The Past and the Present: Two Paradigms of the Sino-African Investment

Emma Weirich

A Senior Thesis submitted in partial fulfillment of the requirements for the degree of Bachelor of Arts in International Political Economy

University of Puget Sound

May 21, 2020
Abstract

Outward foreign direct investment (OFDI) has obvious economic and political connections between the recipient and donor countries. Such investment can benefit both sides and carry certain costs to both, whether through global scrutiny or domestic struggles. This thesis seeks to add to the ongoing discussion of China's OFDI to Africa by comparing China's investment during its socialist period (1949-1976) and its post-socialist era (1977 – present). This comparison reveals that China's foreign policy has transitioned from a socialist paradigm to a capitalist one in the last seven decades, which brought significant changes in its OFDI policies and practice. In the socialist paradigm, the case study is focused on Tanzania and Zambia, and for the capitalist paradigm, the focus is Zambia and Sudan. The thesis argues that China's OFDI strongly connects to its foreign policy, which in turn correlates to China's economic and political agenda. Researching the paradigms then reveals how economic and political agendas impact the recipient OFDI country, depending on China's motives.
INTRODUCTION

Since the 1950s, the People's Republic of China (PRC) has undergone radical political and economic changes because it started as a socialist country and then transitioned to a market-based economy with both capitalist and authoritarian characteristics. Not only has China evolved in the past 70 years, but the world has experienced an increased emphasis on globalization, which has brought upon international involvement between one another's countries through political and economic means. China is one of many countries to experience globalization by opening its borders to the West for trade in the 1970s. They then moved past their border to expand their influence on the African continent to help resource China's growing economy.

However, their beginning interests in Africa were due to many African nations protesting colonialism and Western influence, a key interest to China during their socialist movement and anti-imperialist stance. China's interest in Africa originated in the Bandung Conference in 1955, beginning our first socialist paradigm of China's foreign policy in Africa. Later on, with the death of Mao Zedong in 1976, China's interest in Africa then changed from a shared interest against Western imperialism towards an interest in the resource-rich continent to improve its domestic economic development. Such a foreign policy transition paves the way for an economic transformation towards a capitalist economy under Deng Xiaoping leadership. Soon afterward, in 1978, the Reform and Opening agenda opened China's economy to FDI and evolved China's economic regime towards a more capitalist market. This paper defines China's socialist paradigm as the system between 1955 and 1978 and the capitalist paradigm from 1979 to the present.

By looking at these two periods, before China became an economic powerhouse, and after so, we can analyze how government and economic regimes influence foreign policy and how such policies have impacted Africa. China's investment in Africa will be analyzed within
these two paradigms by focusing on China's involvement in infrastructure investment projects.
The socialist paradigm analysis focuses on China's economic assistance in the Tanzania-Zambia
Railway, developed from 1971-1976, and the capitalist paradigm focuses on China's
infrastructure in Zambia's copper and Sudan's oil industry.

The Tanzania-Zambia Railway has been chosen for the socialist paradigm because it
represents an investment project that displays China's foreign policy and was one of the largest
investment projects during this time in Africa. China's investment in Zambia's copper industry is
also chosen because it allows us to delve back into Zambia and analyze which industry China is
currently interested in and for what reasons. There is also extensive research on China's
investment in Zambia's copper industry, allowing us to compare the working conditions of both
locals and expatriates to those who worked on the Tanzania-Zambia railway. Such research
allows an in-depth analysis of the two. Lastly, China's infrastructure involvement in Sudan's oil
industry is important because it again demonstrates China's current foreign policy and how its
foreign policy has combined economic interest in raw resources. It also demonstrates how
China's political alignment with the nation's investment has evolved since the socialist
paradigms.

These projects demonstrate how China's ideology and strategies in foreign investments
have transitioned and offer us a chance to analyze how political and economic factors shape a
nation's OFDI policies. Currently, there is an increased concern of China's OFDI in Africa,
leading many to accuse China of colonizing Africa. A new analysis is then needed to understand
how China's infrastructure investment is affecting Africa differently, compared to when China
became involved in the socialist paradigm. By analyzing these two paradigms, this paper seeks to
unearth how China’s political economy has impacted Africa while investing in infrastructure projects and give a new understanding of China's current involvement with the continent.

This thesis consists of three sections: literature review, methods, and analysis. The literature review looks at the existing literature regarding China's current political regime, market economy, and soft power. The section is further broken down into three parts: China's modern political system, China's modern economic system, and China's soft power and controversy of OFDI in Africa. The methods section explains the analysis of the first and second paradigm, by drawing on scholarly articles written in the 1970s-1980s regarding the Tanzania-Zambia Railway and more recent articles about China's investment in Sudan and Zambia. The analysis section then uses these secondary sources to build up an understanding of China's OFDI in the Tanzania-Zambia Railway. There are five sub-sections: the beginning of China-Africa relationship, the railway and the west, China's interest in the Tanzania-Zambia Railway, terms of the railway, present-day China and Africa, Zambia's mining industry, Sudan's oil industry, and comparison of the two paradigms. By analyzing the two paradigms, this paper seeks to demonstrate how political regimes and economic systems greatly influence foreign policy and shape the OFDI effects in the recipient countries.

LITERATURE REVIEW

This literature review first analyzes China's political and economic structures in the socialist and capitalist paradigm, respectively. By doing so, the paper addresses how globalization has affected its interest in investing in Africa. Secondly, I review the current literature on how China's rising economic power has given them a form of soft power over African nations, which feeds into China's current perception as a colonial state.
The Political Economy of the Socialist Paradigm

Reviewing China's political economy in the socialist paradigm (1955 – 1978) is a complicated feat and cannot be adequately done in this paper. The paper will then focus on the political economy of specific policies, beginning with the Five-Year Plan (1953 -1957) to the Cultural Revolution (1966 – 1976) to gain a general grasp of China's economic and political changes the country endured while it was investing in the Tanzania-Zambia Railway.

