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Is China Militarizing the African Continent?

An Empirical Test on the Effects of Chinese Foreign Direct Investments on Militarization in Sub-Saharan African Countries from 2006-2018

Masteroppgave i Statsvitenskap

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Kunnskap for en bedre verden

ABSTRACT

The main aim of this paper is to empirically test if there is link between Chinese Foreign Direct Investments (FDI) and Militarization in Sub-Saharan Africa. Using data on Chinese FDI from the China Global Investment Tracker, I utilize a TSCS dataset where I estimate the effects of Chinese FDI on various military indicators. The secondary aim is to challenge both realist and liberal assumptions regarding China's role in the international system in connection with FDI and militarization in Sub-Saharan Africa. The empirical results suggest a very weak positive effect when considering a global sample, but no effect when estimating only a Sub-Saharan African sample. This is a counter to some realist assumptions regarding Chinese FDI in developing regions. It might very well be that China is more interested in profiting from its activity abroad than pushing only geo-strategic interests.

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List of abbreviations

AEI	American Enterprise Institute
AFRICOM	US Africa Command
BRI	Belt and Road Initiative
CGIT	China Global Investment Tracker
CPC	Communist Party of China
FDI	Foreign Direct Investments
SIPRI	Stockholm International Peace Research Institute
SSA	Sub-Saharan Africa
TSCS	Time Series Cross Section

1 - INTRODUCTION

The rise of China as a global power in recent decades receives massive media and policy attention. While there is no doubt that the rise of China generates debate, the specific aspects seems unclear given how much attention this topic generates, also in the world of politics. Many argue that the rise of China can be a destabilizing factor if China aims to challenge U.S. and Western hegemony. The perceived image of China as a threat to domestic markets and jobs was one of the most important talking points in the current U.S. President Donald J. Trumps bid for the presidency, culminating in the trade war between the U.S. and China in 2018. While the pandemic caused by the Covid-19 virus have certainly raised some doubts about the role as China as a leader in the international community, it has also given the Chinese Communist Party (CPC) a chance to show off impressive infrastructure projects and flaunt domestic crisis management. As this research thesis have mostly been developed in the spring of 2020, during the height of the Covid-19 epidemic, China's role in the in the world is probably under even greater scrutiny. Another element which has put Chinese foreign policy under the spotlight is the Belt and Road Initiative (BRI). At this critical moment, it seems appropriate to shed light on some of the most influential elements of Chinese foreign policy in recent years, and its possible implications. What does the rise of China mean for future world order? The anti-Chinese rhetoric suggests that a rising power, such as China, which is an authoritarian power, can destabilize the liberal global order that has been built by the West. Or is China simply a "normal" power? This study will shed light on these questions by examining the activity of Chinese companies in Africa, paying particular attention to the issue of whether or not Chinese FDI promotes militarization of countries where its FDI are located. The militarization of a government might be a proxy—the canary in the mine—that may indicate that China prefers to support a status quo elite in countries where its FDI are directed.

One of the most crucial consequences of modern-day globalization are Foreign Direct Investments (FDI), defined as “an investment following a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (...) in an enterprise resident in an economy other than that of the foreign direct investor” (UNCTAD, 2007). Following the massive worldwide increase in FDI, much has been written on the subject, on both a global level and country basis, including China. While FDI initially boomed after the Second World War, and then again after the Cold War, Chinese FDI first started to grow rapidly in the mid 2000's. While the bulk of Chinese FDI is focused on wealthier countries and regions, a

significant amount of Chinese FDI now flows to the Sub-Saharan African region (AEI, 2020). The idea that the Chinese are gaining a foothold in Africa has been noted for some time in academic studies, with the implications and rationales behind the increased Chinese engagement having been studied from a number of angles (Kragelund, 2009).

Foreign Direct Investments (FDI) is one major way in which countries are becoming interdependent. Typically, FDI have been seen as beneficial for the country receiving investments, and from an economic perspective it's seen as relatively normal and with positive economic effects. However, in the last couple of decades there have been some notable changes in the perceptions of and attitudes towards FDI among observers and governments alike. There still are legitimate investments with companies under government control with purely economic purposes, but after the turn of the century, there is an increased attention towards around foreign investments having other primary causes and effects than pure economics, with China being an increasingly more important player in this field. There have always been political opposition to FDI in varying degree and forms, but this has increased in recent years. This is especially true for Western, or industrial, nations receiving FDI from traditionally developing countries (Globerman & Shapiro, 2009).

One might argue that there are two main ways in which Chinese FDI can be seen as a foreign policy tool. First, China could use its economic influence through its companies to “buy” African governments to support Chinese geopolitical interests. Thus, they would want to assist the status quo elites to remain in power by bolstering military capacity. Secondly, China may simply want to increase the geopolitical power of its surrogate countries. Although larger military conflicts are unlikely, they are the most severe consequences of a situation where China and other powers, especially the U.S., are becoming incompatible with each other in the international system. And while the chance of a full-scale war between China and the West is very unlikely, China's rise as a military power has put them on the trajectory of overtaking Russia as the second most powerful military in the world (Armstrong, 2020; Friedberg, 2005; Tunsjø, 2018). *Militarization* is a term usually used to describe the increase in military equipment and personnel, and this will be discussed further in chapter 3. The militarization of the African continent in the post-colonial age, as many countries have seen drastic improvements in the wealth and living conditions, is an interesting case. While the general

wealth of several SSA countries has improved, so has their capability for developing armed forces and increasing military expenditures. With some large Chinese investments and projects ongoing in the region, it begs the question if there is a relationship between the increase in Chinese FDI to SSA, and the militarization of SSA countries. Admittedly, greater militarization poses threats to both continued economic and political development of Africa.

Previous studies show there is an increased chance of higher flow of FDI in areas without military conflicts and civil wars (Hoon Lee & Mitchell, 2012). However, there are still however several nations at war today with incoming flows of Chinese FDI, possibly suggesting that Chinese FDI is less concerned about political risk. In this thesis I am investigating if Chinese FDI have an effect on militarization of Sub-Saharan African nations. Based on data on Chinese companies' investments in the past 13 years, and panel a data analysis, I will be examining if there is a statistical correlation between militarization and Chinese FDI, and if so, what is the direction of causality? In other words, what is the impact of Chinese investment in Africa in terms of a recipient country's political economy? Are Chinese investments driving militarization of recipient states?

In my attempt to address the possible impact of Chinese FDI on the militarization of Sub-Saharan African countries, I will employ theory of International Relations (IR), specifically the liberal and realist views of IR and visit previous research and works on Chinas role in the international system along with the militarization of post-colonial SSA. I will then present a quantitative analysis, where a Time series cross section dataset will be introduced accompanied by models to estimate effects of Chinese FDI and militarization and followed by an analysis where the theory and previous research will be discussed in relation to the findings of the quantitative analysis. I will also briefly discuss other possible forms of militarization. At last, there will be a short conclusive chapter, followed by a literature list and an appendix.

2 - THEORY

2.1 Realism in international politics

Throughout history, *realism* has been the dominating tradition in the study and understanding of international politics. For realists, the approach to international politics is widely different from approaching domestic political issues. To realists, sovereign states are the most important actors in the sphere of international politics. In the realist world view, the international system is some sort of Hobbesian anarchy where states are competing against each other, and where the different actors end goal is power and security for themselves. Here, Hobbesian is a reference to the natural philosopher Thomas Hobbes' natural world. It is important to note that realism is a very large category, or "tent", including lots of different theories and nuances, it's not one specific theory (Nye & Welch: 62-64). There are however shared traits within all these theories that falls under realism. Usually, realists will value national security and international stability (Morgenthau, Thompson, & Clinton, 2006, pp. 3-9). It is not unusual for realists to be content with the idea that there are no international obligations – in a moral sense (Jackson & Sørensen, 2007, p. 94). The realist school of thought has also produced some of the most well-known tools for the understanding and interpretation of International Relations, like the three levels of analysis introduced by Kenneth Waltz in *Man, The State, And War* (1959). The intention of the three levels of analysis is to provide a platform for explaining actions and incidents in international politics, the three levels being the individual level, the state level, and the system level (Waltz, 1959).

Some distinctions are worth making when considering realism as an approach. The differences between defensive and offensive realism being one. Defensive realists will usually promote their own states security as the most important policy goal in their foreign policy. Offensive realists tend to see power as a policy goal in itself regarding the state's foreign policy, maybe even more than their own security. Both defensive and offensive realism falls under what James Mayall refers to as *hard realists*. This term unites the two versions of realism, and stands as a contrast to *soft realists*, who puts far more weight on maintaining international order and balance of power in their foreign policy (Nye & Welch, 2014, p. 64). The realist approach further benefitted from the Cold War tensions between the world's two global superpowers, the U.S. and the Soviet Union, where a lot of the liberal approaches were viewed as naïve in comparison to the hard-line rhetoric employed at times (Knutsen, 2017).

Realism rose in academic discussions in the 1940s and 1950s in part countering the liberal idealism in the interwar period. These discussions are still ongoing, mostly framed as a debate between neoliberalism and neorealism. One critique of realism is that it is a one-dimensional theory with a too narrow window of application. In general, realism downplays the importance of different actors' relations with each other and the governance of international law. Some may even argue that realism is at odds with the concept of international law. A general weakness with institutions like NATO is that there does not exist an international court of law overseeing commitments being upheld by the partners involved (Nye & Welch, 2014, p. 4). Critics of realism also highlight that realists downplay the human factor and place too much weight on national interests on the stage of world politics (Jackson & Sørensen, 2007, p. 89).

Another critique of realism is that it is an outdated world view. The critique is based on a realist view of the Westphalian system, where statesmen play a game of power amongst each other, with soldiers and diplomats serving as pawns. The flow of this "game" is essentially to maintain a status quo approach, focusing on the survival of the states. While this may have been a more preferable approach in earlier times, the critique focuses on the aspect that security threats are a mostly regional or local issue, often within states with poor governments. It should be emancipation, not power, that ensures true security of the state (Booth, 1991, p. 319). Realists tend to view liberalism as overly optimistic and naïve in their assumptions. In time of war or other critical situations in international politics, one needs to revert to realist-based approaches anyway when dialogue and cooperation are out of reach according to realists. Put differently, if one were to follow the liberal doctrines, one would be unprepared for critical moments and fail to respond to difficult challenges, thus putting oneself at more risk than necessary (Jackson & Sørensen, 2007, pp. 89-90).

2.2 Realism in Chinese FDI and foreign policy

Ever since the Second World War, Chinese foreign policy has mainly been conducted via a non-interventionist approach (Rolland, 2020). While the awkward handover of Hong Kong in 1997 from the United Kingdom in the end was conducted in a peaceful manner, it took a large diplomatic effort from both sides, which possibly should have been seen as a sign of what was

to come (Wanglai, 2009)¹. In recent years, the most prominent example of Chinese determent from the non-interventionist policies are visible in the military activity in the South China Sea (Grossman, 2018).

Can the CPC use state owned companies to serve their own foreign policy interests? Or are Chinese companies just like others; looking for economic gain and nothing else? If China is using state owned companies for foreign policy interests, the consequences of Chinese FDI in SSA should be of much interest for international politics. There will be questions from receiving countries if the FDI coming from Chinese companies are mainly concerned with economical risk and development, or if they are serving the foreign policy interests of the Chinese government (Miller, 2010).

2.3 Liberalism in international relations politics

Liberalism in international politics has a long tradition, stretching all the way back to Jeremy Bentham. It is also known as *international institutionalism* (Knutsen, 2018). Those who believe in the liberal approach to international politics have a lot in common with realists in how they view the starting point of international relations and systematic standings, such as the acknowledgment of sovereign states producing an anarchic international system. It is in the approach to diplomatic and other means of solving problems and conducting foreign policy where the differences become apparent. For liberals, the idea of *mutual dependence* is essential (John R. O Neal, O Neal, Maoz, & Russett, 1996). Mutual dependence was born in the 19th century of the modern peace movement. After World War I, U.S. President Woodrow Wilson infamously failed to convince the U.S. Congress to join the League of Nations, a prequel to the modern U.N., which was most likely the deciding factor in the collapse of League of Nations. Wilsons' motivation for joining the League of Nations was to alter the current world order of conflict and tension (Knutsen, 1997, pp. 203-204). It was also in this time period the academic understanding of International Politics was formed, with liberal ideas and ideals being a major influence of the development of international relations as a subject (Knutsen, 1997, p. 211).

