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Literature Review on Chinese Foreign Direct Investment in the South African Mining Sector: Determinants and Development

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Abstract

Foreign Direct Investment (FDI) is an important contributor for the global economies to strengthen their hold in the race for attainment of resources. For the host country, it is a source of maintaining economic stability and sustenance as most of the host countries are either under developed or developing. South Africa is among one of the most attractive destination for FDI where majority of the global powers including USA, China, and Russia etc. In the recent years, China became the largest investor in South Africa especially in the mining sector due to its dependence on the rich South African natural resources present in the mining. These FDI are important to maintain billion-dollar industry of Chinese consumer goods. For the host country South Africa, the sustenance of economic stability is greatly dependent on FDI. Although of great importance to the investor and host country, there are a number of determinants that affect FDI in a host country. These determinants are studied extensively in previous researches with different context and are identified as Gross Domestic Product (GDP), social security, wage labor, economical situations, inflation, interest rates, trades openness, the availability of natural resources etc. However, the specific reference to mining sector in South Africa is the topic of interest for current research considering only Chinese FDI. A variety of determinants were investigated through assessing previous literature leading to the identified determinants including Inflation, trade openness, natural resources and political stability which had a direct effect on the Chinese FDI in South Africa's mining sector. This paper evaluated each of these determinants in detail and provided insight into the area of interest.

Keywords

Chinese FDI, South Africa's Mining Sector, Determinants and Development

1. Introduction

Foreign direct investment (FDI) has been recognized in emerging economies as a secure component of capital inflows capable of promoting economic development as long as foreign direct investors typically put a long-term commitment to host countries (Mugambi & Murunga, 2017). Furthermore, it is regarded as an external source of capital that might be utilized to execute private sector growth and sustainable development goals (Hassan, 2017). In this context, most developing nations have pursued a variety of economic reforms in order to enhance foreign direct investment inflows and capitalize on them (Vinesh, Boopendra, & Hemraze, 2014). Africa being one of the most important resource hubs of the world is one of the major hosts where a number of great economies are investing (Crescenzi & Limodio, 2021; Sanfilippo, 2010; Varma, Bhatnagar, Santra, & Soni, 2020).

Different sectors of the African market are being promoted through FDI including natural resource sector, manufacturing sector, services sector, fuel sector (Anyanwu & Yameogo, 2015; Kimiagari, Mahbobi, & Toolsee, 2023). Mining is a significant economic activity in over 100 nations throughout the world, with South Africa ranked among the top 50 "mining countries" in the world (Khubana, 2021). According to a PWC research based on UNCTAD statistics, Greenfield FDI in Africa's mining, quarrying, and petroleum industry totaled $16.7 billion in 2018, representing a 58% increase year on year. This accounts for 34% of all international direct investment into Africa that year (UNCTAD, 2022).

Foreign investors are located all over the world. The United Kingdom, the United States, Australia, and Canada Russia, and notably China, have all invested heavily in the development of Africa's natural resources (Ogbonna, Ogbuabor, Manasseh, & Ekeocha, 2022). These are frequently in the form of joint ventures or collaborations with mining and mineral ministries in target African nations. China is projected to be one of the most successful investor in African markets and mining sector and is looking to Africa to shore up its supply lines as the country imports $4 billion in ores and minerals each year to feed its domestic manufacturing industry (Zhang, 2022).

Previous studies of Chinese external FDI generally indicate that Chinese investors are drawn to nations with substantial natural resource reserves, as well as those with high political risk or an unstable institutional environment (Drogendijk & Blomkvist, 2013; Gunessee & Hu, 2021; Zhang, 2022). Market exploration and trade prospects have also been identified as potential motivations for Chinese involvement. Although these studies marked the possible interest of Chinese FDI in African countries, none of the researches targeted collective determinants associated with African mining sector as a potential host for Chinese FDI.

