The Methods And Implications Of Chinese And French Foreign Direct Investment In Africa

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Abstract

With the shift in the modern era from conventional warfare to more impersonal forms of conflict, it is important to maintain awareness of the more subtle methods in which nations engage in hostile actions. This study examines one of these newer methods, economic warfare, in the context of the French and Chinese governments' methods of Foreign Direct Investment (FDI) into developing states on the African continent. By analyzing investment data provided by the United Nations Conference on Trade and Development (UNCTAD) and articles other scholars have done regarding France’s Françafrique region and China’s Belt and Road initiative, we will compare these two FDI types. FDI presents a concept with a lot of nuance because it is not an explicitly violent action to invest in an economy, but opens the door for quiet methods of exerting control over them. Other scholars argue that both the “East” and “West” invest in resource rich and corrupt institutions for their own benefit, but viewing any type of economic warfare through a Cold War framework does the analysis no academic justice. The results in this study suggest that the repercussions of these investments either facilitate corruption (in the Chinese case) or shape an oppressive economic structure (in the French case), making the FDI types of both sides unsavory in one way or another.

Foreign Direct Investment

Foreign Direct Investment or FDI, is a method through which foreign nations and companies can directly invest in the economy of another nation. As the name implies, the investment by the foreign entity is given in exchange for a direct controlling interest in whatever entity they are investing in. The implications of this investment method between the nations of
the world have consequences that are circumstantial given the parties involved. For instance, Russian FDI into a country like Syria has implications for both the diplomatic relations between Syria and the world as well as the diplomatic relations between Russia and the western parts of the world. An influx of Russian money into Syrian infrastructure could warrant western attention because of the geopolitical importance of Syria and the Middle East over the last few decades while simultaneously making Syria and/or its neighbors targets for investment to balance out Russian intervention. Australian FDI into Taiwan could have implications on its relationship with China. China refuses to allow Taiwan its complete sovereignty and so nations that take actions that are conducive to Taiwanese independence will have less favorable diplomatic relationships with China.

FDI in this sense is a covert way to facilitate a kind of economic warfare. Typically the battlegrounds are the less powerful developing nations with resources or geopolitical importance and the aggressors are the countries that stand at the top of the world for economic development. From the end of World War II through the Cold War and up until now, warfare has evolved to be less confrontational, more impersonal, and significantly more passive. No longer is it the nations with the strongest Army, Navy, Nuclear Program, or Intelligence Apparatus that win wars, or rather it might have never been. In fact, it could be argued that the implementation of financing revolutions, propping up governments, or even controlling resources as a means of fighting is the purest form of what has been a, if not, the key part of warfare in the past. Namely, who has the most resources and who can deploy them most efficiently.

As this research centers around the importance of FDI in the greater context of global security and the balance of power between nations, it warrants some substantiating as to what impact it has. I allude to an implication earlier in that the use of FDI as a way to fund revolutions
or their opposition is a prevalent way that FDI is used in developing countries and more developed countries. These countries, much like the ones that are the topic of this research, are resource rich and strategically located for certain developed nations and having these smaller, weaker nations under their thumb would provide larger more powerful nations with an uneven share of the global power scale. The Middle East and Sub Saharan Africa are two examples of heavily resource rich regions with huge inflows of different kinds of FDI that facilitate different things. The Middle East has retained its importance for the last century or so because of its natural gas and oil resources that the world has needed for industrialization and many of the countries in Africa, despite having their fair share of oil, contain a vast amount of the world’s rarer minerals that are used both industrially and commercially. This is why, I argue, the nature of FDI to be able to facilitate proxy or cold wars needs to be taken seriously as an aspect of warfare rather than a matter of state and diplomacy. For a country to effectively buy up the rights to all of another’s resources and infrastructure is counter conducive to each nation retaining sovereignty around the world and maintaining some sense of global stability.

Given that FDI results in the investor having a controlling interest in the entity invested in, it stands to reason that in some ways nations can effectively buy parts of others. This puts the investing nation in the driver's seat for many decisions regarding the nation they have invested in and makes it difficult for the indebted nation to break free without inciting armed conflict or severe diplomatic repercussions. Thus, this research will focus on the methods that both the People’s Republic of China (China) and the French Republic (France) use to invest in African nations and more importantly what the implications are for the investments they make. France because of their longstanding history as a colonial power in northwestern and western Africa which culminates in the Françafrique region and China because of its meteoric rise on the
economic food chain in the last two decades and its efforts to reinvigorate the old Silk Road to solidify their place in the world economically.