¹ The disputes over Hong Kong are not resolved, as the agreement reached between the two parties gave Hong Kong certain autonomies. These are set to expire in 2037. Protests in Hong Kong the past year, with millions of people in the streets, further emphasizes the tensions in the former British colony.

The reassertion of liberalism was in many ways a critique of the “power politics”, dominant in realist mindsets. Focusing on human psychology and reasoning along with the concepts of rational decision making, makes for a decent platform for the liberal cause in the approach of international relations. If humans, and by extension decision makers, are somewhat rational and cultivated, this will create major incentives for cooperation and increases in trade and other exchanges. It is when decision makers are distorted or ill-intentioned that conflicts and war prevail. Furthermore, the advocacy of international trade and pan-national development from economists in the second half of the 20th century helped strengthen the liberal approach (Knutsen, 1997). The effect of this is still seen in a lot of foreign policy approaches from the establishment in major parties in Europe. While prevalent in both major parties in the U.S., it can particularly be seen in the moderate/establishment wings of the Democratic Party² since the early-mid 90’s, were both presidents Clinton and Obama³ administration would use the U.N. and other international organizations quite differently than President George W. Bush. Current republican President Donald J. Trump have also differed very much from his predecessors in his approach and respect towards global institutions (BBC, 2020; James, 2017).

Another liberal perspective which heavily challenges realism is how one are to approach corporate actors, acting alongside national states, as these corporations challenge realist assumptions of the primacy of states and their awkward placing in global power politics. The complexity of states interacting with each other, in addition to multinational corporations, highlighted the need for regulation and peaceful transactions, and thus gave rise to organizations like the U.N., the European Economic Zone, and NATO (Haass, 1979, pp. 125-126).

Robert O. Keohane and Joseph S. Nye’s book *Power and Interdependence* (1977) brought the liberal discussion further. Keohane and Nye combined the two foremost focus areas of respectively economists, transactions, and political scientists, power and influence, into the concept of “complex interdependence”. Using this term to describe the complex web of the

² Here, one could probably elaborate a lot on what constitutes “the establishment”, a term with widely different connotations depending on the affiliation of the person inquired.

³ The same argument can probably be made for the recent democratic party nominees for president, Al Gore, John Kerry, Hillary Clinton and presumptive 2020 nominee Joe Biden.

international system, which was skewed and systematically unbalanced, they have raised concerns of how interdependence can increase dependence, vulnerability and wealth. This linkage of economic concerns with political science's focus on international relations brought together the contested points of insecurity, influence and structural power (Knutsen, 1997, p. 246).

With neoliberalism being a revision of liberalism, it is today seen as one of the two major approaches to international relations, along with neorealism. Perhaps the most famous theorem of neoliberalism is the *democratic peace theory*. Simply put, two functioning liberal democracies will never contest war between each other. Thus, liberal democracy is not only desirable for any given country, but promoting liberal democracy also have the effect of decreasing warfare across regions (Doyle, 2005). Liberalism and neoliberalism are then often associated with international institutionalism. In the recent past, there have been a lot of discussions regarding the future of institutionalism and neoliberalism, in part due to the rise of nationalism and growing scepticism towards international organizations, with the events of the Brexit Referendum and elections of right wing nationalist leaders being notorious examples (Dryhurst, 2019).

2.4 Liberalism in Chinese FDI and foreign policy

The rise of China on the African continent poses further questions of the future of the liberal world order, which by scholars and journalists have been perceived as being under threat in recent years. As liberal scholars continue advocating the institutionalism of the United Nations or WHO, some of the leaders of the most influential nations are increasingly critical of this approach to International Relations politics as a whole and China in particular (AFP, 2020; BBC, 2020; Stuenkel, 2020). In liberalism, normative behaviour and the adherence of international law are some of the most important principles, and the shared identity of the liberalist approach between countries is in many ways what makes the system work so well for liberals. The respect for human rights and strengthening of peaceful relationships are manifested in the liberal peace theory (Doyle, 2005). As China is perceived by most of the West as being an authoritarian regime which is becoming increasingly vocal in its criticisms of the institutions largely implemented by U.S.-led coalitions, there are questions as to how effective the liberal approach will be in future 21st century global politics, and if there is an

inevitability in the altering of the world order in favour of China. As critics of western global politics will be quick to point out, the political leaders of the United States and European countries like to portray themselves as beacons of freedom and democracy, while at the same time having close diplomatic ties to the governments of Saudi-Arabia and Israel which are both frequently criticised for violations of human rights (Amnesty, 2019). Having increased political support on several international platforms is also cited as a reason for China to be particularly invested in Africa (Claassen, Loots, & Bezuidenhout, 2012). Besides, Africa, along with Latin America, are the last two regions where Taiwan has significant recognition. With the CPC clearly wanting to reduce the political support and influence of Taiwan, courting countries like Ethiopia and Senegal have yielded results in the form of support of resolutions in the U.N. and national congresses (Eisenman & Kurlantzick, 2006). Given that China is not a democratic state, but follows liberal economic rules, it is challenging to discern whether its foreign policy is driven by economic rather than strategic interests. This is another reason for investigating the effects of Chinese FDI when there is data available.

2.5 China's role in the international system

Even though China's rise as a power perhaps has been more visual and apparent after Xi Jinping's ascension to power in 2012, there is a question if China under Xi's leadership is only following a trend in recent decades regarding China's role in the international system (Rolland, 2020). The concept of sovereign states recognized as such by other states is a relatively modern concept. Named after the convention of Westphalia in 1648 after the Thirty Years' War, the Westphalian system is the idea that every state, no matter the size, military or economic power, has an equal right to sovereignty (Spruyt, 2000). Up until the early 20th century, this was a largely European-centric set of ideals. This European understanding of world order may have contributed to the difficulty of their Asian counterparts in entering the modern era of international politics with distinct nationalities and international organizations (Kissinger, 2014, p. 221).

Of all conceptions of World Order in Asia, China operated the one furthest from Westphalian ideals, and the longest-lasting one. Following the unification of a single political entity, lasting over two millennia, China's position as the central focal point of the world was a prior in Chinese thinking of World Order, with the emperor being treated as something in between half-

man and half-god. In this understanding of the world, the Chinese government was essentially the only government, with the rest of the known world circling around it. “The Middle Kingdom”, references how the Chinese elites saw themselves as forming the central, civilized part of the world. With this world view, the world order did not consist of an equilibrium of competing states, but rather a universal hierarchy, consisting of tributary relationships with other known societies, where none could reach equality with the Chinese. As a result, China had virtually no diplomatic relationships until the mid 19th century, and even then, the Chinese did not deter to the idea of equal sovereign states (Kissinger, 2014 p. 213-214). After the Second World War, where the practicality of the Chinese view of the world was catastrophically exposed, Mao Zedong established the modern Chinese state under the rule of the Communist party in 1949. Although Mao did conduct foreign policy in many of the same veins as previous Chinese leaders, with constraint and reluctance in taking part in the western world order, he did project strength by relying on and projecting the uniqueness of China (J. Chen, 2010, pp. 4-5).

It seems clear that the Chinese government, specifically the leadership of the CPC, is dissatisfied with the current world system. One inherently difficult obstacle in studying a topic including top level Chinese political leader’s policy goals is the lack of good data, in the form of stated policy and political ambitions, as well as a lack of information flow. This also extends to a suppressed and monitored academic debate inside of China about both domestic and foreign policy goals and implications (Rolland, 2020). It is difficult to understand Chinas vision for a new world order without having an understanding of what the current world order is, and how China views itself in this world order. Øystein Tunsjø (2018) highlights how Chinas’ primary objective not necessarily is to be the world’s lone superpower, akin to the United States in the 1990’s, but rather have partial global hegemony as an ambition, or being a regional superpower (Tunsjø, 2018).

Notably, what Chinese officials have been vocal about regarding Chinas role in the international system in the 21st century is not an overtly optimistic vision one might have expected from a country whom have had a rapidly growing economy and significant increase in hard power measures. Rather, it’s often regarding difficulties with the current order, and Chinas combability with it, or rather lack thereof. Although Chinas critique of a U.S.-led world

order to some could seem appropriate, it is less clear exactly what kind of a world system the Chinese would prefer. What does seem clear however, is that even though the details are unclear, it seems clear that China would like to have a larger influence in the future compared to how the current system is organized (Rolland, 2020).

2.6 Towards a new bipolar system?

In Charles Krauthammer well-known article *The Unipolar Moment* (1990), he coined the term *Unipolarity* to describe the emerging world order with the fall of the Soviet Union. As an alternative to the world view of *bipolarity* which dominated the world view of international scholars during the Cold War, from the early 1990's, the U.S. was now the world's sole superpower, and the world order was no longer multipolar. Widely regarded as a realist Krauthammer himself did not believe the unipolar moment would last longer than a few decades (Krauthammer, 1990). There seems to be a belief that China is the natural heir to claim the spot as the world's "other" superpower, thus again creating a multi- or bipolar world order again (Tunsjø, 2018).

The frustration regarding the current world order can be summarized as *Huayuquan*, a Chinese term referring to China's aspirations to have increased speaking time at the international stage, and for that speech to be recognized and listened to. Though the term has developed and changed over time, three themes remain central. First, a nation's national power is directly linked to its material power. Second, the western world has used the *huayguan* to establish the current world order in favour of themselves. And thirdly, now it is China's turn to assert authority on the world stage, seeing China as the next great power (Rolland, 2020).

The realist Mearsheimer have theorized that the primary reason China has not yet begun to threaten the status quo of the international system is because of the military capacities of the Chinese armed forces are not yet at a level that makes the effort reasonable (Mearsheimer, 2010, p 385). As China has become increasingly powerful and confident, party leaders in the CPC have been increasingly keen on altering the current world order. In a speech in London in July 2016, Fu Ying, the chairperson of the Foreign Affairs Committee of the National People's Congress, described the current world order as constructed and maintained by and for the U.S.

and its allies. She did draw a line between World Order and International Order, the latter being more narrowly defined as the system around the United Nations and its institutions, in which China sees itself as an integral part of, though with certain objections to how it favours “The U.S.-led world” (Rolland, 2020). The strategies drawn by the CPC seems to be in an effort to reduce the global influence of the United States and the western hemisphere in general. This raises a couple of questions. For whom is this shift in a new international system supposed to appeal to? What is the audience of states and other actors likely to endorse such a vision? If China is using FDI to bolster the military capabilities of their host countries, for example in an attempt to shift the world order or balance of power, this would raise major concerns in Europe and North America. Can possible militarization of regions such as SSA help us understand the motives behind Chinese foreign policy?

3 - Militarization in Sub-Saharan Africa

3.1 Militarization

The term *militarization* has differing contextual and historical application in previous works (Stavrianakis & Selby, 2012). This is especially true and relevant when the context of Africa is applied. While some interprets the term as a more ideological philosophy grounded in the use and maintenance of military forces, others define it as “the military”, a somewhat loose term itself, extending into civilian life and spheres, thereby erasing the line between what is civilian life and military society. When used in regard to Africa, as in many other fields of study, militarization and security theory have displayed certain colonial disregard for the civility and sophistication of the continent, often reflected by applying broad theoretical assessments without doing enough to reflect the uniqueness of African nations. This has resulted in studies with problematic imageries of Africa as a passive and helpless actor (Eriksson Baaz & Verweijen, 2018).

