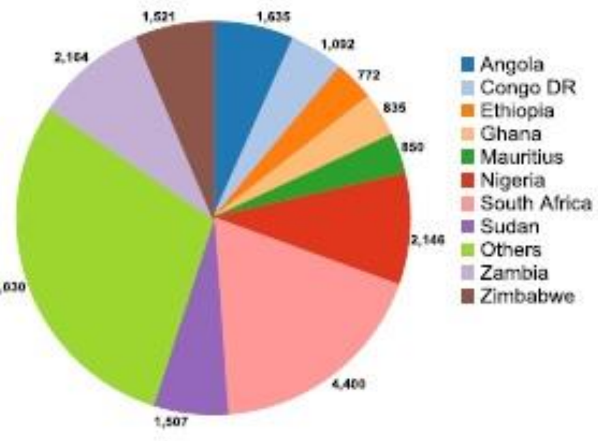
Even though the benefits of Chinese investments are clearly visible, the relationship between Chinese companies and local people in Africa have become inflamed in recent years. Many African countries, such as Algeria, Zambia and Madagascar have faced anti-Chinese rioting against Chinese companies. Chinese companies have been accused of importing workers from China rather than creating jobs for local people. Additionally, Africans who have been lucky enough to gain employment have complained of severe grievances, such as too long working days with too little salary. (Horta, 2015)

Nevertheless, Chinese companies have built many new schools, hospitals, roads and bridges and almost 50% of Chinese foreign aid is targeted to Africa. However, the vision has changed in recent years towards more colonialist ideas. For instance, many of the infrastructure programs employ mainly Chinese companies and workers if they are funded by the Chinese government. By doing so, these companies naturally benefit greatly and gain massive profits. In contrast, African companies lose vital opportunities to gain knowledge, experience and capital. In addition to this, Chinese companies benefit greatly by importing goods to African markets and thus increase their global market share. In contrast to local production, the volumes are enormous and can benefit from economies of scale. It is almost impossible for local, small producers to compete with these exported products. (Manero, 2017)

3.5 Country and Sectoral Distribution of FDI in SSA

Currently, Chinese foreign direct investment has become significantly diversified compared to previous years. However, the majority of Chinese investment is still focused on a few countries with relatively high natural wealth resources. The main Chinese investment recipient is South Africa, followed by Zambia, Nigeria, Angola and Zimbabwe. Figure 6 below illustrates the distribution of Chinese FDI to SSA by country.

Figure 6, Chinese FDI in SSA by country in percent

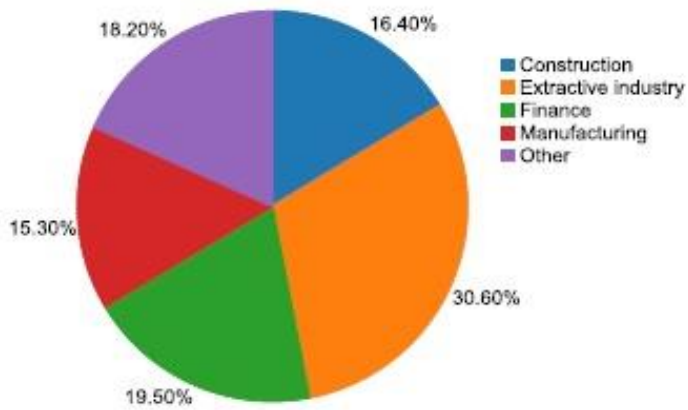


Source: MOFCOM 2014

Countries with relatively poor infrastructure have faced difficulties to attract foreign investors. For instance, the majority of Tanzania's rural locations are excluded from foreign direct investment leading to weakening competitiveness in the area. (United Nations, 2007) Country diversification of Chinese foreign direct investment is indeed relatively low, increasing inequality between countries in the region.

Even though Africa has great resources in mining, oil and gas, relatively few investments are concentrated in the natural resource sector, according to the Chinese Ministry of Commerce's (MOFCOM) database. Currently, the extractive sector is dominant and accounts for the largest share - 30% - of total FDI inflows. Furthermore, finance-, construction- and manufacturing industries receive a significant number of investments accounting for over 50% of total FDI stock. (Pigato & Tang, 2015) Figure 7 below illustrates total Chinese FDI in SSA by industry.