The lack of researches on the collective assessment of determinants of Chinese FDI involved in the African mining sector proposed the need for potential research on the subject. In addition to this, the requirements of FDI as a whole and the importance of determinants that decide their role in the economy of a host country, this study was designed to understand the role of different determinants associated with FDI of China in the African mining sector. The rest of the paper is structured in the following sequence; Significance of the study, Methods, History of Chinese Economy and Influence in Mining Sector, History of Chinese Economy and Influence in Mining Sector, Importance of South African Mining Sector, Association of FDI with Economic growth in South Africa, Determinants of Chinese FDI in South African mining, Effects of Chinese FDI on the Areas surrounding Mines in order to provide valuable resource for policy-makers, investors, and scholars interested in this intersection of Chinese FDI and the South African mining sector.

2. Significance of the Study

The association of Chinese FDI in the development of African mining sector is not a myth but a very dynamic topic under keen consideration of modern researches. However, a main focus in the previous researches has been made on Africa in general. These researches mainly focus on contributing as fractions in understanding the determinants of Chinese FDI specifically in the mining sector of Africa. Current study looked into more specific understanding of Chinese FDI in relation to South African mining. This research will enable the readers to find a body of knowledge based on a collective approach of determinants involved in South African mining as compared to Africa (in general) and the rest of the world. Further, it will enable more informed researches by providing easy access to the determinants of Chinese FDI in South African mining sector in a single document. Below is detailed description of the significance based on practical and theoretical concepts.

2.1. Practical Significance

Firstly, this study has the potential of influencing direct policy consequences in the sense that governments in China and South Africa can create policies to entice or control Chinese investments in the sector using empirical facts. Secondly, this study intends to present the economic impact of Chinese FDI on South Africa's mining sector inclusive of all potential risks associated with it, thus improving economic planning in this regard. Thirdly, through this study, stakeholders will be able to identify trends in Chinese FDI in South African mining: Such trends might provide information to stakeholders regarding the future development of Chinese FDI in the sector. Overall, this study will influence the enhancement of investment regulations and policies.

2.2. Theoretical Significance

This study appreciates the importance of theoretical approach towards reaching solid conclusions hence it has the potential to add and broaden the theories and conceptual frameworks that already exist in the fields of international trade, mining, and development studies. It also has the potential to expand theoretical comprehension of this phenomenon and offer insightful information for academics and policymakers by identifying the factors discussed in the study and adapting to their influence context of Chinese FDI in South Africa's mining industry.

3. Methods

This research paper followed a systemic review analysis for elaborating the area of focus in hand. The purpose of a systemic review assessment was to gathers all potential research on Chinese FDI in South African mining in one place and to analyze the findings of most relevant research in relation to the topic. As compared, Meta-analysis combine the results of various researches on a specific topic but the limitation in using such model is the requirement of primary data based studies on the topic (Kang, 2015). The dynamic nature of our research topic made it necessary to follow a more flexible approach to include scholarly articles, government and non-government documents which is why, systemic review was the best approach to be used. Search strategy involved specific keywords to identify the available literature and documentations on the topic. The study gave more highlight on "Chinese FDI", "African mining sector", "Determinants of Chinese FDI", "Chinese investment in Africa", "South African mining", "Inflation", "Natural resources", "Trade openness" and "Political stability". The review looked at the aforementioned characteristics ten years in the past because time series data are crucial to our study and let us see how these factors have changed during that time. A number of online research databases including Google Scholar, Science Direct, EBSCO and Pro Quest were used for data availability and research authenticity. Additionally, published and unpublished theses, government and private documents, policy reports and international organizational reports were also made a part of the study where deemed necessary.