The political revolution in 1949 established the People's Republic of China (PRC) and began its path towards socialism with a state-controlled economy. To build a socialist country, Mao led China by first creating the Five-Year Plan that held strong ideological roots in Marxism and looked to the Soviet Union political model to establish many similar economic institutions. China quickly transitioned into a state-controlled economy with an emphasis on physical targets and quotas (Marshall, 1980) while centralizing almost all production into the government's hands. The Five-Year-Plan was established in the 1950s because there was a push for early transformation. Liu and Wang (2006) explain that Mao had four underlying factors to push for such a transformation: requirements of national defense; the strength of the public sector in the economy; the accumulated experience in the initial stages of transforming the private urban sector, and the accumulated experience in developing socialist mutual aid and cooperative institutions in the countryside (pp. 726).

All of these factors helped transform China's internal political and economic structure, while also transforming the global perception of China as a socialist state. The Five-Year Plan nationalized the private economy through means of creating state-private joint economic activities (So, 2002). The joint venture between public and private sectors aimed to slowly improve the economy and not shock private firms, who were told they would be allowed to carry
out business under Communist rule from the 1940 New Democracy framework. So (2002) sees the policies in the period of the 1950s summed up in three words which describe China's view of the private sector: 'use' (liyong), 'restriction' (xianzhi), and 'transformation' (gaizao). In this sense, China would only use the private economy to benefit the public sector and restrict its importance without overshadowing the state sector. China's economic transformation described the socialist change carried out through state capital. While So (2002) argues such a transition was gradual, Nolan (1976) notes the transition was quite drastic. In Mao's agricultural co-overutilization speech in 1955, 14% of peasants joined cooperatives while the remaining were still working in their household system, and 18 months later, Nolan (1976) found almost all peasants had joined the cooperatives.

At the end of the Five-Year Plan, China implemented a second Five-Year Plan (1958 – 1962), better known as the Great Leap Forward (GLF). The GLP was the product of many economic and political pressures, i.e., fanmaojin policies, Hundred Flowers Movement, that left Mao seeking economic growth through the agriculture and industrial sector (Teiwes, 1955). China and the world predicted high expectations with the promise of industrial growth; however, the GLP backfired with a decrease in grain output by 15% in 1959 and an additional 16% in the following two years (Li and Yang, 2005). While bad weather is a plausible explanation, many have pointed to the lack of labor and acreage distribution (Peng 1987; Yao, 1999). Additionally, many have argued collective farming practices disincentivized farmers to work, leading to a fall in production (Li and Zhang, 1997). Li and Yang (2005) find in an econometric study that the government excess procurement of grain and resource diversion from the GLP contributed up to 61% of the decline in output.
To add further hardship, tension had grown between the Soviet Union and China, marking the beginning of a failed relationship. Radchenko (2010) outlines key events that led to a final break in the Sino-Soviet alliance, including the Soviet Union supporting India in the Sino-India border war (1959), using Chinese soil to build submarines and a military radio station, and pulling out of deals to aid China's nuclear weapons program. The once-friendly relationship broke in 1962 when Zhang Yan, deputy of the State Council Foreign Affairs Office, noted: "We should get a clear and definite understanding that Khrushchev is a traitor, not a proletarian" (Wang, 2005).

By the beginning of the 1960s, China was in dire need of a new economic policy, marking the beginning of the Readjustment and Consolidation period (1960 – 1965). Such a period was not led by Mao, but by the Politburo who sought to focus on industrial growth with the slogan "take agriculture as the foundation and industry as the leading factor" (Brodsgaard, 1983). Accumulation of capital decreased during this period, and heavy industry received the bulk of state investment; however, technical transformation (irrigation, chemicalization, and mechanization) received much investment, which helped the agriculture sector (Brodsgaard, 1983). While economic stability grew, there was a political conflict between Mao and other Party leaders. Mao and political leaders were struggling over policy formulation, creating an identity and moral crisis. In the 1960s, China had 17 million members, but roughly 20% of them had joined the party before the establishment of the PRC (Neuhauser, 1967). An overwhelming number of new members lacked experience, and many senior members believed they lacked a sense of involvement, possibly due to the lack of experienced members to teach them. Neuhauser (1967) remarks that top leaders, identified as 'Maoists,' saw these new members as a reservoir with great revolutionary power, but more 'Rationalizers,' a group of political leaders whose trust
in Mao's policy began to wane identified by Neuhauser, distrusted the new members because of their lack of ideological understanding of the CPC. Additionally, the campaigns during the early 1960s caused political tension, where the Maoists saw them as crucial to reigniting revolutionary momentum, while others saw them as disruptive (Neuhauser, 1967).

The divisiveness within the political system led to a tipping point marked by the Cultural Revolution (1966 – 1976). In part, the Cultural Revolution originated in 1965, when Wu Han stirred up political unrest with a play thought to attack (Neuhauser, 1967; Fisher, 1982). The premise of the attacks stemmed from media and the lack of oversight given to those who were considered supporters of the 'Rightist' group, those more lenient against class struggles who struggled to accept the Great Leap Forward policies. A purge of political leaders soon followed, causing "15 of the 49 major economic units to lose half of their known leaders, while 12 units [had] no top officials who [would] appear in public" (Diao, 1970, pp. 66). Instead of political leaders, Mao reinstated fewer intellectual leaders because higher education was seen as a classist system (Diao, 1970). The Cultural Revolution then brought about a new political and social change to "rid the Party of 'a faction of power holders who follow the capitalist road'" (Hook, 1967). To do so, Mao looked to its people and focused on the youth who had been becoming more politically active. The Red Guard emphasized youth participation from five red categories – workers, poor's and lower peasants, revolutionary cadres, and revolutionary martyrs (Heaslets, 1972). Soon, the Red Guards massive movements caused economic disruption by congesting railways and increased the number of epidemics (Heaslets, 1972). During the height of the Red Guards involvement, the most vehemently attacked were those found in high ranking political positions and highly educated. The higher-education system also came under.
The massive social and political changes the Cultural Revolution created came to a tipping point in 1974 when economic decline and social unrest grew. Mao then looked to Deng Xiaoping for guidance during the last years of his political leadership, until Mao died in 1976. Thus, it marked the official end of the Cultural Revolution and the transition towards a market-based economy under Deng Xiaoping leadership. *The Political Economy of Contemporary China*

China is currently considered a one-party, authoritative state ruled by the CPC because of its authoritative deliberations when governing (He and Warren, 2011). He and Warren (2011) describe China's deliberation in the local governments and their local elections, where local governments are still elected by the ruling party, giving China an authoritative title. While decentralization of the post-Mao era's political power stems from the local government attempting to support local interests, it has, in turn, improved economic development (Chien, 2010). Chien (2010) argues that local governments have been given more economic responsibility since 1978, seen through increased responsibility in trade and FDI activities.