Many studies have explored militarization in SSA through the lens of Western militarization. When discussing militarization of SSA in this thesis, this thesis will in general refer to the domestic parts of militarization of SSA countries. Fundamentally, countries in Sub-Saharan Africa would be expected to have a substantial amount of money spent on military expenditure, considering their commitment to protect their attractive natural resources and maintain peace in regions which have seen conflicts in the present and recent past, even though it may inherently lead to further conflicts at an even higher price. These recent conflicts have a lot of countries in SSA led to a many countries taking on large amounts of debt from external actors, due to the high price of maintaining military warfare and because most of these countries are in a weak situation financially (Dunne, Nikolaidou, & Chiminya, 2019).

Military budgets is a large part of many SSA countries’ annual spending, a 2016 study of South Africa showed it to halter the economic and social developments in society (Phiri, 2019). With Africa being the region in the world with the largest increase in military spending, a question arises if this path is sustainable. There is a case to be made for increasing in military spending being in line with economic development in the region overall, and military expenditure can have a lot of spin off effects, including positive economic growth (Pacific, Shan, & Ramadhan, 2017). The majority of countries in SSA suffer from low literacy rates, high poverty and crime

rates, and low socioeconomic scores when compared to the rest of the world. Military spending has been cited as one of the most significant sources for debt in SSA, especially in conflict affected nations, both in the short and long term. It may then be one of the largest obstacles to improving economic development in the region (Dunne et al., 2019).

3.2 Military forces in SSA

An aspect of militarization which doesn't receive much attention given its significance on the outcome of militarization is the professionalism of the armed forces of SSA nations along with their allegiance to their legitimate governments. What good are military budgets if there is not present a certain degree of principled military culture or integrity in the work of officers and soldiers, along with arms and equipment? Since the end of the colonial period, several governments in this region have been toppled by their supposedly own armed forces. Most nations have the principles of military professionalism and democratic values embedded in their constitutions. As such, military budgets are not necessarily correlated with good capabilities or a high degree of enforcing government executives, especially in a region where resources to fund such initiatives may be limited. There may also be the presence of internal conflicts due to ethnic and tribal biases in the government or armed forces, further complicating this issue (Ouédraogo, 2014). Following independence from colonial powers, African militaries shared certain values and legacies with their former colonial powers, although they were generally quite weak (Gutteridge, 1969). Largely formed and maintained to protect the government from its citizens, rather than for them, most armed forces consisted of few African officers and many of the recruits were from the lower classes of society, like ethnic minorities (Abrahamsen, 2018).

Since 9/11, militarism has been on the rise in several regions of the world, including SSA. This is not only in the form of increased spending, but a large flow of military hardware has been shipped to the continent in this period. In the relatively short period following the Cold War to present day, the areas where military action is required have changed somewhat, as militarism always have to be interpreted in their present context. While a lot of military resources in SSA were focused on maintaining stability and political order, with the aim of protecting human rights and societal development, an increased area of attention is on warfare and direct combat.

This is especially true for countries and regions in SSA which have large radical extremist groups (Abrahamsen, 2018).

The recent era has also seen an increase in military cooperation across borders in SSA, in addition to the presence of U.S. forces in several countries, with the creation of The US Africa Command (AFRICOM) in 2005. Despite the increase in military cooperation and stories of humanitarian development, there is a paradox looming, where more efforts are orientated towards war and direct combat than in the era of the Cold War. Abrahamsen (2018) argues this is possibly due to the previous underdevelopment of the region, where in an era of bipolarity, military efforts were concentrated on preserving political stability and balance between states, rather than dealing with extremist groups or other local activities (Abrahamsen, 2018).

3.3 Chinese and U.S. presence on the African continent

The perceived rivalry between the U.S. and China as the two most influential world powers is visible also in their presence in Africa. China's obvious presence on the continent, both economically and culturally, has provoked anxiety in American minds with regard to America's role and perceived hegemony on the continent (Conteh-Morgan, 2019). The establishment of the military command AFRICOM in 2007, was viewed by some as a response to the rapidly increasing Chinese presence on the continent. However, the "War on Terror", an important vehicle of U.S. Foreign policy and politics in the Bush administration era surely also plays its part in the military presence of the U.S (Sharp, 2011).

Africa's vast natural resources is another point of contention between China and the West. Ranging from aluminium and zirconium used in manufacturing, to minerals like uranium and titanium used in space technology and nuclear industries, Africa's resources are a natural attraction for anyone with the money and political incentive for it. On the other hand, combatting terrorism has been an area of cooperation between the U.S. and China (Conteh-Morgan, 2019) The huge demand for oil from China has altered the world oil market, with China now being the largest importer in the world of petroleum and natural gas, which have been a source of growing concern on the international stage (Clemente, 2019).

China's first ever overseas military base was established in Djibouti in 2017. China is, like many other countries, supplying and selling arms to African nations, and may then be viewed as a contributor to the militarization of the continent. In other areas, China has been more or less forced to use its rapidly growing marine powers. One example is through its combating in the Gulf of Aden, where three warships were deployed to the region, to ensure the security of the Chinese vessels (Conteh-Morgan, 2019).

The Sino-African relationships has been one of the most prominent aspects of Chinese foreign policy in the 21st century, at least in mass media. Some of this can be attributed to a lot of academic work on the subject, especially from a U.S.-centrist point of view of the world, and thus often creates an image of China's role in Africa as an increased threat to the world balance of power (Suzuki, 2010). This has led to a kind of backlash in the form of academic works with a more sober outlook on the future of Africa, without perhaps the implied message typical for a lot of Western and U.S.-centrist work about how helpless the entire continent of Africa is. An example of this is Ian Taylor's remarks in *China's New Role in Africa*, where he argues China's is often used as a scapegoat for a lot of the Western countries when discussing negative impacts on the continent, as well as how it is actually up to African leaders to manage the development of their respective countries (Taylor, 2009, pp. 178-182).

During and immediately after the United States extraordinary position as the world's sole superpower in the 1990's, it didn't seem to care all that much for Africa, other than some basic aid initiatives and counter terrorism activities. In the meantime, China capitalized on this opportunity to establish strong economic and diplomatic relations to several African nations, such as Mozambique and the Democratic Republic of Congo (Eisenman & Kurlantzick, 2006). China has also been known to cancel debt for many African countries (Zafar, 2007). These moves likely had several layers of complexity and policy goals. Establishing easier routes for China's enormous demand for natural resources such as oil and metals opens up markets to Chinese investors and manufacturers, and summoning friends China desperately needs in international organs such as the U.N. to be able to lay claims on Hong Kong and Taiwan. If a move towards a bipolar world order is inevitable in the form of a U.S.-China rivalry, will the African continent serve as a future battleground in this context?

4 - PREVIOUS STUDIES

4.1 FDI and foreign policy

The discussions about FDI in developing countries have been going on for some time. Liberals and globalization advocates view FDI as a source of financial material in markets which lacking capital, technology and local investors. Bar borrowing from international markets, this is possibly the best method to access significant amounts of capital in these countries. FDI should then not only be viewed as an opportunity to make short-term financial injections, but also as a way to access markets, technology and international infrastructure. For liberals, the promises of FDI are great, as the process of economic growth will reduce the risks of expensive armed conflict by raising the opportunity costs of people for engaging in violence, increasing governmental capacities to deal with societal problems and welfare initiatives, and allowing state monopoly of the use of force for deterring armed opposition (Soysa, 2019). FDI is then viewed in a very positive light by liberals and globalization advocates, due to its promises of peacekeeping, economic and societal benefits, both directly and indirectly. It is when the mechanisms of interdependence and investments are not adhered to that violent conflicts arise, due to ties of social class, religion, ethnicity or other misguided ideological affiliations (Lipset, 1994).

Realists and economic nationalists will, in general, reject the liberal claims of FDI, and it is at the dependence argument where they crash with one another. For realists, the dependence argument is rather about how rich countries and multinational companies exploit poorer countries by making them dependent on the aforementioned richer countries and companies. This exploitation is part of the reason for why these developing countries remain poor and unstable. FDI is a part of a systematically unbalanced transactions pattern, traditionally set up by the West, benefitting the rich markets at the expense of the poor, thus being a tool for maintaining status quo. A prominent example being how FDI is engaged in extracting natural resources and the use of cheap labour, with few benefits are received by the host nation (Bornschieer & Chase-Dunn, 1985; Cardoso & Faletto, 1979). For realists then, FDI may be viewed as a significant contributor to violent conflicts and political turmoil, as well as mostly benefitting the investors rather than the communities receiving FDI. As FDI exploits both governments and local population of rights, capital and opportunities, these companies are sources of great dismay and negative connotations, which can help breed unpredictable reactions.

4.2 The relationship of FDI and militarization

In recent years, both global and regional analyses indicate that war amongst states are decreasing, though other forms of conflict and political violence, like militias and terrorism are becoming more common in Africa (Pinker, 2011; Raleigh, 2016). While there are fewer studies on what the latter types of conflicts are caused by, state conflicts are closely tied to the political economy of the state (Henderson, 1991). Circumstances or context matter a lot in these situations. If a state relies on external income in order to ensure its survival, the government in power would likely become more beholden to flow of outside capital or investors, at the expense of its own citizens, creating a “dependency culture” (Williamson, 2010). Kishi et al. (2007) addressed this issue specifically. According to their statistical testing, FDI and “securitization” may have some troubling connections. They argue that regimes in developing countries in Africa may use the access to foreign financial resources to ensure their own power and longevity. Rather than benefitting the larger society and ensuring peace, as the liberal theory would advocate, these regimes would intervene in possible conflicts, where challengers and citizens remains an effective way for regimes to secure control (Kishi, Maggio, & Raleigh, 2017). As such, an increase in FDI to a country may result in increased risk of armed conflict.

In terms of arms transfer, there are contradictory data and reports on how much China is supplying African countries via arms sales. While there are reports that SSA countries have imported arms in the hundreds of millions of dollars in a single year, this is not necessarily reflected in the SIPRI data on arms transfers, which will be utilized in the quantitative chapters (De Soysa & Midford, 2012). According to American sinologist Robert Sutter, increased Chinese economic engagement in developing regions such as Sub-Saharan Africa has been:

“accompanied by diplomatic activism and some military support that [...] included regimes that were subjected to sanctions and criticism by the United States, the European Union [...] on account of proliferation and terrorist activities, egregious corruption, human rights violations, and economic, political, and foreign policy practices seen as contrary to broadly accepted international norms” (Sutter, 2008 p. 355-356).

Chinese foreign policy is also criticized for being more forgiving and friendly to dictators and authoritarian regimes, and not doing enough in order to spread democracy and freedom (Shirk, 2007, p. 138).

In general, states which are set to receive FDI should provide political stability of some degree for their investors. Stability can be provided in a number of ways, but the absence of political violence is perhaps the most significant one. This stability needs to account not only for the frequency of events, but also the state's ability to cope with them (Dowding & Kimber, 1983). It is worth pondering on if political stability is a good measure for potential FDI. A state can for example be "stably unstable", where political instability is the norm. And through power and force, a state can suppress opposition forces and enforce repression, thus making a claim to political stability. A country like North Korea may be considered to be politically stable, even though it receives very little FDI (Hanhee Lee, 2015). According to Kishi et al. (2007), there are not much evidence to support suggestions that investment directly contributes to creating an environment of political stability, or that states uses violence to attract FDI. There may be some conceptual issues here⁴.

There are fewer studies on the direct linkage between Chinese FDI and militarization. And while there is broad consensus that economic instability may be one of the leading factors when political violence or wars occur, FDI is only a small portion of any country's GDP or economy. However, the large increase of Chinese FDI is mainly uncharted territory, especially considering that it is less than obvious that there is some "greater plan" at work from the Chinese government, as I will explore later. Although there is arguments for why trade and FDI have an effect on military spending and secures interstate peace (Polachek & Seiglie, 2007; Seiglie, 2016), it is specifically Chinese FDI and its effects on militarization that is of interest in this thesis. Liberals argue that interdependence through trade and investment as well as other economic and social activity among states increase peace and understanding across the world (Keohane, 2002; John R Oneal & Russett, 2001). They see increasing globalization as a positive element, helping to promote peace and security. Realists, on the other hand, do not take economic matters as high politics, but they see rising competition between great powers

⁴ See De Soysa, 2019.

as a threat to peace, particularly when new powers rise in power and are poised to overtake the status quo powers (Mearsheimer, 2001; Organski, 2014).