The Belt and Road Initiative

The People’s Republic of China is one of the major players in world affairs. Along with other super power states like the United States of America and the Russian Federation, China has the military and economic influence that provides it with the authority and gravitas necessary to make major decisions in what goes on in the world. This ability to affect the world in major ways has always been part of the recipe for global catastrophe. The greatest wars that are studied in human history are fought between the nations that make up the majority of the “decision making power” in whatever the current geopolitical landscape has been. Because of this, it is important for academics and the general public to be aware of the actions of nations that have the kinds of power to make those changes.

The examination of Chinese FDI in Africa starts with the Belt and Road Initiative (BRI). The BRI is a Chinese economic strategy to reinvigorate the old Silk Road of Imperial China and then expand on it to facilitate economic prosperity from Southeast Asia to Northeast Africa to Western Europe. In doing so, China will not only improve its relations with its neighboring countries as the head and creator of the initiative but also create an economic chain in which the US is not a direct participant. This would stimulate for China not just an incredible diplomatic growth but also provide them with an influx of money as they pour FDI into the smaller countries that make up the paths for the BRI. Though it may not be the sole motivating factor, The BRI allows China multiple pathways to circumvent the South China Sea, an area in which China is currently trying to dominate but is also high with tensions due to the opposition from
other countries in the region. If China is the head of an initiative that creates economic prosperity for so many developing nations along the path for its trade route along with the more developed nations that are major hubs in the circuit, it stands to increase its public perception and has more cards on the table for global geopolitical issues with the beginnings of economic interdependence.

The question we might ask then is, “Why is Africa so important?” Africa is the choke point for the Suez Canal as well as having a huge amount of natural resources like rare earth minerals, oil, and natural gas are spread out amongst many of the countries. Chinese trade with sub-Saharan African countries is centered around natural resources with it accounting for about 90% of the total amount of trade.\(^1\) While their trade with African countries primarily centers around these resources, a contrast is observed in the investments that they make. Specifically the investments to nations that have a strong influence on the BRI. Some of these nations include Kenya, Djibouti, and Ethiopia which all sit on the easter coast of Africa (though Ethiopia is landlocked it is critical to infrastructure as a hub for natural resources to be transferred out of the country).

Both Kenya and Egypt are the African footholds China capitalizes on to facilitate its maritime trade routes.\(^2\) Kenya is situated perfectly to allow for resources from surrounding and continental nations to accumulate and then be shipped off to either Southeast Asia or North through Egypt and the Suez Canal. The Suez Canal has been the lynchpin of maritime trade in and out of the Mediterranean Sea as well as oil exports for many different countries, making it

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\(^2\) Refer to Figure 2
hard for other countries like Russia or the US to advocate against its use or try to influence the discontinuation of the route entirely. In a data set by UNCTAD from a period of 2001-2012 (seen below), it becomes evident that FDI flows out of China and into Africa steadily increased over time.³

With this in mind, it is easy to comprehend the geographic importance of the nations in question as well as some others. Both are situated in concentration points for trade and resources, both offer ideal maritime avenues and ports, and both are relatively underdeveloped nations with which China can offer financial assistance in not only creating the infrastructure necessary to facilitate the BRI and the trade they hope to create, but also Egypt and Kenya’s standings within the scope of their own geopolitical regions. On top of both Kenya and Egypt there are 9 other countries in the graphic that are shown to have received over 100 million US dollars in FDI flows in 2012. Each of these nations, Nigeria, Tanzania, Angola, the DRC, Ethiopia, Algeria, Guinea, Mozambique, and Ghana, sit in excellent positions for maritime trade routes that are not outlined in the BRI graphic shown below (Figure 2). In the 2020 World Investment Report done by UNCTAD, projects for railways in both Nigeria and Tanzania are mentioned with the project costs set at 12 and 11 billion US dollars respectively.⁴ These kinds of investments into infrastructure and the geostrategic nature of the investments is part of the argument for greater geopolitical observation as China is effectively buying infrastructure to generate its economy without necessarily having a great impact on the prosperity of every country it invests in.