Before the Cultural Revolution (1966 – 1976), China's highly centralized economic system, known as *tongshou tongzhi*, gave all revenue from the local government to the central government for budgeting (Lin and Liu, 1994). As Lin and Liu (1994) found in an in-depth statistical study, economic decentralization effectively distributed resources. Through China's national Open-Reform Policy beginning in 1978, local governments could embrace foreign direct investment, and Special Economic Zones (SEZ) were created along coastal cities to encourage trade; however, the SEZs were largely seen as unsuccessful because they were costly (Dijk, 2009).

As economic decentralization increased, China's economy grew at impressive rates, through mainly a capitalist-based economy. Much of their success stemmed from its imports and
exports, where both have increased dramatically, and China has become the main export of manufactured goods (Wan, Lu, and Chen, 2007). China's accession to the WTO in 2001, symbolized how the country had become internationally recognized as a powerful economic country due to its increasing influence over trade and investment. Economic decentralization has increased since 1978; however, it's important to note that political decentralization has not increased as much as economics.

While China's government continues to be affiliated with domestic economic progress, its foreign economic progress has also improved. Luo and Han (2010) explains how the government transitioned from a regulator of foreign direct investment to a guide during China's Going Abroad Policy beginning in 2000. Such a transition marks how the government is guiding Chinese companies through regulation and is supporting them through subsidies while keeping strong ties to the investing companies. This then expands China's presence outside, and into the countries their state-controlled enterprises are investing in.

*China's Soft Power and the Controversy of OFDI in Africa*

China's political and economic presence in the global economy has expanded with a strong CPC ruling party and a growing decentralized economy. Before systematically reviewing China's current position in Africa, it is important to note how it can integrate itself through investment purposes in these countries. China's growing economic presence stems from its soft power, whereby its opportunity to invest influences another nation's economy and politics. Fijałkowski (2011) delves into China's form of soft power over Africa and explores its works. To be considered a soft power, an actor must first have something that is considered of worth to the other actor for the receiving company to give up something in return. In China's situation, it can offer African nations attractive materials such as real capital as well as the respect of sovereignty.
to African countries. At the same time, African nations also have a form of soft power, but to a lesser extent, by offering attractive materials such as raw minerals, oils, and cheap labor. Both these agents offer attractive materials, but China holds a stronger soft power over African nations because of its large economic power compared to many African nations.

Much of the power and involvement China has in African nations has given rise to global concern over China's possible attempt to colonize Africa. Such accusations have risen since China's Going-Out Policy created in 1999. The policy's main goal was to increase the presence of Chinese companies in the global world by encouraging companies during the internationalization process. Such assistance from the government makes China's globalized firms unique from non-Chinese firms because the former are generally young (Kragelund and Pieter van Dijk, 2009). Chinese firms are then more scrutinized from other nations because government aid and intervention are often associated with state-owned enterprises that expand outside of China (Yeh and Wharton, 2012). After the Go-Out Policy, globalized Chinese firms had a unique perspective of making a long-term profit, rather than short-term profit (Kragelund and Pieter van Dijk, 2009). China's long-term profit agenda while residing in a foreign nation differs from Western companies, especially in Africa, because Western countries see long-term profit plans as a potential economic threat to the host nation. These three distinctive traits in its investment in Africa have drawn scrutiny from Western nations, giving rise to the neo-colonial accusation against China.

However, China has been engaged with Africa before 1999 because of Africa's historical liberation movements. China's interest in African stems from the Bandung Conference in 1955, where political interests grew. Antwi-Boateng (2017) notes the Bandung Conference was a 'seminal' moment for the relationship between Asian and African nations because it established
the Non-Aligned Movement (NAM). While Antwi-Boateng believes this was the start of an unequal partnership because it shifted from equal partners to power relations, especially with the formation of the Afro-Asian People's Solidarity Organization, Larkin (1971) views this event as the beginning of a political relationship that encouraged an "aura of benignity" between all involved nations. Wasserman (2012) further discusses how African nations saw socialist China as a source of encouragement during their liberation against colonialism because of Mao's sense of liberation from western power. During the socialist paradigm, China also had political interests in the African nations because many post-colonial African nations and China shared anti-imperialist and anti-West ideology stances. China then wanted to be seen as a leader for the third world nations during their time of liberation and to add insult to the United States and the Soviet Union for not winning the mainstay of African nations (Sircar, 1978). To demonstrate its support, China gave aid to African countries through the form of zero-interest loans in development projects that strengthened diplomatic relations (Sun, 2014). Such diplomatic relations were useful in the United Nations when African nations voted to resume China's membership in the UN because African nations represented one-third of the seats (Sun, 2014).

It is then interesting to note that China originally became involved with Africa to liberate them from colonialism but are now accused of practicing neo-colonialism because of their current relationship with many African nations in the capitalist paradigm. Wasserman (2012) describes this rising "predator or partner" attitude towards China stemming from Western nations due to China's rising economic and military competition in the global world. Zheng (2010) further adds China experienced harsh Western economic sanctions in the 1990s and saw African nations as a reliable partner that could connect China to the developing world. China then had economic and political reasons to expand trade and investment in African nations. Mohan and
power (2008) further add that Western and Chinese investment in Africa differs on media
grounds. Western investment is portrayed as a moral and philanthropic interest, whereas China's
interest stems from a business perspective. The clashing perspectives demonstrate how Western
countries and China view investment purposes in Africa differently and can reveal potential
patronizing undertones in Western media; whereby, the West needs to help Africa by investing in
them for moral or philanthropic reasons.