From the middle of the 2000's Chinese FDIs have increased dramatically, with studies looking at both the possible economic possibilities along with an academic discussion regarding other motivations and intentions of Chinese companies investing abroad. According to Kolstad and Wiig (2012) there are especially two groups of countries which receive large amounts of FDI. The first group is made up of countries with large internal markets, giving space for large investments or acquisitions by Chinese companies. Typical countries are Australia and the U.S. The other group are countries rich in natural resources, typically combined with weak internal infrastructure and institutions (Kolstad & Wiig, 2012).

4.3 Chinese FDI in Africa

Traditionally Europe has been the biggest trading partner with African countries, and they still are, despite their share of export to Africa being in steady decline for several years. This is due to an increase in trade with both Asia and North America. The outflow of Chinese FDI to Africa is relatively small compared to other regions in the world (AEI, 2020). China's success as an emerging industrialized nation have also had an effect of encouragement of several African countries, although these are very difficult to implement for several reasons, for example because the economic actors are dependent upon the system created by the Chinese government (Naughton, 2008). Due to being able to offer lower prices than their European competitors, investing in Africa is generally more expensive for European companies compared to Chinese companies, which have particularly benefitted the African infrastructure sector (Renard, 2011).

The financial investment from Chinese companies in the infrastructure sector in African nations differs from many European countries. When countries like Belgium are building roads in the Democratic Republic of Congo with the sole intention of extracting natural resources, China is also improving roads and railways used by and for regular citizens (Marks, 2007). The increase of Chinese FDI worldwide in just a couple of decades is remarkable, with SSA also receiving large investments. Part of this was market driven, with the extraordinary rise of the Chinese economy in the same time period. From \$20 million a year at the beginning of the

1990's, Chinese FDI had already reached \$100 million in the year 2000, with \$1 billion annually reached as soon as 2006. In the middle of the 2000's, the growth rate of the flow of Chinese FDI was higher in Sub-Saharan Africa than in any other part of the world (Zafar, 2007). The Chinese FDIs are also highly diversified, both in terms of countries invested in, and business sectors (AEI, 2020).

As with most other regions and countries, China has formed many bilateral investment treaties (BITs) on the African continent. The increasing flux of Chinese influence in African countries have been criticized as hampering development in the region. Large numbers of imported price competitive Chinese goods, the use of Chinese labour, and Chinese companies operating in Africa at the expense of their local equivalents are just some of the concerns that have been raised (Marysse & Geenen, 2009, p. 392). As China's Ministry of Commerce (MOFCOM) is supporting the development and continuance of several economic and trade cooperation zones in African countries, these concerns are not without merit. While Chinese officials unequivocally claims these zones are of mutual benefit for the actors involved, there have been continued worries that these zones are first and foremost political investments, with long term geopolitical consequences (Gayan, 2008). The business model of these Chinese economic zones is rather unusual for Sub-Saharan Africa, where normally there have been government running the economic zones, including Chinese ones. However, in the newly established Chinese zones, Chinese companies have been given the freedom to implement ideas and action according to their own economic feasibility (Bräutigam & Xiaoyang, 2011).

One of the most discussed business sectors of Chinese FDI and Chinese involvement in Africa is the manufacturing sector, probably in part because it is one of the more visible aspects of Chinese engagement in Sub-Saharan Africa. Along with other forms of investment, this sector has increased drastically in the past 20 years (Brautigam, Xiaoyang, & Xia, 2018). A study by the World Bank of six African nations found that 44% of all proposed investment projects by Chinese companies were intended to be in manufacturing (Shen, 2014). As to why manufacturing is such a substantial part of Chinese investments, competition has been raised as key factor. The story of companies from wealthy countries shipping jobs overseas in order to cut costs is probably as old as modern globalization itself. With China becoming increasingly wealthy, accompanied by a new middle class established in the most recent decades, this is a

compelling argument. With a very saturated market back home along with government encouragement, Chinese companies have had a lot of incentives to move business overseas. This has been met with some pushback from local communities, with fear and anger over breaches of regulations and protection of workers, resulting in protests and strikes. Environmental issues is another concern (Brautigam et al., 2018).

What does the presence of Chinese firms mean to local companies and local development in SSA? Attracting foreign investors is a very tempting prospect for local governments and politicians. A study by Amendolagine et al. of 19 SSA countries indicates that having a local partner in the ownership structure after the entry of a foreign firm is associated with higher local linkages (Amendolagine, Boly, Coniglio, Prota, & Seric, 2013).

Previous studies have found that countries with an abundance of natural resources and weak institutions are natural attractions for Chinese investors, partly due to the huge growth in the Chinese economy the past decades. This also indicates that Chinese investors are not as afraid as European or American investors, when it comes to investing in markets with poor infrastructure or institutions, they are rather comfortable with it. This can further be a factor in close Sino-African relationships, as Western investors show more reluctance in certain regions of SSA. However, as Chinese institutions grow stronger, so must African institutions in order to maintain the flow of Chinese FDI (Shan, Lin, Li, & Zeng, 2018). Shan et al. (2018) also argues that rather than natural resources, market size was the main factor for African nations in attracting Chinese FDI, a contrast to the results in other studies.

Bussmann, Schneider and Wiesehomeier's (2005), in their study of the economic liberalization of Sub-Saharan Africa, they challenged some of the supporting arguments for the economic liberalisation of the markets of SSA countries as an important factor in pacifying countries and that it is relatively durable. Free trade is also cited as an element in reducing the likelihood of violent conflicts. This resonates with many liberals' views of globalization and free trade: That trade across borders is a positive-sum game, mutually beneficial for the partners involved. It is in the reform period of these economies where Bussmann et al. assesses it to be the most risked involved. As most of the effects of liberalization of economies cannot be determined and

become visible for the population before some years, this period is when potential instability may occur. This instability can flounder in different ways, across economical classes, religion and ethnicity, or between urban and rural societies. Bussmann et al. especially points out the possible divide between urban and rural areas in SSA countries, informed by how significant and vital the agriculture industry is in many of these countries. They found that foreign economic liberalization may actually increase the risk of civil war in SSA, due to many governments and political systems being institutionally weak and show little effectiveness in controlling revolts and rebellions (Bussmann, Schneider, & Wiesehomeier, 2005; Robinson, 2019).

4.4 Belt and Road Initiative

The key foreign policy initiative of China in the past decade, and one of the most discussed topics in the entire field of geopolitical studies since the Cold War, is the Belt and Road Initiative (BRI) initiated by the administration of Xi Jin Ping. Formally launched in 2013 under the name “One Belt & One Road Initiative”, it has quickly come to encompass a large part of the understanding of modern Chinese diplomacy and foreign policy. However, despite the BRI being well known and much discussed in a variety of forums, it is difficult to conceptualize precisely, partly because it still is a relatively new concept. Further, the BRI can be viewed as China’s way of increasing its influence in parts of the world, akin to the U.S. The BRI have been compared to the well-known Marshall plan of the 1940’s/50’s. BRI “aims to promote regional integration between China and other Asian, African and European countries, through enhancing infrastructure and institutional linkages” (Zhai, 2018). Since the launch of BRI in 2013, it is often linked with the rapid increase of Chinese FDI, as many foreign policy activities of the Chinese government are now viewed through the lens of BRI. It was widely believed that the flow of Chinese FDI would continue to rise exponentially (H. Chen, 2016). However, as Scissors (2020) points out, there is evidence that Chinese FDI have actually been decreasing in 2018 and 2019 compared to previous years. However, this can just be outliers or lag relating to the generating of data (Scissors, 2020). As one of the main policies aims of the BRI is to further integrate China’s economy in the global economy, investments, trade and infrastructure construction are key components of making this a reality. This would certainly be received with a warm welcome from political leaders in developing countries, as it would stimulate the economy and improving poor infrastructure (Kaplinsky & Morris, 2009). As such, the BRI

could be an attractive asset for Sub-Saharan African nations to improve regional issues (Zhai, 2018).

There is a point to be made regarding Africa's role in the BRI model, or rather lack thereof. The BRI is more centred around improving relations with Asian and European countries and trade routes where there is substantial competition. Thus, the BRI doesn't particularly change China's overall strategy for Sub-Saharan Africa, where initiatives already had been underway for some time before the formal launch of BRI in 2013 (Zhai, 2018). Can we even make a case that the BRI has shifted some of the focus away from China's interests in Africa, as evident in the decrease of FDI to the continent in the past two years? Perhaps not, as overall FDI have decreased as well.

As the BRI is more focused on improving or constructing oil and gas pipelines, Internet networks, power grids and other large infrastructural projects used by both the public and private companies, Africa doesn't necessarily fit this theory very well. Maybe African countries themselves need to be taking more of a leading role, in order to benefit from the BRI and China's "Going global" strategy? As such, improving Sino-African relationships is not only favourable for China but also SSA countries. A 2017 study of Cameroon, investigating military expenditure, export, FDI and economic development from 1996-2014 found that there is a statistically significant and positive relationship with economic growth. However, the relationship with FDI was not statistically significant, though it did have positive relationship with economic growth, along with improving business climate and fighting against corruption. The FDI in the study were not exclusive to China (Pacific et al., 2017).

5 – PRESENTATION OF HYPOTHESIS

Being one of the oldest and most diverse cultures in the world, China has always found its role in the modern world awkward when asked to step up on the world stage. Since the takeover from the Communist Party under Mao Zedong's leadership in 1949, the Chinese government has held varied positions and initiated different policy agendas regarding the foreign policy of a country which have seen an explosion in both its population and economic development in just a few short decades. But while Krauthammer's *Unipolar moment* still holds true to a certain degree with the U.S. being the world's only true superpower, the timeframe of the window is possibly coming near an end. However, China has seemed reluctant and even uncomfortable with the prospect of being the world's leading superpower. Having the U.S. in the spotlight may allow for more room to manoeuvre in the realm of international politics.

Looking at Chinese foreign policy in the era of Xi Jin Ping through a neorealist lens, Bekkevold (2018) identifies the Chinese President's ability to project himself as a leader of a country ready to be the world's "other" superpower alongside the U.S. Bekkevold also acknowledges how a lot of both Xi's and China's overall rise to prominence in the international system is the result of the tremendous growth the country has had on virtually every front since the end of the Cold War. The Chinese government started to realise how the world balance of power was shifting in their favour, and Xi have taken full advantage of this. And while the initiatives to expand the Chinese navy were well under way before Xi's ascension to the presidency, the BRI is very much a policy achievement of his making.

While the BRI is much more focused on Europe and Asia compared to SSA, it has most likely contributed to generate attention and some worry for China's global footprint. The resources allocated by the Chinese government toward the project combined with how much of Chinese foreign policy is seen through the lens of BRI is a testament to Xi Jin Ping's implementation capacity and ability to sway public perception of China. When observing the unfolding of the BRI and knowing about the Chinese dissatisfaction with the current world order, the *Huayuquan*, there are reasons to be aware of the Chinese footprint in SSA. Much of the headlines being made regarding Chinese influence in SSA are seen through the perspective of realist thought, which is understandable. A lot of Chinese activity in East Asia, especially since Xi Jin Ping assumed the presidency in 2013, is understood through neorealist assumptions.

Securitization is not enough for China; it wants to be able to influence the actors around itself too. And China is not likely to be interested in spreading democracy or liberty for people around the world. The fear that Chinese FDI is propping up military regimes in SSA and other parts of the world are to be taken seriously.