Figure 7, Chinese FDI in SSA by sector in percent



Source: State Council of China 2013

Additionally, China is importing various resources, such as oil, iron ore, timber and copper from Africa. As an exchange, China exports cheap manufactured goods back to the region and invests in infrastructure, provides foreign direct investment and loans. (Manero, 2017)

4 Implementation of the Research

4.1 Research Methodology

This thesis is a literature synthesis research and consists of a theoretical review and comparison with empirical data. It comprises theoretical review foreign direct investment theories, determinants, models and motives. Empirical approach criticises and analyses various perspectives of the relationship between foreign capital inflows from Chinese investors and economic growth in SSA. This is secondary research, meaning it analyses and focuses only on existing published data and literature.

Research methods used in this paper are mainly quantitative. By collecting quantitative data, statistics and measurements, predictions and assumptions regarding the relationship between capital inflows and economic growth can be made. After the hypothesis is stated, the relationship between and interdependence between variables can be measured and analysed.

4.2 Data

The empirical analysis determines the relationship between two variables. Data used in this analysis are mainly from the United Nations Conference on Trade and Development (UNCTAD) and the World Bank statistical databases. In addition, data related to China's outward FDI and China's FDI to SSA countries are from Ministry of Finance, Department of Commerce of People's Republic of China (MOFCOM).

Overall data sources used are mainly quantitative consisting of academic and scientific journals, articles, reports and statistics from government authorities and other independent researchers from various sources.

4.3 Hypotheses

Based on the analytical framework presented above two different hypotheses can be stated. In hypotheses null, foreign direct investment from China does have a positive effect on economic growth in Sub-Saharan African countries. In contrast, hypotheses one states that foreign direct investment from China has an insignificant or even negative effect on growth in Sub-Saharan African countries.

4.4 Reliability of Research

This research has two major problems that are presented below:

- Information overload
- Relatively subjective sources

One of the major problems related to this research is information overload, which also has an effect on the reliability of the research. There are plenty of reports and articles concerning the subject and every reference needs to be criticized and evaluated carefully. In addition, information sources are relatively subjective and many reports refer to each other. Moreover, the data used in this report is quantitative rather than qualitative and therefore it would be better to also have some interpretive research that support the same claims as the quantitative research.

4.5 Validity of Research

One of the greatest validity issues arises from generalisation. The SSA region consists of 52 countries, which are all in different economic and political stages of development. Therefore, the main findings can be seen as a generalisation and may not reflect conditions specific to one country.

5 Main Findings

Based on the empirical analysis above, China's foreign direct investment has had certain impacts on Sub-Saharan African countries. Main channels of impact are through skill – and technology transfers and economic spillovers. Main influencing areas are job creation, infrastructure development and trade. In addition, China's motives differ relatively significantly from other investors' and thus have greater influence on certain regional areas. Even though China tends to invest also in particularly fragile countries, where for instance rule of law is weak or non-existent, Chinese FDI is not significantly concentrated on any particular countries. Even though Chinese foreign direct investment has certain positive effects, it can harm the economy by increasing competition, causing possible disinvestment and relocation of certain industries, for instance. Furthermore, Chinese companies that export products to Africa benefit at the expense of local, small companies. Volumes are massive and Chinese companies benefit from economies of scale. As African consumers can enjoy these cheap export products, local producers face challenges and eventually in the long-term, purchasing power will decrease.

5.1 Exploitation of Resources and Competition

As the majority of Chinese foreign direct investment channels are companies either partially-owned or fully-owned by the state, motivations vary from the ones made by private-owned companies. Chinese investments are usually with long-term time horizons and focus on resource-seeking over profit maximisation. Due to resource-seeking motivations, the bulk of the Chinese foreign direct investment is focused on a few, resource rich Sub-Saharan African countries, such as Angola and Nigeria. This may lead to exploitation of natural wealth resources and especially scarce resources in these areas. China has indeed broad access to natural resources and imports various resources, such as oil, iron ore, timber and copper from SSA.