On the other hand, China views investment in Africa as beneficial to both actors, but
there is some controversy if the benefits outweigh the costs. Dijk (2008) categorizes the goals of
China's OFDI to Africa into eight sections: assure materials of raw supply for China, create a
market for Chinese goods and services, obtain land for agriculture purpose, channel migration of
Chinese people to Africa, gain diplomatic support from African countries, provide an alternative
to Western development model, provide an alternative to Western development cooperation, and
emphasize China's status as a superpower. Such goals do not benefit African nations, and
instead, only benefit China through the expansion and gain of the market power. However, when
analyzing the potential benefits African nations gain from their relationship with China, Mohan
and Power (2008) note that China's aid programs emphasize social and economic group-based
rights while not focusing on other issues Western aid often includes aid designed to promote
democratic ideals. This then allows more flexibility for the receiving African nation when
accepting aid from China compared to Western aid. When analyzing the domestic consequences
of Chinese investment in African nations, Mohan and Power (2008) note Chinese merchants are
less likely to become involved in the local political issues, as long as they accrue wealth. Still,
competition between Chinese factories could lead to civil society organizations, such as labor
unions, from the locals. While China does not promote democratic values with its aid programs
or investment strategy, it could potentially lead to democratic change depending on the African nation regime's response. Such responses are analyzed in the case study of Sudan and Zambia, where both nations experienced a rise in civil society organizations due to China's involvement.

**METHODS**

After laying out the background of China's political economy and its relationship with Africa, the paper can now delve into the socialist and capitalist paradigms. To systematically analyze the socialist paradigm, I rely on scholarly articles written from the 1970s - 1980s about China's OFDI in Africa, specifically on the Tanzania-Zambia Railway. Such articles will serve as primary sources because they give the reader a perspective of China before the country becomes a competitive country globally. This view of China from primary sources is different from China's current perspective because its investment projects from the socialist paradigm occurred while China was a communist state with a state-controlled economy. China's interest in Africa was considered less market-focused and rather seen as politically oriented.

In the capitalist paradigm section, I analyze China's current infrastructure investment in Sudan's oil industry and Zambia's mining sector. Such data stem from secondary sources from scholarly articles that have researched Zambia's mining industry and Sudan's oil industry. Primary data from government sites is also collected to demonstrate Sino-Afro trade relations during this paradigm.

**ANALYSIS**

The analysis builds an understanding of the case studies in Tanzania, Sudan, and Zambia and also connects and differentiates the two paradigms. To do so, the first two sections analyze the paradigms to build an understanding of the two and its associated case studies. The last
section delves into how these paradigms differ and offer a new insight regarding how regimes influence foreign policy practices.

The Socialist Paradigm

The Beginning of China-Africa Relationship

China's foreign policy affected African countries who received FDI, namely Zambia and Tanzania, differently by creating a more symbolic gesture of assistance seen in the literature created during this time of growing FDI infrastructure projects. Larkin (1971) analyzes China's foreign policy from 1949-1970 and saw the Bandung Conference in 1955 as an important moment in China's foreign relationship with Africa. This Conference was attended by multiple countries from both Asia and Africa to discuss post-colonial rule and the challenges it brought. While no official agreements were made between China and African nations, China's presence at the Conference and their future support of African nations by officially recognizing them created a strong political relationship and was an important symbol for future relations. Relationships between China and African countries strengthened when the Premier Zhou En-lai toured Africa from 1963-1964. Larkin (1971) explains the tour spread eight main principles of Chinese foreign aid policy. The first two principals were the ideologies of equality and mutual benefit that also respected the sovereignty of the recipient countries. Both were essential to creating mutual respect from African nations, who had just revolted Western imperialism and colonization. China's economic aid involved interest-free or low-interest to not burden recipient countries whose goal was to not create a dependent relationship, but rather, make them more independent. The fifth principle was China's aid in projects that required less investment and quick results to help the recipient nation gain independence. China would also supply much of the equipment and material that meets quality and quantity standards agreed by both parties. The seventh
principle was that China not only gave technical assistance but also would teach the recipient countries essential skills and techniques. Lastly, Chinese workers did not accept special treatment and amenities but rather lived the same living standard as local workers who lived on-site on investment projects.

These goals were, in part, created to gain the trust and respect of African nations after colonial rule. While China was pushing for a friendly relationship with African nations, China had underlying political motives. Part of the motives for a relationship with Africa stemmed from their desire to reduce the Soviet Union and Western influence in the continent. Sircar (1978) explains that by involving themselves in Africa, China was attempting to be seen as the champions of third world nations who can then take on a leadership role and offer a different political route than what the West had to offer. China also gave special attention to African nations who leaned towards socialism due to political alignment. By becoming more involved in Africa, China was demonstrating a political move by creating a new global image for themselves, fighting against imperialism, and branching out of Asia.

The Tanzania – Zambia Railway

Tanzania and Zambia had sought to build a railway connecting the two nations since 1952 for economic and political reasons, while both were under colonial rule by the United Kingdom. Yu (1971) explains that the primary reason, from the perspective of the United Kingdom, was to link the Rhodesia railway to the East African Railway. This would have expanded the UK's political and economic presence on the continent. Additionally, Zambia's copper industry depended on the Rhodesia railway and East African Railway before its independence in 1964. Sircar (1978) states that 40% of Zambia's imports were from Rhodesia, now a territory of
Zambia, and nearly all exports had to cross the Rhodes, when Zambia became independent of colonial rule, there was then a push to seek an alternate route for additional economic autonomy. Tanzania and Zambia sought a new railway because independence in Tanzania (1961), Zambia (1964), and Rhodesia (1965), fractured economic and political structures. The lack of economic and political integration that earlier colonialism created between nations had dissolved, leaving the independent nations to strengthen their systems. The railway between Tanzania and Zambia then sought to help improve economic and political relations as well as realign mutual political interest with one another. While the World Bank, the Soviet Union, and Canada all considered funding the railway, lack of communication and economic benefits led to little action.