As FDI is viewed by some as a tool for leaders in developing countries to ensure their own power and survival, rather than to serve the citizens of receiving the country, this has created what Williamson (2010) refers to as a “dependency culture”. What realists will fear is that this dependency culture make these leaders very beholden to foreign investments and capital and increase the chance of militarized conflicts. This differs significantly from the liberal theories of dependencies. According to Kishi et al. (2017), the increase in resources will make developing countries in Africa more likely to intervene in conflicts in order for the regimes to claim sovereignty and legitimacy.

As Kishi et al. (2007) and others are concerned with how developing states in Africa do not use FDI to create an environment of political stability, the realist assumptions about China’s interests in Africa and the potential ramifications of Chinese presence on the continent will not be too fond of Chinese FDI. With the huge spike in Chinese FDI starting in the beginning of the 2000’s, along with insecurities regarding the future of China in the world order and aspirations of the CPC-regime, these have without a doubt been legitimate concerns. For realists FDI can potentially exploit both governments and local population of rights, capital and opportunities, with these companies being sources of great dismay and negative connotations, which may help the breeding of unpredictable reactions such as military conflicts. A lot of military resources in SSA are diverted towards maintaining stability and political order, especially in countries with larger extremist or terrorist groups (Abrahamsen, 2018). The counter is an appealing argument for liberals: Trade and FDI are some of the most significant factors in improving basic utilities and rights for citizens, and by doing so, creating a path towards a more democratically developed society.

Liberals argue that interdependence through trade and investment increase peace and understanding across the world. Globalization is linked to the liberal theory. The economy of

SSA countries may benefit significantly from the flow of Chinese investments and other forms of Chinese influence. And as Henderson (1991) argues, conflicts between states are closely linked with the economies of the states. In general, the results from the quantitative part of this thesis will support these arguments, when estimating the effects of Chinese FDI on militarization in SSA. The results seems to indicate that some of the fears regarding Chinese FDI holds true on a global level, but that these theories do not apply particularly well for the Sub-Saharan regions of the African continent. This do not rule out other potential discrepancies regarding Chinese FDI in SSA. There has been some pressure on China from human rights activists to intervene more in countries accused of human rights violations in SSA.

Before I present the dataset and methodology, I will now present my hypothesis for this thesis. As demonstrated in the previous chapters, China's rise as a true global power is a path with deep layers of history and with nuances. The Chinese interests in Africa are not entirely new, although their economical commitments have increased drastically in just a few years, along with increased scrutiny from the international community. The key question on IR scholars' lips seems to be: What are the ramifications of the current world order of Chinas increased interests and influences on the African continent? Other than economic variables, there is maybe no greater indicator of a country's power than military indicators. With both China and many Sub-Saharan Africa countries rapidly developing, the implications for the future of the 21st century world order is very much linked to some of the challenges raised in the previous chapters where I have attempted to paint a picture of the current world order, and how we got there. China's rise on virtually all measurable fronts, the BRI, domestic militarization of the African continent are all important factors, which have needed some unpacking. Going forward, I will be attempting to explain the development in recent years, and what implications these developments may have, specifically for the future of the militarization of SSA countries. With the assistance of theory of international relations and previous studies on similar, I will do a quantitative analysis on the effect of Chinese FDI on military indicators, both in SSA and the rest of the world for comparisons sake. Thus, the hypothesis for the analysis of the thesis is: *Chinese FDI increases militarization in Sub-Saharan Africa.*

6 – DATASET AND METHODOLOGY

6.1 Dataset

The data used in this statistical analysis is a combined dataset of China Global Investment Tracker (CGIT), data retrieved from World Development Indicator, and Uppsala Conflict Data Program. The CGIT dataset is compiled by the American Enterprise Institute which has tracked the outflow of Chinese FDI since 2005 (AEI, 2020). The data retrieved from the World Development Indicators cover data on military matters such as budgets and total number of soldiers in the armed forces of nations, in addition to data used for the control variables. The data retrieved from Uppsala Conflict Data Program measure whether or not a country is involved in a civil war. One weakness with the data set is that some states do not have complete data for every year. Some of these shortcomings are expected, given the presence of several relatively small countries, as well as countries with disputed status or countries which are recently recognized, such as South Sudan. The full list of countries being treated as SSA is available in Appendix A. Some missing data on certain variables can also be attributed to being of such a recent date, that they simply were not present at the time of collection. One issue of concern with the dataset is the fact that the CGIT only registers investments that reach at least 100 million US\$. Investments smaller than this are generally not recorded and treated as insignificant. The assumption is made on the basis that such values will not have any influence on a country's political economy. This can potentially omit some investments done, particularly in countries with smaller populations with smaller markets. With this being said, there are some "missing values" in the data used in this analysis. All independent variables will be lagged by one year in relation to the dependent variable in each model. The lagging of each variable allows me to take into account historical factors and the implementation of policies or investments that may have caused different estimations in the endogenous variables, which would have been difficult to operationalize otherwise (Mehmetoglu & Jakobsen, 2017, p. 254). Due to the time frame being so short and for the sake of consistency, the variables will only be lagged one year. There is a balance between controlling for important primary and secondary factors and overfitting, and I have here kept on the simpler side to avoid the latter allowing for easier interpretation of results (Achen, 2005). Summary statistics and intercorrelation results are available in Appendix B and C respectively.

This combined dataset then contains longitudinal data, measured once every year in relation to country's military capability, data showing Chinese investments in a country in different

business sectors, and data showing if a country is involved in a civil war. In the original dataset from AEI, transactions were shown individually and according to month and year. For different reasons, this has been manually converted to the combined yearly datapoints in the dataset which will be utilized in this paper. Neither the American Enterprise Institute, World Data Bank, or the Uppsala Conflict Data Program are responsible for the use of their data in this paper, nor the interpretation of the results.

6.2 Fixed effect or Random effect models

There are two main methods most often associated with panel data analysis; fixed effects and random effects. One of the advantages with using fixed effects applies when you are interested in analyzing the effect of variables that changes over time. Fixed effects can then be very useful when exploring data within an entity, such as a country. Another advantage with Fixed effects is the removal of the effect on the time dependent variable, so that you can then survey the net effects of the coefficients on the independent variables (Mehmetoglu and Jakobsen, 2017, p. 241). One of the main arguments for using fixed effects with this dataset, is that when we have repeated observations for each entity, that is the countries, one may include specific dummy variables for each country (D_i). The fixed effects model will then account for both the time dependent variables, and the time independent variables.

The method of random effects differentiate itself from fixed effects, in so much that a random effects model assumes the variance across the different units are completely random and/or not correlated with each other. If there are reasons to believe the difference in units have an effect on the dependent variable it could be wise to use a random effects model. The random effects model assumes that the margins of error are not correlating with each other, which enables the time independent variables to potentially have an explanatory effect (Mehmetoglu & Jakobsen, 2017 p. 249). The biggest advantage in using random effects is the fact that, compared to fixed effects, a random fixed effects model is able to estimate the effects of time variables which are both dependent and independent. Furthermore, a random effects model will use information about all units and variables on every single unit, even though they don't change over time (Petersen, 2004).

One of the largest challenges with using a Random effects model is that it can be somewhat uncertain exactly what is being measured, since there is a large risk and probability of *omitted variable bias* – that there are certain important variables left out of the model. Exactly which variables are being left out can be difficult to determine, and if so, how much they would affect the outcome of the model. Even if one was to know what variables are being omitted, it could be challenging to measure them in a reasonable manner (Mehmetoglu & Jakobsen, 2017, p. 250). This is where one might have to turn to theory and other methods for assistance. It can be quite difficult to measure an exact policy or change of mind from a government in a way that makes sense in statistical analysis.

6.3 Addressing challenges with the dataset

Time Series Cross Section (TSCS) data typically suffer from temporal and spatial dependence and show heteroscedasticity bias in the error term. Thus, I have the option to use OLS regression with the Driscoll-Kraay and Newey-West standard errors (D. Hoechle, 2007; Newey & West, 1987). These standard errors are robust to heteroscedasticity, autocorrelation, and temporal dependence. Along with being heteroskedasticity consistent, the standard errors estimates will then be robust to general forms of cross-sectional and temporal dependence. Cross sectional dependence is a common problem for many panel datasets, especially ones where the subjects are randomly sampled. It usually causes trouble when you have factors in a dataset which cannot be measured quantitatively, such as psychological factors and herd behaviour. As the numbers of years being measured is relatively low, I will not be employing fixed effects within countries. I address the three main challenges in the following way:

Problem 1: Serial correlation/Autocorrelation

Autocorrelation, also known as serial correlation, is possibly the most common problem when dealing with panel data. Simply put, autocorrelation violates the assumption that the errors should be uncorrelated for different observations and the X -variables. However, when working with panel data, this assumption will almost certainly be breached, and this is to be expected as nested data will almost always be dependent on each other to some degree (Mehmetoglu & Jakobsen, 2017, p. 150). I first estimate the Wooldridge test to ascertain whether my data suffer

serial correlation⁵. I was unable to reject the null hypothesis of no serial correlation. Newey-West standard errors and Driscoll-Kraay standard errors are robust to first-order serial correlation.

Problem 2: Heteroscedasticity

Heteroscedasticity is a common problem when analysing panel data and TSCS. Where there is autocorrelation, there is a chance also for the presence of heteroscedasticity. As the name implies, heteroscedasticity is the opposite of homoscedasticity, where the variance in the residuals must be the same for units regardless of their predicted values (Mehmetoglu & Jacobsen 2017: 149-150). Heteroscedasticity may also stem from misspecification of the models, where important variables are left out of the model for instance. The Newey-West standard errors Driscoll-Kraay standard errors are robust to heteroscedasticity.

Problem 3: Spatial autocorrelation/dependence

Spatial dependence is an issue that is likely to be present when analysing data that may covary in space, which is common especially for variables that may cluster in space, such as FDI. It is determined as the existence of statistical dependence with variables estimating different geographical locations. The reason that spatial dependence is more likely to be present when addressing data on FDI is that FDI isn't likely to be very random in its localization process, which are some of the issue that shall be addressed in this thesis (Soyza, 2019). The Driscoll-Kraay standard errors are robust to both temporal and spatial dependence (Daniel Hoechle, 2007).

Due to the Driscoll-Kraay standard errors being the most comprehensive method in regard to the issues of robustness with the dataset for this analysis, I will choose this method for

⁵ In the use of panel data, autocorrelation is a term used to describe the absence of variation between observations between the different timestamps of observation. With the assistance of *Wooldridge test for autocorrelation in panel data*, one can control for and teste if there is autocorrelation among the variables, with the use of a null hypothesis of no autocorrelation. With a test result of 0.00, I am unable to reject the null hypothesis.

estimating the main models in this thesis. For the basic bivariate models however, I will also be employing a normal time fixed effects model and a model using the Newey-West standard errors, for comparative measures. For Model 1 and Model 9, I have not employed the option to lag the residuals to adjust for autocorrelation of residuals.

Lagging of variables

All the independent variables in the models presented in this analysis will be lagged by one year. If the independent variables are not lagged, then the Y and X -variables would be observed at the same point in time. I want to avoid this in order to estimate if Chinese FDI have any effect on the variables estimating militarization. It would take some time for the effects of Chinese FDI to display itself in the form of changes in militarization. While there probably could be made a case for lagging the independent variables by more than one year, the time frame measured in the dataset is so short that it would not be very practical. Therefore, every independent variable is lagged by one year.

6.4 Dependent Variables

The first dependent variable employed in the models is military spending per capita. This variable measure how much money a country is using on its military expenditure, divided by the population in the country, which for the purposes of this analysis will be used as a proxy for how a state might be militarizing its society. Military spending is often used also as a measure of wasteful spending, given that poor countries need to spend far more on public goods, such as schooling and health. Both of the original variables for these combined variables are retrieved from World Development Indicator. The variable is generated by dividing the military budget in a country, in 2010 dollars for consistency, by the total population. The data on military expenditure are from Stockholm International Peace Research Institute (SIPRI) and derives from the NATO definition. These expenditures include both military and civil personnel, and other expenditures such as pensions and social services provided for these types of personnel. There are some complications with generating this type of data, since not all of it is publicly available and there may be concerns related to the reliability of the figures provided by governments. As such the primary source for this data is in official government documents and budgets. The secondary source of these estimates is derived from international

organizations such as NATO and IMF (WDB, 2020d). The variable is also log transformed in order to address skewness.