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As stated in *The Impact of Institutional Quality on Chinese Foreign Direct Investment in Africa*, the sources of empirical data reflecting the role that Chinese owned companies play in facilitating the flow of FDI into African nations is limited.\(^5\) However, in the same study, the

authors seek to argue that Chinese FDI in Africa is much more than simple acquisition and extraction. The argument is that Chinese FDI has evolved from resource monopolization and instead into the creation and maintenance of stability in the regions that suit their interests. Coupled with the idea that Chinese FDI is a method through which they facilitate their BRI, the notion that China is using their money not to just buy countries, but also to reshape them in the image that benefits them the best is apparent.

(Figure 2)\(^6\)

In a collection of essays dealing with politics and economics in the Middle East/North African (MENA) region, Wiboon Kittilaksanawong and Weiqi Dai both bring to light that Chinese Outward FDI (OFDI) is based on a principle of unconditionality. This unconditionality is reflected with traditionally western investments that come at a price of conditionality, whether

that be the reduction in corruption, stronger adherence to democratic ideas, or humanitarian improvements. China however has no concern for these things and seeks to give these African nations unconditional aid in return for access to resources and more importantly restructuring the infrastructure to benefit them.⁷

Conclusively, it is clear that Chinese methods of investment center around a notion of impartiality towards the state of the recipient nation. Instability, corruption and differences in political values mean nothing to the economically driven Chinese government as they seek to have controlling interests in all of the nations that facilitate their BRI. Most concerning about the nature of Chinese OFDI is perhaps that the recipient nations in Africa are just as impartial to the nature of what it means to let China have controlling interests if not outright ownership in so many different resource markets and areas of infrastructure. China’s progress towards effectively owning all the aspects that affect their BRI is something that cannot be ignored in the larger global context and requires a much more attentive eye from NGOs and international committees dedicated to mitigate conflict and malpractice in the global geopolitical landscape.

**Françafrique**

France-Afrique, a term coined by the first president of Côte d’Ivoire (the Ivory Coast) Félix Houphouët-Boigny, came about as a reference to the geopolitical relationship that France has with its former African colonies. Later redubbed Françafrique by François-Xavier Verschave, the term has come to be a pun with a play on the words “France à fric” with “fric” being French slang for money. During the Presidency of Charles de Gaulle in the 1960s, the

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⁷ Erdoğdu, M. Mustafa, and Bryan Christiansen, eds. *Comparative Political and Economic Perspectives on the MENA Region.* Hershey, PA: IGI Global, 2016. P. 247
http://doi:10.4018/978-1-4666-9601-3
French colonies in Africa were given their independence as a method to prevent France’s need to fight colonial wars and maintain its authority through force and bloodshed. Often referred to as France’s *pré carré* (backyard), the former French and Belgian colonies that form the region France seeks to maintain hegemony over have bound themselves to a system of reciprocity that benefits them as well as France.

The region also has economic borders with its CFA “franc zone.” The franc zone is a smaller reflection of the results of the Bretton Woods conference in which many of the world’s currencies were pegged to the US Dollar. This is because the French government has decided to back the new currency in the region which was previously pegged to the French franc, but is now pegged to the euro of the EU. The system resembles something close to the US’s approach towards global hegemony after the end of World War II and the fall of the Soviet Union. With all of this in mind, it begs the question of what France’s goals are and how they aim to achieve them, as well as what the sentiment towards those goals and methods are in the African countries. This chapter will seek to analyze France’s past and current behavior as a way to elucidate the importance of maintaining a watchful eye on a nation's economic influence over another.