After Tanzania and Zambia both achieved post-colonial independence, China was quick to recognize the new regimes and offered military and economic aid. To further strengthen China's relationship with the countries, a Treaty of Friendship and trade agreements were made in 1965 when Tanzania's president, Nyerere, visited Beijing. During this time, Tanzania began to implement more socialist policies, further catching the attention of China. Yu (1977) explains how Tanzania believed it best aligned with China's political experience and background due to their previous colonial rule. Additionally, China's economic and political success appealed to Tanzania, causing them to reject Western models of development and aimed to work with China to build a society with equality in mind (Yu, 1977). China aligned with Tanzania's goals because of its anti-imperialist foreign policy, and China hoped to gain a reputation as a leader of third-world nations.

China then reached out to Tanzania in August 1965 to survey the land and sent out 12 men. In response, Tanzania and Zambia created the Zambia International Committee; however,
Zambia had yet to accept China's investment aid. It was not until a neighboring country, Rhodesia, gained independence that Zambia agreed to China's economic aid. Once Rhodesia gained independence, Zambia felt threatened because Mozambique, Rhodesia, and Angola were experiencing internal changes that created unstable bi-lateral relationships. Zambia then feared the internal disruptions and instability would cause disruption in the Rhodesia railway and interfere with Zambia's trade. On September 5, 1967, China, Zambia, and Tanzania signed an agreement in Beijing, and a full survey of the route began.

While building questions were answered in 1967, China did not mention how to finance the project. Two more rounds of negotiation, in 1968 and 1969, took place in Dar es Salaam and Lusaka. At the final negotiation in Lusaka in 1969, Tanzania, Zambia, and China decided to connect Dar es Salaam in Tanzania to Kapiri-Mposhi in Zambia; however, Zambia did not fully agree to the final negotiations. There is little information for why there was a delay, but the three nations made a final agreement on July 12, 1970, in Beijing.

China agreed to finance the railway, but there were debates as to how much the loan specifically was. Sircar (1978) notes that financing the project cost China $474 million, whereas Yu (1971) described it as $401 million and, additionally, Larkin (1971) found it was $336 million. While the numbers all differ, the loan was the largest loan during its time, making it an important economic and political loan. The loan would be paid in 30 years, beginning in 1973, and would be partly paid through imports of Chinese goods, representing around 52%. There were some doubts (Yu, 1971; Ogunsanwo, 2010) China would be able to export enough materials to Tanzania and Zambia because China was experiencing the Cultural Revolution. There were high-stakes against China if it could perform, and any failure would setback political goals and weaken China's foreign policy and their global reputation. Larkin (1971) notes that if
China were to be successful, it would "testify to Chinese skill, energy, and economic strength" (pp. 101). While Larkin published his paper before the railway completed, construction officially began on October 26, 1970, and was completed in 1976.

Financing workers to construct the railway was another dilemma all nations faced. Yu (1971) notes Zambia's Finance Ministers estimated 15,000 - 20,000 men would be needed; however, the number was a rough estimation, and the availability of skilled men in Tanzania and Zambia was limited. In the end, Sircar (1978) was able to give the final numbers of employment to 15,000 Chinese and 36,000 Africans. China supplied technical positions and 'on-job' training for Africans, and 200 Zambian and Tanzanian students were sent to China for training. Such training falls in line with China's foreign policy towards Africa, demonstrating its commitment to keep a strong political relationship.

**The Capitalist Paradigm**

*China and Africa in the Present Day*

As already discussed, China has greatly expanded its OFDI to African since 1999 with the Go-Out Policy. After the Go-Out Policy, trade and OFDI greatly increased, as seen in Figure 1. The continued expansion of China's OFDI to Africa contributes to ongoing bilateral trade agreements, which have strengthened their political and economic relationship between the country and continent. In 2000, Chin and African nations created the Forum on China - Africa Cooperation (FOCAC) to further establish economic and trade relations; and it was successful because the Cooperation encouraged communication between political actors and commercial enterprises for all members (Beule and den Bulcke, 2009). Such an alliance also created clear principles of equality and mutual benefits found in the nine key principles: abide by local laws, bid for contracts based on transparency and equality, protect labor fights of local employers,
protect the environment, and implement corporate responsibilities (Ndulo, 2008). It would be interesting to note how the principles give much autonomy and protection to Africa because of China's economic soft-power. However, this foreign policy differs from Larkin's (1971) outlook of China's foreign policy in the socialist paradigm because it doesn't emphasize equality between actors. The socialist paradigm emphasized development through equality, whereby the principles in Beule and den Bulck (2009) illustrate the autonomy of the African states.

Even with the new foreign policy towards Africa, China is critiqued for not following through with them. One area of critique is China's promise to promote labor rights and abide by local laws. One of the biggest investments in Africa from China are manufacturing projects, much of which rely on many Chinese workers and local African workers. Jauch (2011) shows that the majority are African workers; however, the local workers receive below minimum wage. Upon further analysis, Jauch (2011) points out that many African locals work as "casual workers," whereby they do not have a legal right to social security, minimum wage, and housing or transport allowance. Low wages are common in sectors without unionization, and Jackson (2014) has found industries with strong union representation have incomes higher than the national average. Jauch and Sakaria (2009) further find that Chinese employees "resorted to unfair labor practices, including paying less than the legal minimum wages, victimization and unfair dismissals." Chinese industries in Namibia commonly use such practices, especially regarding manufacturing, as well as a rise in "union bashing" whereby Chinese firms would forbid unions to form. It seems that China does not uphold its foreign policy stance with Africa in the capitalist paradigm, which the paper will analyze in the case study of Zambia and Sudan.
Zambia’s Mining Industry

Zambia is one case that demonstrates China's investment in Africa, and in this specific case, China has been investing in its mining and manufacturing industry through the purchase of mines and the creation of manufacturing buildings. All of which creates a controversy over its laborer's rights and role in Zambia's economy. It's important to analyze the soft power China has within Zambia because of Zambia's lack of capital goods, especially in the mining industry. China has been able to fuel the mining industry with capital investment and increase the price of copper before it had drastically fallen to unprofitable levels (Lee, 2017). China is then seen as a source of value to Zambia, giving China a soft power over Zambia. In turn, Zambia's raw resources are highly sought-after by China due to its growing economy and demand for resources.