4. History of Chinese Economy and Influence in Mining Sector

The Chinese culture is one of humanity's oldest, yet its history as a country is just a few decades old (Barro, 1991). The People's Republic of China was created in 1949, immediately following World War II. China had 420 million people at the time, but per capita income was less than 55 US dollars (Bloom & Finlay, 2009). This per capita income increased to $8216 US dollars in 2016 and $12,814 US dollars in 2022 (Statistica, 2023a). In a matter of 74 years, this figure has climbed to unbelievable heights and understandably so, due to the large influence of Chinese markets in today's world. Hong Kong, Shanghai, and Shenzhen have been world-leading sites for business listings during the last decade (Fioretti, 2020). However, China surpassed Japan as well as the former competitors to become the world's second-largest economy in 2010. As of 2021, it was the world's largest exporter and second largest importer (Statistica, 2023a), with more firms listed in China than in any other nation (Wigglesworth, 2019). China's economic changes over the last 30 years have placed the nation more in line with Western countries, and its main feature: using vast amounts of minerals and energy (Zeng, Zeng, Xie, Tam, & Wan, 2012). The vast use of minerals and energy in China lead it to become a strong contributor in the world mining sector. The mining operations in China are massive. It is the world's biggest producer of more than 20 metals, often by a wide margin, including aluminum, cement, coal, gold, graphite, iron and steel lead, magnesium, rare earths, and zinc (Shao, Liu, Geng, Miao, & Yang, 2016). Even as early as 2008, China was currently the primary driver of global resource pricing, and a number of African nations had benefited significantly from this venture since. The country's yearly need for copper, zinc, nickel, and a variety of other raw resources was insufficient, as a result, China spent $100 billion in the import of basic metals each year, accounting for more than 25% of the world's supply (Institute of Developing Economies, 2008). According to recent reports (Penke, 2021) China accounts for about 45% of world essential raw material output than the next ten largest producers combined (**Figure 1**). Aside from internal reserves, Chinese economic players have demonstrated proficiency in obtaining resources overseas, especially in Africa. Many essential minerals are found on the African continent, including bauxite (Guinea), chromium (South Africa), cobalt (Democratic Republic of Congo), manganese (South Africa), platinum (South Africa), phosphate

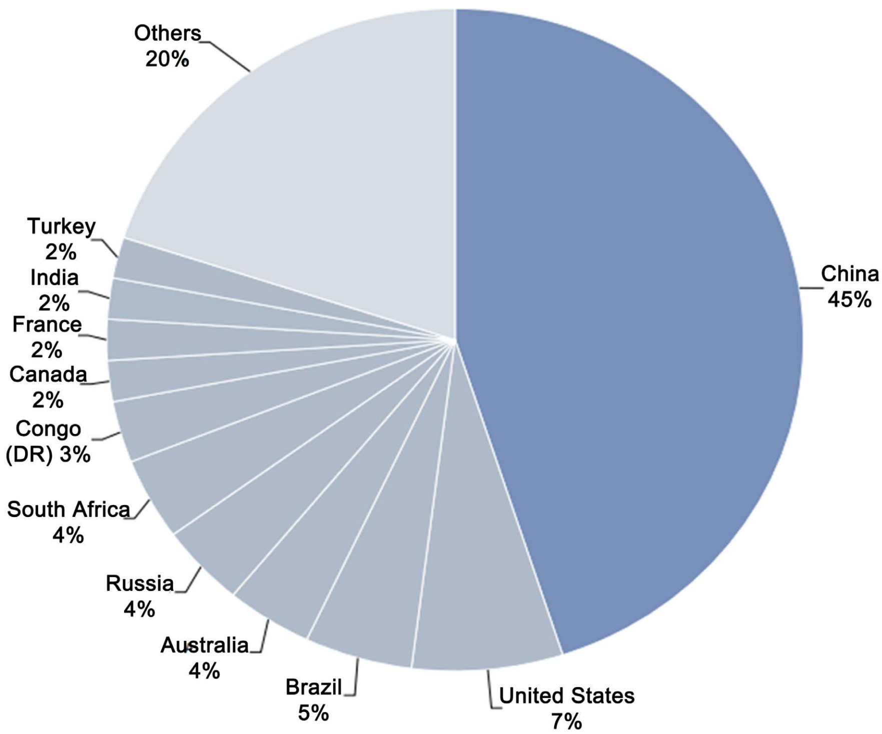

Figure 1. Estimate market share of critical minerals by the major stake holders (Penke, 2021).