African consumers have benefitted imports from China due to the increase in purchasing power. Currently, many African has access to products that earlier were considered as luxury products, such as mobile phones, computers and air conditioners. However, cheap import products from China can harm the businesses for small, domestic companies and Chinese foreign direct investment pose a threat for certain industries.

Chinese companies can export raw materials from the region with relatively low prices and then use these to manufacture products. As China exports these products back to the region, especially small, local players will be influenced negatively. For instance, clothing, furniture, footwear and textile industries suffer from disinvestment and relocation by other foreign investors. They face competition from both: domestically-oriented manufacturers in internal markets and export-oriented manufacturers in external markets. Small local players can find it very hard to compete with foreign, cheap imports such as those from China as they cannot compete with prices or quality. In many cases, relocation and closure of domestic companies have led to decrease in jobs.

5.2 Skill- and Technology Transfers

China's foreign direct investment to Sub-Saharan Africa may lead to job creation through skill- and technology transfers. As multinationals invest in a foreign country, they transfer also the technology and by doing so, countries that would otherwise be left out are allowed to profit from advanced research and technology. Technology transfers are commonly linked with improvement of the stock of human capital, employee training and skill acquisition. In recent years, especially foreign direct investment focusing on manufacturing industry has led to job creation to a certain extent. As the main form of Chinese FDI is an equity joint venture, it is mutually beneficial but mainly in the short-run. FDI through joint ventures benefit especially agricultural industry and overall, co-operation with already existing companies can create jobs and transfers skills and technology to the country. However, in the long-run foreign direct investment may not have a significant role in job creation due to the tendency of Chinese FDI to be more concentrated in capital-intensive sectors over a long time period. (Dollar, et al., 2015)

5.3 Spillovers

Due to globalisation, economic integration between countries has increased significantly in recent decades. As a result, countries' influence through spillovers on each other's economic development has increased enormously. "Spillover effect" refers to an impact on the economy of nation B due to the unrelated events of nation A. The effects on a country's economic development come through multiple channels, mainly through trade linkages, financial linkages and indirect effects. (Arora & Vamvakidis, 2005b)

China has a direct impact on the region through trade, financing and investment. Certain energy-exporter countries, such as Angola and Nigeria, in Sub-Saharan Africa can benefit through trade with China. These countries play as net exporters of various commodities whereas China is the dominant importer of these commodities. An increase in economic growth in China leads to increase in demand for imports, which contributes directly to an increase in the net exports of China.

Moreover, China has an indirect impact on the region also through its global economic activity, commodity prices, and global interest rates. China's economic activity has had a major impact on world commodity prices, which have had an impact on some SSA countries. In past years, a sharp decline in global commodity prices has put many energy-exporter countries in the region under tough economic conditions. A drop in global commodity prices have an indirect influence on countries in the region who are net exporters of various commodities. (Drummound & Liu, 2013)

Even though China's impact through global commodity prices do not come directly through Chinese FDI to SSA, the relationship between the countries definitely plays a crucial role. In addition, in 2013 Drummond and Liu estimated that a 1% increase in growth in China's domestic investment is associated with an average 0,6% increase in growth in exports from SSA. Especially resource-rich oil-exporter countries have largely benefit from this and have enjoyed an average 0,8% increase in growth associated with a 1% increase in Chinese domestic investment. (Drummound & Liu, 2013) Close South-to-South relationships further contribute trade and investment between countries and thus have significant effects on growth and economic development in these areas.