Before China began investing in the copper mining industry, the price of copper fell dramatically in the 1990s; however, once China invested in the copper sector, the Zambian state decided to privatize the industry. The privatization of the mining industry led Chinese owned enterprises to own an estimated 15 of Zambian mines by 2011 (Anyanwu, 2012). Zambia owned only a minority of mines because India owned 20.6%, and Swiss and Canada owned 10% of the mines. Additional ownership by South Africa, the United Kingdom, and Kazakhstani was also found (Anyanwu, 2012). Such Chinese ownership is through the companies of the Chambishi Copper Mine, China Luanshya Mine, Chambishi Copper Smelter, and Sino Metals. These companies are owned by the China Non-Ferrous Metals Mining Corporation (CNMC), which was established in 1983 and held as much as 85% of all shares in 2010 (Chama, 2010). The creation of the CNMC came about when China needed copper and other minerals to help develop its growing industrial economy in the mid-1980s. Since then, the CNMC has been able
to push for further economic relationships with Zambia by creating Multi-Facility Economic Zones and economic and trade cooperation zones, all of which follow their capitalist agenda of gaining more raw-resources through bi-national trade agreements (Alves, 2011). In addition to China's involvement in the mining industry, Chinese sponsored firms have also created a Mulungushi textile factory, agriculture industries, and a hospital. Chinese state-owned enterprises establish many industries in such areas, who either own or co-own capital-dense projects. In the case of the Mulungushi textile factory, it is co-owned by the Chinese state-owned enterprise, Qingdao Textile Corporation, and the Zambia Ministry of Defense. The joint-venture creates the Zambia-China Mulungushi Textiles Joint Venture Ltd. (Brooks, 2010). China and Zambia have additional economic relations, seen through its bilateral trade agreement. One of which is the Zambia-China Chambishi Trade and Economic Zone, which reduced tariffs and increased trade and investment. China's contribution to Zambia can be seen as positive because China can add much-needed capital and additional jobs to the economy. Additionally, the mining industry may not have grown without China's investment in the sector because it is seen as a catalyst since Zambia lacked capital resources to grow the industry (Kragelund, 2009). However, Kragelund (2009) found Chinese owned mines had the worst health and safety conditions.

However, such involvement has also brought criticism. The labor conditions of mining workers are described as dangerous and demoralizing due to the slave-like atmosphere and pressure to reach quotas (Lee, 2018). Additionally, the laborers receive low wages and are often not given lunch breaks until quotas are reached (Lee, 2018). There is little protection to the local laborers because unions were decentralized before China invested in the copper industry. It's important to understand that the lack of union rights already existed when China purchased many mines and businesses due to Zambia's political regime during the 1990s. China then did not have
any notable influence over the union rights when they had fallen, yet, this is not to say that China does not play a role currently. China often has weak or nonexistent union organizational rights when investing in another nation, and its lack of support or action to support unions has led to no active role in Zambia (Keet, 2008).

China also practices employment discrimination called the "colored glass ceiling" where expatriates hold higher-status positions, even when 85% - 94% are locally hired. This creates a power dynamic between foreign and local workers, which stems from the colonial era. Chinese companies justify their discrimination by explaining that the locals lack experience and using a Chinese-proficiency test. In an attempt to cover up their discrimination, as Lee (2018) finds, the Chinese corporations created jobs that sounded important, but in reality, have no real business power.

While China brings many economic contributions to Zambia through its investment in the mining and other industries, the costs must be realized and analyzed. It appears as if the social costs - employment discrimination, health and safety dangers, and possible halt on union rights - have created a power-imbalance between Zambia and China due to China's capital investment. China does not uphold the key principles from the FOCAC meeting; however, there have been no major repercussions against China from Zambia. A reevaluation of the key principles is needed between the Zambian and Chinese government to address the social costs and maintain a healthier, more balanced relationship between the nations. Additionally, the Zambian government should better enforce health and safety rights for workers, especially in the mines, to uphold their autonomy within the state.
China's search for raw resources to fuel its growing economy has led them to Sudan due to the nation's reserve of oil. Its initial relationship with Sudan involved supplying military arms in 1970 to the socialist dictator Jafar Nimairi (Srinivasan, 2008). Sudan then saw China as an ally who it could turn to in need, while the West condemned Sudan's authoritarian rule through the use of economic sanctions and high tariffs. In 1989, Western scrutiny towards both China and Sudan was high because of Tiananmen Square and a military coup occurring in Khartoum. Increased isolation from the West made these two countries look towards each other, but with more caution from China due to Sudan's political uncertainty. While China supplied Sudan's arms and gave it aid to build government buildings, China's interest shifted towards the oil sector in the late 1990s when the SOE China National Petroleum Corporation collaborated with the National Oil Corporation.

As seen in Figure 2, imports of oil grew in 2000, and by 2006, Sudan had become China's African top third trade partner (Srinivasan, 2008). However, with large oil investment in Sudan, there was much controversy due to Sudan's human rights violations, and it was impossible to disentangle China's support in the oil industry and China's support for the elite government breaching those human rights. In 2004, an armed rebellion against the Sudanese government was at full force, and the United States accused the Sudanese government of genocide. While many countries issued sanctions against Sudan, China did not, and many accused China of acting indifferent to Sudan's human rights violations but continuing their investment in the oil industry. China's attempts to give Sudan's sovereignty by separating politics from business is captured perfectly in the famous statement given by China's foreign minister, Zhou Enzhing, "business is business. We try to separate politics from business...the internal situation in Sudan is an internal
affair, we are not in a position to impose upon them" (Srinivasan, 2008, pp. 67). While China attempted to distance themselves from politics, their investment in oil is political itself because the oil revenues go towards the human rights violators, the elitists.

Other investment FDI projects, such as the construction of highways, dams, and railroads and other energy industries, also carry additional negative consequences. One of the most notable infrastructure projects was the $1.8 billion Merowe Dam, a joint venture between the China National Water Resources and Hydropower Engineering and China Water Engineering Company (Manji, 2007). The Merowe Dam caused the displacement of 50,000 small farmers along the riverbank and were forcibly removed from the police. Manji (2007) maintains that China was partly responsible for the resettled farmers, and China had forbidden the local Manasir nomads to drink from its connected wells. Ali Askouri (2008) explains China wished to keep the water for domestic use and project building components. When a gathering held by locals formed, many Chinese workers tipped off the Sudanese government, which was later raided by government officers. Manji (2007) sees China as not a protectorate of locals but rather enforces the elite, political group in Sudan, thus, disregarding human rights violations.