The second main dependent variable measures the number of personnel in the armed forces as a percentage of the total labour force. This variable is intended to represent a quantitative assessment of the personnel strengths of the armed forces of countries around the world. Active forces personnel are here understood as active duty military personnel. As such, since the data does not include inactive personnel, it could exclude the share of the labour force as part of backup forces and otherwise contributing to the defence forces of a country, and therefore does not necessarily serve as a complete picture of a country's available military forces. Governments also tend to keep some of these numbers locked away from the public eye. Labour force encompasses people meeting the criteria of the International Labour Organization's definition of the economically active population (WDB, 2020b). The share of people considered as military personnel essential captures another dimension of societal militarization—a more labour intensive rather than capital intensive dimension. The data in the personnel armed forces variable is based on numbers made of estimates from the International Institute for Strategic Studies (IISS). The IISS collect data from governments and make estimates of effective reservists' strengths from the numbers available to the public. Civilian employers from entities such as the police (except military police), customs and other form of armed civilian services are not counted as part of the armed forces (WDB, 2020b). This variable is log transformed in order to address skewness.

The final dependent variable is concerning heavy arms imports. This variable is a bit more complex than military spending per capita and armed forces of population from the previous models. The full name of this variable when retrieved from World Data Bank is "Arms import (SIPRI trend indicator values)", SIPRI here referring to Stockholm International Peace Research Institute. The data covered in this variable is the supply of military weapons through sales, aid, gifts and other arms manufactured through licenses. The weapons covered are major pieces of warfare material such as aircrafts, missiles and armoured vehicles, while excluding smaller arms and light weapons. The original figures are Trend Indicator Values, expressed in U.S.\$ at constant 1990 prices. Some of the data from some countries are based on partial or uncertain data or rough estimates. SIPRI has developed a unique system in order to measure

the transfer of heavy arms to allow for comparisons between data and to identify general trends. SIPRI collects data on the arms transfers from open sources, covering the previously mentioned arms, because of challenges in obtaining reliable data on smaller arms and weapons, support equipment, technology transfers and other services (WDB, 2020c). Finally, this variable is also log transformed in, in order to address data problems relating to skewness.

6.5 Independent variables

The main independent variable for the models which are presented in this thesis is Chinese FDI divided by population. This variable is the total sum across different sectors of Chinese FDI, measured every year from 2006 to 2018. The variable is generated by combining the yearly total sums of the different sectors. These numbers are retrieved from China Global Investment Tracker (CGIT). The CGIT is compiled and collected by the American Enterprise Institute, by tracking official investment levels from 2005. The CGIT includes more than 3,300 transactions, each above 100M\$. The dataset is made available for public use. As per the American Enterprise Institute it is this the “only fully public record of Chinese outbound investment and construction worldwide” (AEIT, 2020). This excludes trades, loans and bond transactions. The size of investments has been dropping since 2018, possibly indicating more smaller investments below 100M\$. The CGIT data is compiled by dating transactions using corporate disclosure in real-time. (AEIT, 2020). This variable is on an ordinal level. The variable is log transformed in order to address data problems relating to skewness.

The first control variable is population in each country, which is retrieved from the World Data Bank, from 2006 to 2018 (WDB, 2020f). This is a common variable to have in any kind of model on a country-based level, since population is almost always factor to be considered in an analysis. Changes in population may reflect immigration, birth rates or major incidences such as warfare or epidemics. Increases or decreases in the population of a country can have major consequences for the development of society, policies and investments. Military measures will also be affected by the population of a country, which is why population will be accounted for in the models. Additionally, countries with larger populations will have larger markets for potential investors and foreign companies, as Kolstad and Wiig (2012) refers to. The variable is also divided by 1000 and log transformed in order to address data problems relating to skewness.

The second control variable is Income per capita, also retrieved from World Data Bank, from 2006 to 2018. This variable is measuring the average income per capita in a country, in constant 2010 Dollars (WDB, 2020a). Along with the population variable, this variable is a common control variable in these types of models. Income per capita can potentially be a broad indicator of how wealthy a country is, which could be of importance for both military spending and potential FDI. In general, poorer countries will spend a larger proportion of their wealth on military expenses (Phiri, 2019). The variable is also log transformed in order to address data problems relating to skewness.

I also control for oil wealth defined as the following: “Oil rents are the difference between the value of crude oil production at world prices and total costs of production” (WDB, 2020e), this is the final control variable retrieved from World Data Bank, running from 2006 to 2018. For the purposes of the analysis in this thesis, the Oil Rents of GDP-variable will be used as a proxy for the export and production of natural resources in a country, not only oil production. This variable accounting for the contribution of natural resources to a country’s economic output and GDP, gives an understanding not only of the purpose of economic development, but importantly for this analysis, a country vested interests in protecting the production and extraction of natural resources, especially if it is a sizable part of the country’s GDP. As the variable is calculated of the value of oil prices, there may be issues with fluctuation relating to production costs. In many countries, both in the “industrialized” and “developed” world, earnings from natural resources will constitute a large portion of the GDP, with much of these earnings stemming from the revenue generated after production costs have been accounted for in the form of economic rents. The variable is also log transformed in order to address data problems relating to skewness.

The variable for civil war is the dichotomous variable included in the models, retrieved from the Uppsala Conflict Data Program, with data from 2006 to 2018. The Uppsala data indicate if the country being measured is involved in a civil war. This is indicated with a value of 0 if the country is not involved, and a value of 1 if the country is in a civil war after the criteria set by Uppsala. In this variable, a civil war is measured as armed conflict or other tensions between a government and an organized rebel group where at least 25 battle deaths have occurred in a single year (Gleditsch, Wallensteen, Eriksson, Sollenberg, & Strand, 2002). The reason for

including this variable is that if a country is involved in a civil war, one would be inclined to believe it would have an effect on the military expenses of the country and the wealth of the country.

If one suspects that FDI systematically avoids countries with ongoing conflicts, then the history of potential civil wars should also have an effect on both FDI and militarization. A country which have seen a civil war in very recent years would be far more inclined to have a higher proportion of its residents in the armed forces, and it may reflect changes in the import of arms. Thus, I have also included a variable indicating how many years since a country have been involved in one. The peace year variable is continuous and counts back to the year 1946, if there is not registered a civil war at all in the data (Soysa, 2019).

7 - RESULTS

Table 1

Estimating the effects of Chinese FDI on military expenditure globally

VARIABLES	Log Military expenditure Global	Log Military expenditure (Newey-West) Global	Log Military expenditure (Driscoll-Kraay) Global	Log Military expenditure (Driscoll-Kraay) Global
	Model 1	Model 2	Model 3	Model 4
Log Chinese FDI	0.0198 (0.0622)	2.795*** (0.502)	2.795*** (0.330)	0.232* (0.121)
Log Population				0.00469 (0.0106)
Log Income per capita				1.017*** (0.00720)
Log Oil rents of GDP				0.289*** (0.00932)
Civil War				0.339*** (0.0598)
Peace Years				-0.00391*** (0.000425)
Constant	4.092*** (0.127)	4.222*** (0.147)	4.222*** (0.00155)	0 (0)
Observations	1,824	1,824	1,824	1,563
R-squared			0.033	0.753
Number of groups	162	162	162	148

All x-variables are lagged by one year

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

7.1 Results Table 1

In Model 1, a normal regression model is employed. This model differentiates itself from the other two in table 1. It is essentially a time fixed effects model, due to the added dummies of the time variable (year). In this model there is not employed the option to lag the residuals to adjust for autocorrelation. The primary reason for employing it here is to be as thorough as possible, by comparing it to the Newey-West and Driscoll-Kraay methods. In Model 1, the

variable for Chinese FDI is not statistically significant. In both Model 2 and Model 3, using the Newey-West standard errors and Driscoll-Kraay standard errors respectively, the Chinese FDI variable is statistically significant and estimates a positive relationship between Chinese FDI and Military expenditures with every country available in the dataset. As the estimations of the Newey-West and Driscoll-Kraay standard errors are identical, I will be employing the Driscoll-Kraay method in the multivariate models, as Driscoll-Kraay is also robust to spatial correlation, in addition to autocorrelation and heteroskedasticity (D. Hoechle, 2007).

In Model 4, I have now added control variables to the same dependent and independent variable estimated in Model 3. With these control variables added, the effect of Chinese FDI diminishes. The effect of the variable for Chinese FDI per capita is now much smaller and has lost statistical significance. The first control variable, estimating population, is not statistically significant. The income per capita variable is statistically significant, however. Estimating a positive relationship between income per capita and military expenditures, is not particularly surprising as richer countries should be able to spend more on military resources, sometimes considered a luxury good (Collier & Hoeffler, 2002, p. 7). The variable for Oil Rents of GDP is also statistically significant in this model with a positive coefficient. Countries which have a significant amount of their GDP dependent on natural resources will be more inclined to have larger military expenditures in order to protect and maintain this flow of revenue (Al-Mawali, 2015). With a positive coefficient and being statistically significant, the Civil War variable indicates the positive relationship between military expenditures and if a country is involved in a civil war. This is not a surprising result, given the natural inclination a country would have to increase military spending if there is a civil war ongoing. Related to this, the peace years variable is also statistically significant with a negative coefficient, indicating that a country which have seen civil wars in recent years will have larger military expenditures. Again, this is not surprising for the aforementioned reasons related to the civil war variable. There is also likely to be more tension countries which have seen civil war in recent years.

Table 2**Estimating the effects of Chinese FDI on military personnel and arms import globally**

	Log Military personnel of labour force Global	Log Military personnel of population Global	Log SIPRI Arms import Global	Log SIPRI Arms import Global
VARIABLES	Model 5	Model 6	Model 7	Model 8
Log Chinese FDI	0.192** (0.0843)	0.0870 (0.0758)	1.549*** (0.466)	0.479 (0.385)
Log Population		-0.0525*** (0.00502)		-0.212*** (0.0178)
Log Income per capita		0.0916*** (0.00520)		0.410*** (0.0271)
Log Oil rents of GDP		0.0326*** (0.00337)		0.300*** (0.0383)
Civil War		0.124*** (0.0264)		0.235** (0.0904)
Peace Years		-0.00455*** (9.23e-05)		-0.000685 (0.00176)
Constant	0.663*** (0.00346)	0 (0)	1.565*** (0.0237)	1.302*** (0.219)
Observations	1,810	1,511	1,374	1,173
R-squared	0.008	0.138	0.024	0.376
Number of groups	167	155	165	144

All x-variables are lagged by one year

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

7.2 Results Table 2

In every model in Table 2, it is only the Driscoll-Kraay standard errors method which is used to estimate the models. The models are timed fixed effects models, generated by adding dummy variables for each time unit. In model 5 and 6, the dependent variable is the logged military of labour force, indicating how many citizens of a country's labour force is part of the armed forces of the country. In model 5, without control variables, there is estimated a positive correlation between the armed forces of a country and Chinese FDI. However, this diminishes

however when I add the control variables in model 6, where this variable is no longer statistically significant. I also note the huge increase in the R-squared value, indicating the explanatory power of the model. In contrast to Model 4, where the dependent variable was military expenditures, the population variable in this model is statistically significant, with a negative coefficient. The estimation is that a country with a smaller population has larger parts of its labour force as part of the armed forces of the country. Even though the negative value of the coefficient is not particularly huge, this should not be surprising as countries with smaller populations need a larger part of its labour force to fill positions in the military. As for the other control variables, both the variables for income per capita and Oil rents of GDP is statistically significant with positive coefficients, although the coefficients are much smaller. This indicates that the wealth of a nation has less relevance when estimating how many of a country's citizens are part of the armed forces compared to when estimating the effects on military expenditure. The civil war and peace years coefficients show broadly the same estimations as in Model 4.