(Morocco), and rubidium (Namibia) (Landry, 2022). This dependency on foreign African countries makes China a vital contributor in global FDI endeavors.

5. Importance of South African Mining Sector

Although Africa has a long history of mining and metallurgy, it was not until the diamond and gold booms in southern Africa that Africa's natural riches came to light (Yachir, 1988). European and North American interests dominated African mining during the twentieth century, with a brief period of enhanced national control following independence and nationalizations in the middle of the century. A fresh rush for Africa appeared to begin in the early twenty-first century (Rajak, 2012). When local resources were no longer sufficient, the rapid expansion of Chinese mineral demand and Africa's large unexplored resources drew Chinese foreign direct investment (FDI) into exploration and mining (Megbowon, Mlambo, & Adekunle, 2019). Additionally, Internationalization is one of the most significant strategy for companies seeking long-term success which also played its part in the Chinese expansion to Sub-Saharan Africa (Zeng et al., 2012). South Africa, which has the continent's largest and most established mining industry, best exemplifies the difficult but ultimately rewarding year that the African mining community had in 2022. The mining sector in South Africa had a total revenue of 747 billion South African rand. South Africa's mining industry income has more than doubled in the last five years (Statistica, 2022a). For the last 150 years, the mining sector has been a driving force in the South African economy. Since the discovery of diamonds in 1867, and then gold, the resource industry has helped South Africa become a moderate economy in Africa which is fairly advanced than other African nations (OECD, 2017). South Africa contains the most platinum, manganese, chrome, vanadium, and gold deposits in the world, as well as significant amounts of coal, iron ore, zirconium, and titanium minerals (Lane, Guzek, & Van Antwerpen, 2015). This historic nature of South African region is proving to be one of the most valued targets for foreign investors and is the reason for attracting FDI worth billions of dollars.

6. Association of FDI with Economic Growth in South Africa

Taking a cue from the success of FDI in South East Asia, emerging nations are starting to view FDI as a key component of their economic growth strategy. Host nations expect FDI to foster economic development, modernization, income growth, and job creation. This presumed positive impact of FDI on development encourages many developing nations including South Africa, to grant special or preferential treatment to foreign capital inflows. This preferential treatment offered to capital owners can take the shape of tax cuts, duty exemptions, location of industry allowances, and a variety of other benefits (Asiedu, 2013). Despite dealing with the fallout from the global economic crises, South Africa was named the greatest investment location in Africa by the Global Financial Times Magazine in 2013 and 2014 (Fingar, 2015). The debate on the importance of FDI for economic boost of host nations is nothing new to economic researches which revealed FDI inflows, when combined with other forces of production, contributes to the economy of host nation (Wang, 2009). FDI played a vital role in the development of several economies by inducing modernization in technology, increasing work force, creating employment opportunities and encouraging local investments (Soumaré, 2015). However, the study of Ansong (2018) found that economic growth in South Africa was influenced by a number of elements, ranging from economic to sociopolitical. FDI was not a direct contributor in South Africa economy rather the betterment of economy in South Africa attracted FDI. The direction in South Africa was found to be from economic betterment to attainment of FDI/attraction of FDI in South Africa (Ansong, 2018). The mining sector of South Africa on the other hand is an entirely different story. The enriched mines of South Africa containing diamonds gold, platinum, manganese, chrome, and vanadium as well as significant amounts of coal, iron ore, zirconium, and titanium minerals is a driving force of FDI not only today but also in the ancient times (Antin, 2013). Mining's percentage contribution to the economy increased to 8.7% from 7.1%, and its direct contribution to GDP increased by 36% in the year 2021. This sector was the origin of employment for 458,954 persons (Minerals Council South Africa, 2022). In addition to this, overall mineral sales reached R880 billion (US$54 billion) in 2022, with a 3% increase from the previous record high of R856 billion in 2021 (The Economist Intelligence, 2023). This dominance of the mining sector of South Africa is nothing new as the mining industry had the major FDI share in 2009 where nations with major mineral reserves were responsible for of FDI inflows (Cleeve, 2009). These arguments provide sufficient evidence on the development of South African economy through mining sector and the critical role of FDI in fostering mining sector to where it stands today.