China's involvement in Sudan has then brought upon high levels of social costs because of the indirect support against human rights and the displacement of locals. While China benefits from their relationship with Sudan because of the amount of oil it imports, their investment in oil and other areas has caused massive disruption in the locals' lives. However, it should be expected that China would not hold Sudan accountable for its human rights violations because Sudan's one-party, authoritarian political regime aligns with China's, giving China a low opportunity cost in dealing with Sudan. Their aligned political regimes and indifference to democracy, makes
these two countries have similar interests; China then has no interest in influencing Sudan's already similar regime and, by doing so, potentially hinder their oil investments.

**Comparison of the Two Paradigms**

China's involvement in Africa in the 1970s to the present has dramatically changed due to political and economic motives in foreign policy and economic growth. To analyze China's foreign policy over the decades in Africa, this section compares China's Tanzania-Zambia Railroad to its investments in Zambia and Sudan today. The key differences found include political agenda and political involvement, local economic and policy impact, and global media attention.

*Political Agenda and Political Involvement*

One key difference between the two paradigms is how China expresses its political motives. In the socialist paradigm, China had a political agenda when investing in Tanzania and Zambia because it wished to empower their anti-imperialists and anti-colonial movements sweeping throughout the continent. The Bandung Conference in 1955 and Chou En-lai's tour from 1963-1964 highlighted their anti-imperialist stance and willingness to cooperate with African nations economically, while at the same time giving the countries autonomy, a key ideology in their foreign policy. The Tanzania-Zambia railway was China's largest project at the time to demonstrate their commitment against anti-imperialism, while simultaneously fighting against the two hegemonic states, the United States and the Soviet Union.

In contrast, China did not invest itself in Sudan and Zambia for political reasons, but rather, for economic reasons. While it does not appear that China has a political agenda when conducting OFDI in Africa in the capitalist paradigm, it has become more politically involved in the case of Tanzania and Zambia. With Sudan, China's lack of personal responsibility in
investing in an authoritarian regime that is breaking human rights has caused global outrage because China's involvement in the oil industry empowers the elite groups violating human rights. However, China declares that it values Sudan's political autonomy and has rarely actively involved themselves in politics. While China may not be directly involved in Sudan's politics, it continues to influence policy-making decisions by empowering the current regime through its investment in the oil industry. While both paradigms advocate autonomy to the recipient countries, China's current investment in Zambia has led to a blending of political involvement. With Chinese embassies leading mining investment projects in Zambia and the Chinese owned mining industries in Zambia, it is difficult for China to not get involved in politics as well.

It is then important to note that the two paradigms portray different political motives. The motive behind China's interest in Africa has changed drastically from as the main reason behind investment to little reason behind the investment. However, it's important to note that China itself is a one-party authoritarian regime, so working with another country, such as Sudan, who share similar political regimes could be beneficial to China. By working with a country with a similar regime, Sudan holds China to fewer obligations in regard to democratic values and other commitments that may not align with their regime practices. On the other hand, there are little political involvements during the Tanzania-Zambia railroad compared to the amount of involvement in modern-day Zambia and Sudan. While China emphasizes that it values African nation's state autonomy, it undervalues the rules and regulations in Zambia and promotes the elitist group in Sudan. In a sense, China respects Sudan's autonomy by promoting its regime. Still, its investment does not promote the public's basic human rights, which must be addressed in its foreign policy to African nations.
Local Economic and Policy Impact

China, Zambia, and Tanzania created the Tanzania-Zambia Railway to improve economic growth along its path and, in doing so, improve the economic growth of Zambia and Tanzania. Zambia would also gain economic independence from the Tanzania-Zambia railways because it would not need to use the Rhodesia railway, which it had been overly dependent on for exports and imports. Additionally, communication and technology would be accessed more easily in capital-poor regions (Bailey, 1975). While the regions were capital-poor, there was a surplus of labor that allowed Tanzania, Zambia, and China to pool in their laborers. Bailey (1973) notes Chinese expatriates were involved in directing and constructing the railways itself, while expatriates filled no government positions. Furthermore, Bailey (1973) explains how the Chinese workers in Tanzania asked to lower their wages to £5.00, no matter the position, reinforcing the idea of equality between the nations. However, further research did not reveal if the requested pay was reinforced. However, the request is an important economic aspect of China's involvement in the railway because it demonstrates how Chinese workers wished to be equals, an important ideology created in the Treaty of Friendship in 1965 and previous meetings.

We can see a drastic difference when comparing China's investment in the socialist paradigm to the capitalist paradigm. In the capitalist paradigm, China has been focusing on long-term investment projects that have had long-term consequences with Chinese companies involved. In Zambia, the mining industry had only risen because of China's catalytic involvement by purchasing mines and creating the Chambishi smelter and more. By doing so, it employed many local workers as well as Chinese workers, but the power-dynamic has not remained as equal as it once was in the Socialist paradigm. Research shows Chinese companies pay locals under the government minimum wage and do not meet health and safety requirements or job
compensations. Additionally, locals receive low-paying jobs, while expatriates are often given jobs with higher titles. There is no longer a sense of equality between Chinese expatriates and locals, once felt in the 1970s. Such inequality gives rise to the accusation of China's neo-colonization because it is enforcing unequal racial power-dynamics through the function of economics.

However, it's important to remember that China can continue paying low wages, hiring expatriates for high-status positions, and curtailing safety laws because Zambia lacks policy enforcement. This stems from Zambia's high level of corruption and a weak institutional framework that allows China to abuse the system (Lee, 2017). To redress this situation, local governments must strengthen through due process. It would be unreasonable to expect China to address this issue within the country because it would go against its foreign policy of respecting the autonomy of the state as well as hinder their mining investments. If China were to promote due process within Zambia and Sudan, it would go against foreign policy and hurt economic interest. However, this does not mean change will not occur within the local community, but the change would come from locals and possibly government officials.