In her article *Françafrique and regime theory*, Maja Bovcon proposes the idea that the Françafrique region is actually a regime led by France. Regimes exist as coalitions of nations to achieve and maintain certain goals such as peace after war. Bovcon argues that Regime Theory (RT) is a useful tool to view the situations in which a nation's behavior is not indicative of its

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8 Tony Chafer (2005) Chirac and ‘la Françafrique’: No Longer a Family Affair, Modern & Contemporary France, 13:1, 7-23, DOI: 10.1080/0963948052000341196
actual level of capability, because that nation may have some predetermined authority\(^9\). Bovcon points out that despite the typical resilience in regimes that shifts in the underlying structures can destabilize them. These destabilizing factors can be as simple as a change in tastes over a generation. It is common for regimes to continue with business as usual because it is the way it has always been, but after a generation or two, perspectives and values change which call into question the order of things. If anything is true of the recent decades, it is that ideological shifts are occurring at a rapid rate as the newer generations come into critical thinking age. This shift has been facilitated en masse by another of the destabilizing factors, technological advancements. As technology marches forward, nations industrialize and improve their economies, relying less on the help of the advanced nations of the world. These factors lead to the heads of these regimes seeking new methods of stability and new substantiating factors for their authority.

The current President of France is center-left politician, Emmanuel Macron. Macron took the reins of France in an opportune time as the geopolitical landscape of the world is shifting. With France being the foremost military power in western Europe, and its efforts and Africa propping it up as an economic powerhouse, the French Republic will likely come out of the next decade or so being one of the new top powers. With that said, it is imperative for Macron and his successors that they continue to exert control over Africa so that the regime they have created for themselves to facilitate geopolitical strength does not leave from under them. The way Macron intends to go about this is through the French language. English is the most widely spoken language on the planet, considering first and second languages, making it a powerful language to

have in one’s arsenal for political reasons. However, no single country in the anglophone world has the ability to call themselves the leaders of the english speaking world. France is in the position to claim that title for the French world, even if Belgium and Switzerland both have significant French speaking populations as well as significant wealth, the home of the French language is France. Because of this, Macron seeks to invest French money heavily into language schools in the Françafrique regime in order to “reunite” the citizens of the African nations with French hegemony. These language schools will push the idea of French being the primary language spoken throughout the nations. In 2018, President Macron announced his plans for the restructuring of the language base in Françafrique, mildly criticizing the francophone world for believing English was the language to be sought after and reminded them of their shared linguistic culture.

The French government holds the reins on the Françafrique region through a multitude of ways, but it is through language that they hope to maintain their authority. By creating a shared linguistic culture and perhaps creating a more free flowing policy for emigration and immigration, France seeks to use its African allies in the south as the footstool that will put it on the level of nations like the United States. This begs the question though, what exactly is it that the French government is getting from the Françafrique region? Below is a representation of the Françafrique region and the way the currencies are split. Each of these countries, upon entering the CFA zone, were required to hand over around 70% of their currency reserves to the French National Treasury. Not only did France secure itself first rights to industry in the region and put in place a system that allowed it to control the currencies of said region, but it also held 3/4ths of the economic power that the region does. Speculation about where that money goes is prevalent, but what is apparent is that after the 2008 economic crisis, when the African nations desired a
line of credit to prevent economic turmoil, the French government used the same currency reserves to extend that line of credit back to its owners.

The Economist

Ultimately, we find in an observation of French FDI into Africa that a few things are true. First, French investment into African nations is not necessarily financial nor do they exert force in an effort to maintain authority. Second, the French government is seeking to use language as a way to reaffirm its hegemony and prevent any social instability that would facilitate the dissolution of its regime. Lastly, the CFA zone acts as a way for France to profit from any of the industriousness of the Françafrique region as well as keep it suppressed with the management of its currency. These factors show us that French FDI is almost more oppressive than Chinese, which takes a more laissez-faire approach as long as its needs are met.
Comparative Analysis

In the analysis of both China’s and France’s methods of FDI we find different goals and results being observed. However, the similarity between both nations and their FDI is that both of their methods and goals are significant in the geopolitical context as well as less than desirable from an ethical perspective. France keeps their Françafrique region oppressed economically by both managing their currency and holding the majority of their currency reserves and China’s proclivity to provide investment to nations indiscriminately facilitates corruption and humanitarian crises like the civil war in Ethiopia with the Tigray. Like stated before, neither of these countries are the first to tread the line when it comes to policies that lean towards colonialism or some indirect form of authority over other nations. This chapter seeks to compare the practices of China and France in regards to their economic involvement in Africa and derive what the geopolitical implications might be.