7. Determinants of Chinese FDI in South African Mining

FDI being an important role player in the global economies is required to be sustained in the form of long term investments to improve the economy of the host country. Not only this, the yearly increase in FDI is also a defining factor for the sustenance and positive effects of FDI on host countries. Several researches attempted to answer the question of increasing FDI investments in African context through an understanding of a variety of variables (Jadhav, 2012; Tintin, 2013). However, the effects of these factors are dependent on the sector and differ greatly from one sector to the other. Factors including political instability, openness, infrastructure, per capita GDP, government size, exchange rate, domestic investment and inflation effects the FDI in a host country one way or the other (Anyanwu, 2011; Asiedu, 2002; Kariuki, 2015; Rodríguez-Pose & Cols, 2017). Among these identified determinants, GDP, wage rates, inflation, interest rates, and openness had a strong effect on the FDI in African mining sector (Abel, Mukarati, Mutonhori, & le Roux, 2021; Dembo & Nyambe, 2016). Considering the importance of these determinants in specific relation to the mining sector of Africa, this study looked into these variables and additional variables identified through extensive research, for their pooled effects on South African mining sector. The studied determinants are as follows:

7.1. Inflation

Inflation is the term for a decline in the average buying power of a unit of money. In other words, a decline in the purchasing power of public due to increase in commodity prices is termed as inflation (Liang, 2013). The inflation rates in South Africa tend to change throughout the years with a 7% inflation present in 2022. The price increase was 10,396.72% overall e.g., something that cost 100 Rands in 1960 had a cost of 10,496.72 Rands at the start of 2023 (World Data, 2023). As Statistica (2023b) reported a major contribution of industry (24.5%) and services (63.02%), the impact of inflation is pretty much direct on the residence of the country. Mining industry being one of the major contributors in the overall economy of South Africa cannot stay out of the effects of the rise in inflation. Not only this, the indirect contribution of South African mining in the services sector is another reason for the direct effects of inflation on South African mining sector. The rise in unit costs took the lustre off mining companies' profitability with signs of investors exiting from the stock market (Mckay, 2022). Various studies conducted in the different African regions including South Africa reported a negative influence of inflation on FDI in host country (Kariuki, 2015; Mijiyawa, 2015). Comparatively, this association was found to be persistent throughout the globe and was not limited only to Africa (Alshamsi & Azam, 2015; Asiedu, 2002; Onyeiwu & Shrestha, 2004). The global COVID-19 pandemic in 2020 and the recent energy crisis produced by Russia-Ukraine war resulted in global inflation which can be considered as a major contributor in the decreased Chinese FDI in different sectors of South Africa (Statistica, 2023c) including mining sector (Statistica, 2022b). Considering these findings of previous literature, inflation posed a negative effect on the Chinese FDI in South Africa in general and more specifically on the mining sector as, the major chunk of these foreign investments is involved in the mining sector of South Africa.