In addition, being the largest recipient of Chinese FDI (see Figure 6), South Africa has enjoyed stable economic growth in past years. South Africa's relatively large economic size and its links to other African countries is believed to have a substantial impact on growth of other countries in the region. According to Aroma and Vamvakidis (2005), a 1% increase in growth in South Africa is accompanied with a 0,5% - 0,75% increase in growth in other countries in the region. (Arona & Vamvakidis, 2005a)

5.4 Infrastructure Development

In terms of infrastructure development, Chinese FDI has played a significant role leading to remarkable improvements. Currently, approximately 16% of Chinese FDI is allocated to construction industry and it plays by far the most important role in building infrastructure in the region. In 2012, Chinese companies completed infrastructure project worth of $40 billion targeted to building schools, hospitals, road, bridges, ports, water conservation and electricity. (Anderson, et al., 2015) In addition, approximately 50% of Chinese foreign aid is contributed to Africa. However, the impacts are at least controversial. Infrastructure projects funded by the Chinese government employ mainly Chinese companies and workers.

Even though also African companies and local people benefit from improving infrastructure, benefits to Chinese companies are tremendous and come at the expense of domestic companies in the region. (Manero, 2017) Local companies lose the vital opportunity to gain knowledge and experience. However, improved infrastructure has improved economic environment in the region and ease also the business for local companies. Moreover, especially children and youth have benefitted from improved infrastructure leading to improved levels in skills and education.

5.5 Final Summary

Despite the high criticism, the relationship between China and Africa is mutually beneficial but only to a certain extent. China has gained access to Africa's natural resources and at the same time Chinese companies have gained new business investments and new markets. On the other hand, the economic transformation was created based on natural resources in Africa for a long time. Due to Chinese intervention, also the importance of infrastructure and education and training and skill acquisition have been noted and other industries, such as manufacturing and services, have been promoted. Even though Chinese companies have been accused of employing mainly workers from China, also local people have benefited from job creation. (Manero, 2017)

However, when taking into account all the facts mentioned above, Chinese foreign direct investment has a relatively weak or insignificant positive relationship with growth factors in Sub-Saharan Africa. In certain areas, Chinese foreign direct investment accelerates growth through infrastructure development, for instance. Currently, the state of infrastructure in many parts of Sub-Saharan Africa is so poor and therefore the impact of the development is significant. In addition, the quality of institutions has improved in the region, leading to better economic and regulatory environments.

Nevertheless, countries in the region have suffered from disinvestment and relocation of production due to the dominance of Chinese imports. In addition, Chinese companies enjoy economies of scale, with which local companies cannot compete with leading to decrease in jobs. Furthermore, Chinese companies tend to employ 75% of Chinese workers and only 25% of local workers. Local workers employed by the Chinese companies have complained about several grievances regarding work hours and salaries, for instance. Naturally, impacts vary between time horizons and foreign direct investment may benefit and boost the economy in the short-run.

As a conclusion, Chinese FDI can benefit the economy of SSA through infrastructure development and skill - technology transfers. The latter especially can increase innovation leading to improvements in growth. However, Chinese FDI has relatively many disadvantages harming economic growth in SSA, such as exploitation of natural resources, disinvestment and relocation of other foreign investments, increased competition for local companies and decrease in jobs. Especially in the long-time horizon, the impact of Chinese FDI on economic growth in SSA is weak or even insignificant.

6 Discussion and Conclusion

6.1 Discussion

There are many studies examining consequences of foreign capital inflows to the host country. Some argue that foreign direct investment has a positive correlation with growth in the host country. For instance, Romer (1983) argued that through technology and knowledge transfer, foreign direct investment might boost growth. However, others state that foreign direct investment is linked with higher growth under certain conditions or even that foreign direct investment can have negative effects on growth. Many studies with only weak or no evidence argued that especially the spillover effects linked with foreign capital inflows do not accelerate growth in the host country. Results from this analysis follows the same patterns with studies resulting in negative or insignificant effects discussed in the literature review section. The impact of foreign direct investment is affected by certain conditions in the host country, such as government policies regarding foreign capital, but in the long-term, it has a weak or insignificant relationship with growth.

Many researches used gross domestic product (GDP) as a dependent variable. However, this research studied the impact of foreign direct investment on growth through job creation, infrastructure development, state of domestic companies and indirect spillovers, such as trade. Being the largest trading partner and one of the major investors in the Sub-Saharan African region, China has a significant impact through spillovers on the economy. As already mentioned earlier, currently, China has enormous impact on growth in Sub-Saharan Africa through global commodity price fluctuations. Implications would probably be less significant if South-to-South relationships were not as close as they are currently. However, the impact on infrastructure development has been enormous leading to improvements in the business environment.