This was stated in an earlier chapter, but viewing the Chinese and French situations in Africa through an “East” and “West” narrative that is leftover from the Cold War does the focus on their economic actions injustice. This is because, no matter which side wins (and they aren’t really fighting), Africa stands to lose the most. Africa was a place riddled with colonial authorities for decades and throughout history, the people of the continent have dealt with invasions from intercontinental nation states eager to capitalize on African resources. With that in mind, trying to shape either country’s economic actions as being the good or bad guy does a disservice to the analysis of FDI.
As we see in Chapter 3, France focuses much more on an investment policy that facilitates shared culture, infrastructure, and language. They seek to make the African nations they invest in feel like they are essentially French, while retaining their identities. These policies seem fine on the surface but the French position to maintain 70% of the currency reserves and back the currency itself, make the region entirely dependent on their French hegemon. It is no surprise France is so keen on doing whatever it takes to remain powerful in the region. France is heavily dependent on energy imports from its African regions. The country has a sizable amount of coal resources but it is very difficult to mine. As for other precious resources for energy, France has next to none. However, the most valuable part of their pré carré is undoubtedly the oil they receive for their main export, machinery. Of France’s top 5 exports in 2020, 4 were in the market of machine parts or vehicles.\(^\text{10}\) The industrial process for France’s machine exports requires an immense amount of fuels and oil to run smoothly and without those things, France loses the stool upon which it stands to maintain its place in the top section of world economic powers.

China also shares the French desire to acquire fuel and oil, but does not require it. Rather, the Chinese policy towards acquiring natural resources in Africa is in order for them to control a larger share of the global supply. Chinese doctrine is very long-term oriented because of its higher echelons' abilities to stay in office and share political views. This is in comparison to a country like France whose presidency lasts for a 5 year term and must battle its populations swaying opinions on issues like immigration, COVID-19 regulations, and other non-economic

factors that make it difficult to stick to an agreed upon doctrine. Because of this, the Chinese government does not need to be as concerned with short term preservation nor does it get distracted by having to appease its population to the same extent in order to retain power.

China’s BRI also provides it with a differently nuanced situation than the French’s with Françafrique. China does not need to acquire and maintain a presence in Africa the way France does, nor does it need to form any sort of relationship outside of the business end in order to facilitate its goal of a revitalized Silk Road. France on the other hand struggles to maintain some sense of legitimacy in their hegemony over their pré carré because the history of French authority as well as the methods through which it is implemented now are not conducive to the sovereignty of African nations. The nuance of the Chinese investment strategy is not much better than the French however. China aims to own the roads and paths that its products and money will take to and from its trade partners in an effort to supplement and provide contingency for it’s difficult opposition in the South China Sea. This, along with an impartiality to the state of the nations on the BRI leads China to make its investments with the only conditionality being that they receive what they are owed in return.

Conclusion

This paper has analyzed both the French and Chinese cases of FDI in Africa and found that both methods have negative geopolitical implications for the African countries receiving the investment. The French approach of francophone unity under French hegemony denies the African nations in their pré carré explicit sovereignty through the control of their own currencies. The Chinese approach is detrimental to the stability of the African nations in which they invest as well as being indiscriminate about the growth of corruption as a result. Both
countries use FDI in a way that affords them the sole or majority access to their respective countries resources and infrastructure, which simultaneously gives them more economic footholds and resources that support their own geopolitical positions at the expense of stability or sovereignty in the African countries.

The aim of this paper was to provide a framework through which to answer the question of why these forms of investment are potentially devastating for developing nations and what the geopolitical implications of those FDI styles are. If anything, the analysis done here would indicate that resource rich and developing nations are being “bought” rather than conquered and a neo-colonial world may be around the corner in this age of shifting geopolitical landscapes.

It is undeniable that this research is only preliminary and that there is much more of a discussion to be had. It is also noteworthy that FDI is not inherently “bad” nor are the countries who participate in the investment of foreign economies “evil.” Rather it is much like many useful and powerful human creations that we have found exploitative methods to employ the act of FDI and it has begun to show itself as detrimental to the global order of stability. Should this issue go unnoticed or be swept under the rug, we may see an era of conflict that we are at large not prepared for, and one involves more than just soldiers on the battlefield.
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