The final two models with estimations on the global level is Model 7 and Model 8. Here it is the SIPRI Arms Import indicator which is the dependent variable. As this indicator is aimed at heavy arms import, such as armed vehicles and heavy military machinery, this could indicate if a country is preparing for major military engagements. In Model 7, without the control variables, there is a strong indicator for that this is exactly what Chinese FDI leads to, with a large coefficient which is statistically significant. However, when the control variables are added, these hypotheses again becomes more difficult to verify, as the R-squared value rises again. The SIPRI Arms Import indicator is now smaller and no longer statistically significant. The population variable is estimating a negative value and is statistically significant. As smaller countries probably will be less likely to have the capacities and resources needed to realize the idea of importing heavy arms, this is not an unexpected estimation. The variable for income per capita is statistically significant and has a positive coefficient, being smaller than the same estimator in Model 4, but larger than in Model 6. The Oil rents of GDP variable estimates a coefficient that is positive and statistically significant again. And while the Civil War variable shows similar estimations as the previous two estimations, the coefficient for peace years does not. The peace years coefficient now estimates a negative value, although this is not statistically significant.

Table 3**Estimating the effects of Chinese FDI on military expenditure in SSA**

	Log Military expenditure SSA Only	Log Military expenditure (Newey-West) SSA Only	Log Military expenditure (Driscoll-Kraay) SSA Only	Log Military expenditure (Driscoll-Kraay) SSA Only
VARIABLES	Model 9	Model 10	Model 11	Model 12
Log Chinese FDI	0.312 (0.336)	1.402 (1.525)	1.402 (1.557)	0.372 (1.572)
Log Population				-0.153*** (0.0255)
Log Income per capita				0.782*** (0.0243)
Log Oil rents of GDP				0.313*** (0.0404)
Civil War				0.000484 (0.113)
Peace Years				-0.00953*** (0.00107)
Constant	2.736*** (0.181)	2.785*** (0.212)	2.947*** (0.00582)	0 (0)
Observations	470	470	470	394
R-squared			0.006	0.695
Number of groups	44	44	44	39

All x-variables are lagged by one year

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

7.3 Results Table 3

In Table 3, I repeat the principle I used in Table 1, by employing three different types of models on the same dependent and independent variable. In Table 3, it is only SSA countries that are included, in contrast to Table 1 and 2 where every country available was included. In model 9, comparable to Model 1, the independent variable for Chinese FDI per capita is still not statistically significant. Notably, in contrast to the comparable models in Table 1, the Chinese FDI coefficient in Model 10 and 11 are not statistically significant any longer when only SSA

countries are included, using both the Newey-West standard errors and Driscoll-Kraay method. Even when considering the fact that the coefficients are not statistically significant, they are also smaller compared to the models where every country available is estimated.

In Model 12, I have again added the control variables from the previous models. I note the spike in the value of R-squared. The coefficient for Chinese FDI is much smaller compared to Model 11, while still not being statistically significant. The control variable for population is now statistically significant with a negative value, the indication being that countries with smaller population will have larger military expenditures than smaller countries. Some of the wealthier countries in SSA have small populations, so this should not be a surprising finding. Next, the variables for Income per capita and Oil rents of GDP show similar estimations while being statistically significant as in the comparable global Model 4. The nature of these two variables are probably so that much of the same principles can be applied both globally and in SSA countries. Natural resources form a huge portion of the GDP of some SSA countries and thereby the military interests in the region, both from governments and rebel groups (Basedau & Wegenast, 2009). In model 12, the Civil War variable is not statistically significant, estimating a barely positive coefficient. However, the peace years variable is statistically significant with a negative coefficient. The indication that a country which have seen civil wars in recent years will have larger military expenditures should probably not be unexpected, but it is notable that the civil war variable itself is not statistically significant when estimating the effects on military expenditures.

Table 4
Estimating the effects of Chinese FDI on military personnel and arms import in SSA

	Log Military personnel of labour force SSA Only	Log Military of population SSA Only	Log SIPRI Arms import SSA Only	Log SIPRI Arms import SSA Only
VARIABLES	Model 13	Model 14	Model 15	Model 16
Log Chinese FDI	0.273 (0.352)	-0.00311 (0.371)	-1.521 (0.929)	-0.993 (0.917)
Log Population		-0.0955*** (0.0167)		-0.246*** (0.0301)
Log Income per capita		0.0659*** (0.00513)		0.389*** (0.0795)
Log Oil rents of GDP		0.0123*** (0.00335)		0.110*** (0.0269)
Civil War		-0.0435 (0.0284)		0.207** (0.0923)
Peace Years		-0.00730*** (0.00149)		0.000889 (0.00207)
Constant	0.413*** (0.00344)	1.718*** (0.313)	0.709*** (0.000336)	0 (0)
Observations	459	387	281	239
R-squared	0.010	0.213	0.039	0.502
Number of groups	43	40	42	37

All x-variables are lagged by one year

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

7.4 Results Table 4

In table 4, it is only the Driscoll-Kraay method which is utilized. In Model 13 and Model 14, the dependent variable is again the logged military of labour force, indicating how many citizens of a country's labour force is part of the armed forces of the country. Without the control variables in Model 13, the coefficient for Chinese FDI is estimated to be positive, although this is not statistically significant. After adding the control variables in Model 14, this coefficient is negative and not statistically significant. Again, the value of R-squared rises

significantly. The coefficient for the population variable estimates a negative value of -0.0955 which is statistically significant. The estimation being that a country with a smaller population have larger parts of its labour force as part of the armed forces of the country, which is not too dissimilar from the estimation in the comparable Model 6 which was a global estimation. The Oil rents of GDP variable is also statistically significant with a positive value of 0.0123. As in the comparable Global Models, this coefficient is much smaller when estimating the effects on the military population of the labour force than when estimating effects on military expenditures. The Civil War coefficient in Model 14 estimates a negative value which is not statistically significant. However, the peace years variable is statistically significant, estimating a negative value similar to the peace years variable of Model 12.

In Model 15 and Model 16, it is again the SIPRI Arms import indicator which is the dependent variable. As this indicator is aimed at heavy arms importation, such as armed vehicles and heavy military machinery, this could indicate if a country is preparing for major military engagements. In Model 15, the Chinese FDI variable is not statistically significant, even without the control variables, although the P-value is 0.130, so it is close to be within the 90% margin. The Chinese FDI variable is also negative which could possibly indicate the reluctance of Chinese companies to invest in countries importing heavy arms. In Model 16, the coefficient still holds a negative value which is not statistically significant. In this model the P-value is 0.302. As in the other models, the value of R-squared is much larger when the control variables are added. The population variable is estimating a negative value and is statistically significant. While this is not unexpected, given the more limited needs and resources of smaller countries, it is interesting that this also applies for SSA. The variable for income per capita is statistically significant and has a positive coefficient, being smaller than the same estimator in Model 12, but larger than in Model 14. The Oil rents of GDP-coefficient is also positive and statistically significant. In contrast to the other models estimating only SSA countries, the Civil War variable is now statistically significant. With a positive coefficient, this indicates that there is a positive relationship with countries which have an ongoing Civil War and the imports of heavy arms. While this is not a particularly surprising finding in itself necessarily, it is notable that it was only when estimating the effects on heavy arms import and not military expenditures or the military population in SSA, there were a statistically significant coefficient regarding Civil War. Also, in contrast to the previous two models with control variables, the peace years variable is not statistically significant in this model.

The issue of heavy arms import does challenge both the liberal and realist assumptions. At the centre of the liberal theory is the assumption that trade between countries enhances the interdependence of the involved countries, thus minimizing the chance of armed conflicts. The trade of arms however may not be what most liberals like to envision when theorizing about international trade, even though many peaceful countries are involved in military trade, as it may be an asset in improving international relations and to maintain military alliances. If one considers arms import to be a purely military expenditure factor, then the negative relationship between heavy arms import and Chinese FDI seems to strengthen the liberal IR argument of trade dependence, as countries that are involved in trade and cooperation will not be involved in armed conflicts with each other.

8 - ANALYSIS

8.1 China's role in the world today

Even if the modern Chinese view of the world order has evolved since the years of Mao's regime, it makes sense to be able to appreciate the traditional Chinese view of world order in order to understand the engines and motivation driving the modern Chinese foreign policy approach. One of the most consequential results of the reluctance toward the Westphalian system, was that China did not participate in creating "the rules of the game" in the international system, and Chinese officials are acutely aware of it. However, China have largely agreed to these rules set by others than themselves, and China is increasingly taking an active role in this system.

In general, China is getting more comfortable with its role in the world and in important organizations, such as the U.N. Chinese foreign policy has diverged quite a bit from a complete non-interference approach, to facilitating peace keeping missions and promoting development, though this needs to be seen through a lens of commercial interests and the growing presence of Chinese citizens abroad. This became clearer during and after the Arab Spring of 2010-11, when China had assets in the Middle East and North Africa. Thus, Chinese investments in regions with some potential turmoil have forced China to take a more activist role on the world stage (Hirono, Jiang, & Lanteigne, 2019). Since the turn of the century, Chinese foreign policy attitudes have emphasized the intent of seeking "peaceful development", while not attempting to change political regimes of developing countries. This approach has led to the establishment of what some call "win-win relations", which seems to have been a success, especially in the political and economic relations with Africa and the Middle East (Hirono et al., 2019).

Accompanying China's ever expanding economic and diplomatic relationships, is the rapidly increasing presence of Chinese citizens and companies all over the world. This is not unique to Africa or developing countries. Chinese students have for example a substantial presence on major university campuses in the industrialized world. In some Australian universities, it is reported that over 20% of all students have Chinese citizenship (Babones, 2019; Robinson, 2019). There is also a large presence of Chinese citizens in areas with large production and extraction of natural resources, where one domestic critique of the Chinese regime has been its failure to protect its citizens and assets in areas with security issues and political turmoil. As

the economic interests of Chinese expansion have proven to be vital to its economy, and thereby the legitimacy of the Communist party, protecting their own citizens should be an issue of high priority of the Chinese state (Parello-Plesner & Duchâtel, 2015; Wang, 2013). This would also be an area of great importance, should China emerge as a truly great superpower akin to the U.S., whom always exhales its protection of its citizens abroad as of the utmost priority in both domestic and international forums ("Protecting U.S. Citizens at Home and Abroad," 2020).

For neorealists, while the securitization of the state is the most important element for countries in an anarchic international system, it is seldom enough, and so a country will attempt to control and have an effect on its surroundings if the possibility is there (Rose, 1998). The changes in Chinese foreign policy should then be seen in the light of the rapidly growing economy and changes in the balance of power. In peacetime, there have probably never been such as rapid change in the balance of world power as the one formed by the rise of China (Bekkevold, 2018).

8.2 Combining my results with existing theory and previous research

My results do not support the assumptions and claims that Chinese FDI represents a threat with respect to increased militarization in Sub-Saharan Africa. As I demonstrate in Table 2, there seem to be some compelling results for the assumptions regarding the effects of Chinese FDI on the three variables used for indicating militarization when testing on a global level. However, these effects are almost completely diminished when I accounted for population, income per capita, natural resources, and potential civil war. On the global level, the presence of natural resources for example is a much stronger indicator of militarization of a country than Chinese FDI. And when testing specifically for SSA countries, the effects of Chinese FDI were not statistically significant even without the control variables. Though the estimations were not statistically significant with a P-value of 0.302, when also estimating the control variables, the effects on heavy arms import were very much negative, with also slightly negative estimations on the effect of the military population of the country. The non-significant estimation for the effect of Chinese FDI on Military expenditures does not necessarily contradict this, as Chinese FDI seems more concerned with locating itself in large and lucrative markets, which are also more likely to have larger military expenditures.