In addition, Mlachila and Takebe (2011) argued that foreign direct investment accelerates growth as the initial investment spreads through industries in agriculture, manufacturing and service sector in long-term. However, Chinese investment tends to become capital-intensive in the long-term leading to possible negative effects on job creation over time. In addition, they stated that Chinese investment boosts the growth of especially non-resource rich countries. According to their conceptual model, the bulk of

Chinese investment is focused on a few, resource rich countries, as the main motives usually involve resource-seeking.

Some earlier researches analysing China's impact on the Sub-Saharan African economy published by Kaplinsky, McCormick and Morris (2008) and Mlachila, and Takebe (2011) used relatively limited data from UNCTAD. As many small- and medium-sized companies do not register their investment, it is very difficult to examine the exact growth impact of foreign direct investment. To a certain extent, also this analysis has the same problem regarding the reliability of this research due to certain limitations in resources and time.

6.2 Conclusion

Currently, foreign direct investment plays a critical role in international capital finance especially among developing countries. Many researches have highlighted the implications of foreign direct investment to host countries. However, only a small part of studies has focused on the implications of Chinese foreign direct investment to the growth of Sub-Saharan Africa's economy. In addition, nearly none of them has focused on the implications for specific factors, such as job creation, infrastructure development and spillovers. This paper examines the relationship between foreign direct investment and economic growth in developing countries. More specifically, it analyses which factors are affected the most by Chinese foreign direct investment. In addition, it discusses the difference in motivations of Chinese' and Western countries' investment.

Overall, the impacts of Chinese FDI to the economy of SSA are at least controversial. According to the analysis completed above, there is only weak or insignificant positive correlation between foreign direct investment from China and economic development and growth in Sub-Saharan Africa. In certain areas, Chinese foreign direct investment may create employment through technology and knowledge transfers in the short-term, but long-term implications are usually negative. Chinese investors tend to invest in capital-intensive industries in the long-term and small local players face challenges to cope with powerful international players. However, investments in infrastructure development create positive spillovers. Improved infrastructure improves the overall

economic environment, which can further attract foreign capital to the region. Furthermore, also domestic companies benefit from improved economic environment.
In addition, countries can benefit from spillovers, through trade for instance. China have a direct impact as trade partner. It imports various commodities from resource-rich countries. Demand for imports tend to increase due to the growth in economy. However, the impacts of spillovers can vary due to changes in the world economy. The volatility of Chinese economy has an effect on world commodity prices, which indirectly impact on net exporters of commodities. Currently, many large commodity net exporters in Sub-Saharan Africa, such as Nigeria, cope with weakening economic conditions due to the economic slowdown of their major importer, China.

This research is a secondary research meaning it analyses data and literature that is published already. It comprises a literature synthesis research consisting of a theoretical review on foreign direct investment theory and its implications for economic development. The empirical framework examines the relationship between foreign direct investment from China and factors affecting economic growth in Sub-Saharan Africa. Data used in this analysis are mainly from the United Nations Conference on Trade and Development (UNCTAD) and the World Bank statistical database. In addition, it also uses data from Ministry of Finance, Department of Commerce of People's Republic of China (MOFCOM). Other literature sources are from academic and scientific journals, articles, reports and statistics from government authorities and other independent researchers.

Main problems arising are information overload and relatively subjective sources, which also affect the reliability of this research. In addition, Sub-Saharan Africa consists of 52 countries, which are in different economic and political stages of development. Therefore, main findings can be seen as generalisations and may not reflect the conditions unique to any one specific country. There are a few significant knowledge gaps regarding the subject. In order to complete a more comprehensive picture of the subject, key knowledge areas need to be addressed and fulfilled. Firstly, studies regarding possible future threats and opportunities need to be conducted as the Sub-Saharan Africa as a region continues to develop. In addition, certain studies distinguishing regional differences need to be examined in order to complete reliable findings from data analysed.