The capitalist paradigm also reveals how China does not consider the general public's interest, as seen in the case in Sudan. China commonly breaks labor rights in Zambia and human rights in Sudan. China acts as a promoter of Sudan's government because the regime profits off of China's oil investment. Their investment in oil then indirectly encourages the regime and the regime's treatment to its citizens. China's oil investment in Sudan heavily contrasts the Tanzania-Zambia railway because China is not promoting an industry that benefits the general public. The Tanzania-Zambia railway improved communication, economics, and political relationships between the two African nations, while oil investment appears to benefit the government elites.
solely in Sudan. It appears the good of the nation's people is not part of China's foreign policy when it comes to investment strategies in Sudan.

Global Media Attention

China's interest in Africa has dramatically changed over the past decades, and so has the world's attitude. From the readings of journal articles written in the 1970s-1980s, there is general approval of China's investment in the Tanzania-Zambia Railway because of China's foreign policy stance, emphasizing self-resilience, fighting against Western colonialism, and granting economic aid to emphasize economic and political autonomy within the global world. During the 1970s, China's role as a leader of third world nations was applauded by many scholars because China was encouraging economic growth (Yu, 1977; Sircar, 1978; Bailey, 1973). Yu (1977) notes that China has been able to help many African countries develop in a short period because it is receptive to African policies and collaboration. The Tanzania-Zambia Railway demonstrates China's receptiveness by granting loans and aid to the investment project and working with Tanzania's and Zambia's government to address logistics, which would be beneficial to all actors. All of these occurred during China's Cultural Revolution, further proving China is a reliable leader because it had been able to invest in the Tanzania-Zambia Railway while going through a socio-political movement. China was not only a perceived leader of third world nations, but China has pushed an image of a protector and supporter of liberation within Africa during the continent's movement against colonialism (Rettman, 1973). The railway was then seen as a symbol against Western-imperialism and as political and economic independence from Western power. China's emphasis on self-reliance during the construction of the railway for ex-patriots, Chinese workers, and the locals themselves.
China's investment has taken a different perspective in the eyes of Western countries and the African countries themselves. The ongoing debate on whether China is colonizing Africa has risen in the past years due to China's interest in raw resources, such as oil in Sudan and copper in Zambia. The shift in perspective from China acting as a leader for third world nations to a possible colonizer of African nations has partly stemmed from Western countries' foreign relationship stance with China. As China's economic presence has grown in the global economy, so has its level of danger to hegemonic nations, such as the United States. While Western forces have scrutinized China's investment, it is important to note that the amount of money China invests in Africa is far less than Western nations.

As Figure 3 displays, the amount of investment in Africa from China is not the concern, but rather the growth of Chinese investment. Part of the alarm is due to China's no-interest loans and unique long-term investment plans. In Zambia, China invests in the long-run with its copper mining companies and the oil industry in Sudan. Rather than investing in projects created by the African country, China has evolved its investment approach to long-term plans, which has changed the perspective of China's involvement in the African nations.

CONCLUSION

China's OFDI has evolved over the seven decades alongside its political regime and economic system. Such change offers a unique study on how OFDI in China connects to its political and economic regimes, which in turn correlates to foreign policies. China provides a unique perspective because of the drastic economic changes it has experienced in the last decades and has maintained economic relations with African countries while transitioning from a socialist state to a capitalist one. By juxtaposing both the socialist and capitalist paradigms, this paper reveals how the ideology of equality, political motive, impacts in the recipient nation, and
global attention has changed due to foreign policy. Since China had an ideology more aligned to
equality during its socialist paradigm, its OFDI impact in Tanzania and Zambia had many more
economic benefits than social costs, wherein the capitalist paradigm, the opposite is true. And
while China had political motivation to invest itself in Africa, it has little political motivation
today; instead, it finds itself indirectly influencing Sudan and Zambia's government and citizen
rights. It is also important to understand China's OFDI in Africa because of the scrutiny it is
under by Western countries in the capitalist paradigm, referencing the neo-colonial argument
against China's OFDI in African countries. While China's OFDI to African countries creates
many costly impacts, it could be the by-product of a capitalist-driven country. This paper then
attempts to draw a connection between a nation's political and economic regime to their foreign
policy stance, and how that stance impacts OFDI, especially in the recipient country.

The thesis also adds to the conversation on how power dynamics between countries are
revealed in FDI is and how some countries, often those with more soft-power, can be seen as
exploitive. The power inequality between well-structured, capitalist nations, and nations with an
unstable government and economic regime are highlighted in this thesis. It is then essential to
realize that capitalist countries can often have stronger soft-powers than the nations they invest
in, especially when the receiving nation is more instable politically and economically. If the
capitalist nation does not address the power inequality, OFDI can be a source or can encourage
social costs within the receiving OFDI country.

Realizing the power-dynamics in FDI is essential because policy action must be enforced
by both partnered nations to protect the economic interest of both governments and the lives of
locals who are impacted by OFDI. Receiving countries of OFDI must have an enforcement
policy to hold the foreign industries accountable for labor rights and environmental impact.
Additionally, the receiving nations should consider how the foreign companies could benefit the locals by sponsoring community outreach programs. Pushing for such policies when negotiating FDI is important because it protects its local communities and often falls in line with both country's foreign policies. Community-outreach programs by foreign firms would also greatly benefit the local community by offering building trust between the two and could develop essential work. Doing so would improve the relationship between the locals and foreign industries, and it would make the capitalist nation more socially responsible. While OFDI can demonstrate power-inequality between nations, it does not necessarily have to occur.
Appendix

Figure 1: China OFDI to Africa (US$ Bn Unadjusted)

![China OFDI to Africa (US$ Bn Unadjusted)](image)

Data from Data: Chinese and American FDI to Africa (2020)

Figure 2: China Import of Oil from Sudan

![China Import of Oil from Sudan](image)

Data from OECD: Products that China imports from Sudan (1962-2017)
Figure from WIR-Foreign direct investment to Africa fell by 21% in 2017, says United Nations report
Bibliography