I have demonstrated in a number of different ways, with different estimation methods and dependent variables, that there is no significant relationship between Chinese FDI and militarization of SSA countries. Even if my results seem rather dismissive of the hypothesis I presented before the quantitative analysis, there are some caveats. The amount of Chinese FDI in SSA is not very high compared to other parts of the world, which could make any relationship between FDI from China and militarization in SSA spurious. Another aspect is that Chinese influence in SSA is not limited to FDI, which does open the possibility for other variables regarding Chinese influence to be more important. As the results indicated, wealth and natural resources are far more significant factors in estimating militarization of countries worldwide and in SSA. So, if Chinese FDI or other forms of influence is linked to the growth of wealth in SSA, then the effects of militarization could be more of an indirect consequence.

For liberals, FDI remains an integral part of the makings of the interdependent world, where liberal democracies do not engage in warfare with each other. There are some questions here regarding what this means for China and SSA countries. Hardly anyone, whether a scholar or not, would be inclined to classify China as a liberal democracy. The Chinese state is frequently described as a dictatorship and an authoritarian regime (Mair, 2018). Regarding the state of democracies in SSA, there are significant differences within the region. SSA is amongst the least developed in terms of human rights and standards of living, with many countries scoring amongst the lowest on democracy scales (EIU, 2020). While realists are worried about what the resources and capital accompanying FDI in SSA countries brings, the liberal argument for FDI is that it increases the dependencies which the realists fear. Although my results may seem to be more supportive of the liberal peace arguments, there are other factors to consider. If China plans in the future is to operate within the sphere of liberal institutionalism, making close diplomatic relationships with SSA countries would be crucial for China to increase political support and legitimacy in the future. This can be achieved via trade and FDI, especially as portions of Chinese FDI is concentrated in the infrastructure sector. China's Belt and Road Initiative is also heavily linked to improving infrastructure. The BRI also seems to be just as much concerned with the visual aspects of the initiative, as the actual results it produces. This also fits in with Taylor's (2010) description of China as a scapegoat for the West when discussing the development of the African continent.

Some of the debate about what FDI means for the host countries can be tracked back to what types of markets are most attractive to Chinese investors. In general, Chinese companies are more comfortable than European or American companies to invest in countries or regions with poorer infrastructure or institutions. This probably has opened the door for Chinese FDI in SSA, which also highlights the differences between Chinese and Western investors, as market size may be the main factor for African nations in attracting FDI, rather than for example natural resources (Shan et al, 2018). Combining this with the results of the quantitative analysis, it does seem like Chinese investors are more concerned with the potential upsides of profitable markets, rather than to serve as capital for incentivizing expanding military power of their host nations.

Where liberals think the U.S. and China will act differently in their approach to SSA countries, realists probably predict a similar approach from these two powers, where increased power and influence is the main policy goal (De Soysa & Midford, 2012). As power is more important than ideological concerns, the types of countries one may ally oneself or conduct trade with is secondary to the possible gains which can be achieved. Much of the scepticism regarding Chinese influence in Africa, stems from the realist point of view. Whereas liberals in theory may favour the flow of Chinese investments in SSA, due to the perceived promises of interdependence and economic prosperity, realists will largely view this as a move by China in order to expand their influence in a region where the Western foothold is not the strongest. As the zero-sum game of the realist approach reminds us, the investment opportunities taken by Chinese companies in SSA, are opportunities lost for Western companies.

The two most important sectors China are involved in in SSA are the infrastructure and manufacturing sectors, both of which provide a very visible presence. In manufacturing, competition at home have been raised as a major factor in moving jobs overseas for Chinese companies. Globalization have moved many jobs in this sector towards China and other East Asian countries. With a rapidly increasing Chinese middle class, it is not particularly surprising that Chinese companies themselves have started to transfer many jobs in manufacturing to overseas countries, especially given the incentives from the government to do so. Chinese companies are more comfortable than Western companies to invest in countries with weak sets of infrastructures. And while the outflow of Chinese FDI in the infrastructure sector is

relatively low in SSA compared to Europe, there is a market for infrastructure investments in Africa. Investing in Africa is generally cheaper than in Europe, which have benefitted both Chinese companies and African infrastructure. Chinese companies have also been given a lot of freedom in SSA, possibly due to weak governmental structures, which have further incentivized Chinese companies to invest.

8.3 Other forms of militarization?

While this thesis is largely interested in the militarization of SSA countries themselves through the lens of the armed forces of SSA governments, this region may see an increase in militarization in other forms. The rise of domestic terrorism and rebel groups are one aspect where the region does seem to see an increase of militarization. Another form is in the establishment of foreign military bases. Both the U.S. and China have established large military bases on the African continent in recent years. The most notable military presence of the U.S. is through the establishment of AFRICOM in 2007, while The Chinese base in Djibouti being the first permanently base established outside of China ever in 2017. In addition, several countries, including China and countries from NATO, have been involved with combating piracy in the Gulf of Aden for example.

Baaz & Verweijen (2018) highlights in their study of militarization of African nations how there has been a tendency in academic works to use broad theories and assumptions that do not necessarily work well when studying cases in Africa. While some of this can be attributed to a degree of old-fashioned colonial disregard for the continent and its people, this may result in the application of broad assumptions that have an awkward fit for the mostly western-originated theories. Another consequence is the portrayal of Africa and African nations as passive or helpless actors.

The presence of Chinese companies in SSA creates an interesting equilibrium. Do the presence of Chinese companies incentivize SSA governments to increase militarization, or do countries increase militarization in order to attract Chinese companies? Like many other countries China is supplying countries in Africa with weapons and military equipment through arms sales. As African countries have accumulated huge amounts of debt related to military spending, China

have been known to eliminate this debt for some countries. As domestic militarization of the African continent is relatively new compared to for example European countries, there are also questions regarding the professionalism and capabilities of the armed forces. As such, military expenditure or the number of soldiers does not necessarily capture the whole picture regarding domestic militarization. Armed rebel groups is also a factor regarding militarization. The issue with armed rebel groups is that they may differ a lot in terms of arms, capabilities and targets, which makes it difficult to say something cohesive about them as a group. It is also difficult to get good data regarding rebel groups. The civil war variables are intended to capture some of their effects. Both China and the U.S. have permanent military bases on the African continent, and could as such be viewed as directly contributing to the militarization of Africa.

9 - CONCLUSION

The aim of this thesis has been to challenge both realist and liberal assumptions of the effect of Chinese Foreign Direct Investments on militarization on Sub-Saharan countries. Realism and Liberalism form the two major categories or meta-theories for the understanding and explanation of International Relations, with significant nuances within the two categories. After introducing the broad assumptions and theoretical frameworks of the two, China's role in the system of states and other international actors was examined through both realist and liberal lenses. This was done in order to give a better understanding of how assumptions about Chinese FDI in SSA could be made and interpreted. The chapter on militarization of SSA attempted to convey the possible link between Chinese FDI and militarization of SSA countries. In chapter 5 I introduced a TSCS dataset accompanied by 16 models in total. The objective of using these models was to estimate the effects of Chinese FDI on various military indicators. This was tested on both a global level and on an SSA level for comparative measures. The models were primarily estimated with Driscoll-Kraay standard errors, accounting for autocorrelation, heteroscedasticity and spatial dependence.

In my results, I was not able to establish a link between Chinese FDI and an increase in militarization in SSA countries. In the comparable models estimating the effect on every country in the world available in the dataset, there were some signs that Chinese FDI may be correlated to militarization, but these diminished when the control variables were added. This may be an indicator to future research on international relations and politics that not all theories and assumptions that are applicable to the Western world or East Asia for example, serves the same purpose when researching the African continent. While the results may seem to favour more liberal interpretation of international relations, as there are no direct linkages between Chinese FDI and militarization in SSA, this is two-folded. Having increased political support in international organizations such as the United Nations may serve China well in passing resolutions and increasing its power through the institutionalism of the liberal world order. The neorealist approach seems plausible when unpacking the foreign policy of the Xi Jin Ping-presidency regarding Chinese activities in East Asia, but it is an awkward fit when approaching Sini-African relations. Realist approaches such as Kishi et al. (2017) have also argued that FDI increases the risk of violence and militarization in Africa. There are done few quantitative studies on the effects of Chinese FDI specifically, and according to my results Chinese FDI does not directly contribute to militarization of countries in SSA.

For future research on the subject of Chinese FDI in Africa, one possible path forward is to conduct research on the diplomatic behaviour of African countries after receiving FDI from China. A hypothesis that Chinese FDI have an effect on support for resolutions or trade agreements introduced in international organizations seems appropriate. Another possibility is to investigate the language and rhetoric leaders of countries receiving Chinese FDI use when discussing relationships with China. Regarding future research on the topic of Chinese FDI and militarization, there are maybe more threads to explore when estimating the effects of Civil War directly on Chinese FDI. Although natural resources and market size have been cited in this thesis as the most important attractors for Chinese FDI, this may change in the future, and would then be an interesting topic to revisit in a few years' time. Because Chinese investment in SSA are diversified and unevenly spread across countries, there is a difficulty in observing the effects of Chinese investments in an entire region, without looking at countries on a one by one basis. As such, a lot of the impact of Chinese investments must depend on the commodities and variables stemming from different countries, along with how heavily invested Chinese companies actually are.

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APPENDIX A – COUNTRIES TREATED AS SUB-SAHARAN AFRICA

Angola	Benin
Botswana	Burkina Faso
Burundi	Cabo Verde
Cameroon	Central African Republic
Chad	Comoros
Congo, Dem. Rep.	Congo, Rep.
Cote d'Ivoire	Djibouti
Equatorial Guinea	Eritrea
Eswatini	Ethiopia
Gabon	Gambia, The
Ghana	Guinea
Guinea-Bissau	Kenya
Lesotho	Liberia
Madagascar	Malawi
Mali	Mauritius
Mozambique	Namibia
Niger	Nigeria
Rwanda	Sao Tome and Principe
Senegal	Seychelles
Sierra Leone	Somalia
South Africa	South Sudan
Tanzania	Togo
Uganda	Zambia
Zimbabwe	

APPENDIX B – SUMMARY STATISTICS

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max
Year	2,808	2,012	3.742	2,006	2,018
Civil War	2,057	0.164	0.370	0	1
Peace years	2,057	27.97	23.56	0	71
Log population	2,801	15.10	2.400	9.193	21.03
Sub Saharan Africa	2,808	0.218	0.413	0	1
Log income per capita	1,718	8.343	1.528	4.285	11.33
Log military exp. per capita	1,975	4.277	1.761	0	7.919
Log Oil rents of GDP	2,297	0.654	1.110	0	4.227
Log Military of population	1,953	0.733	0.486	0	2.700
Log SIPRI arms import	1,480	1.682	1.306	0	6.368
Log Chinese FDI per capita	2,801	0.0197	0.106	0	2.240

APPENDIX C – INTERCORRELATION RESULTS

	Log military exp. per capita	Log Military of population	Log SIPRI arms import	Civil War	Peace years	Log population	Log income per capita	Log Oil rents of GDP	Log Chinese FDI per capita
Log military exp. per capita	1.0000								
Log Military of population	0.4017*	1.0000							
Log SIPRI arms import	0.5614*	0.3305*	1.0000						
Civil War	-0.0712*	0.1200*	-0.1272*	1.0000					
Peace years	0.3235*	-0.1059*	0.2272*	-0.4973*	1.0000				
Log population	-0.0124*	-0.0517*	-0.3169*	0.4137*	-0.2453	1.0000			
Log income per capita	0.8420*	0.1994*	0.5010*	-0.1799*	0.5392*	-0.0759*	1.0000		
Log Oil rents of GDP	0.2261*	0.1855*	0.2308*	0.1578*	-0.1513*	0.1938*	0.0390	1.0000	
Log Chinese FDI per capita	0.1834*	0.0193	0.1327*	-0.0532*	0.1536*	0.0260	0.2056*	-0.0175	1.0000