6.3 Recommendations

There are many ways future researches should go in order to gain more in-depth understanding of the relationship. Chinese FDI and the relationship with SSA have become relatively intense in past years and motivations have been questioned and ideas regarding neo-colonialism have aroused. Even though also SSA has benefit from the relationship, for instance improved infrastructure, the benefits to China exceed the benefits to SSA. Research regarding the type of the relationship, for example partnership or neo-colonialism, would extend current researches and explain also the motivations more in context.

In addition, there are some possible scenarios regarding the relationship between China and SSA. Due to the restrictions regarding foreign investment set by the Chinese government, it could be beneficial to study capital outflows from China. One possibility is the shift in focus leading to relocation of Chinese production and FDI from SSA to Asia, for instance. This may lead to an increase in western investment and increase in local companies in the region.

Bibliography

AfDB, OECD & UNDP, 2016. *African Economic Outlook: Political and Economic Governance in Africa,* Paris: AfDB, OECD, UNDP.

Anderson, D. et al., 2015. *Spillover from China onto Sub-Saharan Africa: Insights from the Flexible System of Global Models (FSGM),* Washington: IMF Working Paper.

Arona, V. & Vamvakidis, A., 2005a. *The Implications of South African Economic Growth of the Rest of Africa,* Washington: IMF Working Papaer.

Arora, V. & Vamvakidis, A., 2005b. *F&D: Economic Spillovers; Exploring the impact trading partners have on each other's growth,* Washington: International Monetary Fund.

Ayanwale, A. B., 2007. *FDI and Economic Growth; Evidence from Nigeria,* Nairobi: African Economic Research Consortium.

Balasubramanyam, V. N., Salisu, M. & Sapsford, D., 1996. Foreign Direct Investment and Growth in EP and is Countries. *The Economic Journal,* 106(434), pp. 92-105.

Blomström, M., Lipsey, R. E. & Zejan, M., 1992. *What Explains Developing Country Growth?,* Cambridge: National Bureau of Economic Research.

Borenstein, E., De Gregorio, J. & Lee, J.-W., 1995. *How Does Foreign Direct Investment Affect Economic Growth?,* Cambridge: National Bureau of Economic Research.

Carkovik, M. & Levine, R., 2002. *Does Foreign Direct Investment Accelerate Economic Growth?,* Minnesota: University of Minnesota Working Paper.

Denisia, V., 2010. *Foreign Direct Investment Theories; An Overview of the Main FDI Theories,* Bucharest: European Journal of Interdisciplinary Studies.

Dollar, D., Tang, H. & Chen, W., 2015. *Why is China investing in Africa? Evidence from the firm level,* Washington, D.C.: Brookings Institution.

Drummound, P. & Liu, E. X., 2013. *Africa’s Rising Exposure to China: How Large Are Spillovers Through Trade?,* Washington, D.C.: IMF.

Dumitru, A. & Hayat, R., 2015. *Sub-Saharan Africa: politically more stable, but still fragile,* s.l.: Rabobank.

Economic Commission for Africa, 2006. *Economic Report on Africa 2006; Capital Flows and Development Financing in Africa,* Addis Ababa: Economic Commission for Africa.

Ferraro, V., 2008. Dependency Theory: An Introduction. *The Development Economics Reader,* pp. 58-64.

Gastanaga, V. M., Nugent, J. B. & Pashamova, B., 1998. Host Country Reforms and FDI Inflows: How Much Difference do They Make?. *World Development,* 27(7), pp. 1299-1314.

Haddad, M. & Harrison, A., 1993. *Are there positive spillovers from direct foreign investment?: Evidence from panel data for Marocco,* Amsterdam: Journal of Development Economics.

Hanson, G. H., 2002. *Should Countries Promote Foreign Direct Investment?,* Cambridge: United Nations Conference on Trade and Development.

Horta, L., 2015. *Anti-China Sentiment in Africa; Why Are They Unwelcomed?,* Singapore: RSIS Commentary.

International Monetary Fund, 1993. *Balance of Payments Manual, 5th ed.,* Washington: IMF.

International Monetary Fund, 2016. *Finance and Development: Africa Growth's Ups and Downs,* Washington D.C.: IMF.

International Monetary Fund, 2016. *Regional Economic Outlook; Sub-Saharan Arica, time for a policy reset,* Washington: World Economic and Financial Surveys.

Kaplinsky, R., McCormick, D. & Morris, M., 2008. *China and Sub-Saharan Africa: Impacts and Challenges of Growing Relationship,* Washington D.C.: SAIS Working Papers in African Studies.

Kurtishi-Kastrati, S., 2013. *Impact of FDI on Economic Growth: An Overview of the Main Theories of FDI and Empirical Research,* s.l.: European Scientific Journal.

Mallampally, P. & Sauvant, K. P., 1999. *Finance & Development; Foreign Direct Investment in Developing Countries,* Washington: IMF.

Manero, E., 2017. *China's Investment in Africa: The New Colonialism?.* [Online]
Available at: http://harvardpolitics.com/world/chinas-investment-in-africa-the-new-colonialism/
[Accessed 10 April 2017].

Mlachila, M. & Takebe, M., 2011. *FDI from BRICs to LICs: Emerging Growth Driver?,* s.l.: IMF Working Paper.

MOFCOM, 2016. *Ministry of Commerce People's Rebublic of China.* [Online]
Available at: http://english.mofcom.gov.cn/article/statistic/
[Accessed 16 July 2016].

North, D. C., 1981. *Structure and Change in Economic History,* New York: W. W. Norton.

OECD, 2015. *Sub-Saharan Africa; The Social Institutions and Gender Index (SIGI) Regional Report,* Paris: Organisation for Economic Co-operation and Development.

Pigato, M. & Tang, W., 2015. *China and Africa: Expanding Economic Ties in and Evolving Global Context ,* Addis Ababa: Investing in Africa Forum.

Prasad, E. S., Rajan, R. G. & Subramanian, A., 2007. *Foreign Capital and Economic Growth,* Cambridge: National Bureau of Economic Research.

Reinhart, C. & Montiel, P., 2001. *The Dynamics of Capital Movements to Emerging Economies During the 1990s ,* Munich: MPRA.

Romer, P. M., 1986. *Increasing Returns and Long-Run Growth,* Chicago: The Journal of Political Economy.

The Economist, 2015. *Chinese Investment in Africa; Western worries about China's burgeoning influence in Africa may be overblown.* [Online]
Available at: http://www.economist.com/news/middle-east-and-africa/21678777-

western-worries-about-chinas-burgeoning-influence-africa-may-be-overblown-not
[Accessed 27 July 2016].

UNCTAD, 2007. *Asian Foreign Direct Investment in Africa; Towards a New Era of Cooperation among Developing countries,* New York and Geneva: United Nations.

UNCTAD, 2016. *UnctadStat, United Nations Conferende on Trade and Development.* [Online]
Available at: ttp://unctadstat.unctad.org
[Accessed 16 July 2016].

United Nations, 2007. *Asian Foreign Direct Investment in Africa: Towards a New Era of Cooperation among Developing Countries,* New York and Geneva: United Nations Development Programme.

Vernon, R., 1966. *International Investment and International Trade in the Product Cycle,* Oxford: Quarterly Journal of Economics.

Wildau, G., Weinland, D. & Mitchell, T., 2016. *Financial Times; China to clamp down on outbound M&A in war on capital flight.* [Online]
Available at: https://www.ft.com/content/2511fa56-b5f8-11e6-ba85-95d1533d9a62
[Accessed 5 April 2017].

Wilhelms, S., 1998. *Foreign Direct Investment and its Determinants in Emerging Economies,* Washington: African Economic Policy Paper.

World Bank, 2015. *Ease of Doing Business,* Washington: World Bank.

World Bank, 2016. *World Development Indicators Online.* [Online]
Available at: http://data.worldbank.org/
[Accessed 16 July 2016].

Zhang, J., Alon, I. & Chen, Y., 2014. Does Chinese Direct Investment Affect Sub-Saharan African Growth?. *International Journal of Emerging Markets ,* 9(2), pp. 257-275.