7.2. Availability of Natural Resources

Natural resources and FDI have received substantial empirical research (Kang, 2018; Meyer, Estrin, Bhaumik, & Peng, 2009); yet, with evidence of both positive and negative impacts, there is no broad opinion on the influence of natural resources on inbound FDI. Natural resources are undeniably important components of the economy, particularly in developing nations where the resource extractive industry accounts for a significant amount of the gross domestic product (GDP) (Shapiro, Hobdari, & Oh, 2018). Gulf countries have shown to poses negative FDI impacts through prices of natural oil. Natural resources, as measured by oil rents, had a negative relationship with FDI as measured in the study of Elheddad (2016). In comparison, the ancient importance of South African human resources due to the excessive dependence on slavery, marked the start of African resources which in modern times cease to exist due to laws and movements for the abolishment of slavery (Gross & Thomas, 2017). The discovery of diamonds (Field, Stiefenhofer, Robey, & Kurszlaukis, 2008) followed by gold (Durand, 2012) strengthened the natural resources status of South Africa. In addition, the world largest reservoirs of platinum, manganese, chromium and alumina-silicates (South Africa Government, 2013). The country is considered to have the world's fifth-largest mining sector in terms of GDP value, and its mining corporations are major players in the worldwide industry. The availability of these natural resources in addition to various others contributes to the attraction of FDI in South African context. China and South Africa have a strong trade relationship, which is based mostly on South African resource exports. Precious metals and minerals account for 85% of South African exports to China. As a result, China is eager to maintain SA mining and metallurgical activities in order to meet local metal demand (The Economist Intelligence, 2023).

7.3. Trade Openness

Another characteristic that is widely considered to have a role in the determination of currency crises is trade openness. According to several research, more trade integration lessens a country's financial fragility and the chance of a currency crisis by boosting both the capacity and desire to service external debts (Lawal, Nwanji, Asaleye, & Ahmed, 2016; Menyah, Nazlioglu, & Wolde-Rufael, 2014; Mohamed Sghaier, 2023). Almost every country engages in commerce with at least one other country for a variety of goods. Different countries' growth rates are affected differently by trade openness. Trade openness is mostly connected to exports and imports. The most commonly used definition of openness is the ratio of a country's total exports and imports to its gross domestic product (GDP) (Semančíková, 2016). The effect of trade openness on FDI is studied continuously throughout the years by a number of researches and most of them found a significant positive relation of trade openness of a country with FDI (Gharaibeh, 2015; Mijiyawa, 2015; Sekkat & Veganzones-Varoudakis, 2007). A positive association between the FDI inflows and openness to trade was reported in Vietnam (Lien, 2021). Other developing Asian countries like India, Iran and Pakistan showed a significantly positive effect on the growth of FDI with increased trade openness (uz Zaman et al., 2018). South Africa also being a developing country have seen marginal changes in the trade openness (%GDP) throughout the years with the lowest being in 1992 (34%) and the highest in 2008 (66%). As, the events of COVID-19 put the global economies to halt, movements cease to exit. These times also struck South Africa with 51% trade openness in 2020. Massive improvement in the trade openness is recorded in the year 2022 (65%) which is close to the maximum openness ever achieved by South Africa (World Bank, 2023). Despite COVID-19 pandemic in 2020 and limited trade openness, China was able to invest a handsome amount of 8.94 billion USD in African mining

(Statistica, 2022b). South Africa alone received a total of ~400 Million USD in the form of Chinese FDI (Statistica, 2021). As, South African mining is a strong contributor in attracting FDI, a major chunk of the Chinese investment is estimated to be in the South African mining (Ronald, 2022). The stability in the FDI regardless of limited trade openness in the year 2020 in South Africa can be related to previous relations between China and South Africa and the position of Chinese contribution in overall FDI of the country (Yike, 2021).

7.4. Political Stability

Political stability refers to the government's capacity, to deliver the services that its citizens require, in order to foster public trust in the state's institution. Political stability is an important variable in a country's evolution since instability in the political institutions of a country has been established as a cause of low level economic growth through time (Radu, 2015). According to Al Khathlan (2013) the host country's social, political, and economic aspects impact FDI. A strong political democratic system leads to strong institutions in the host country and foreign investors prefer to invest in nations with robust democratic frameworks, whereas authoritarian societies frequently face policy reversals and get less FDI (Harms & Ursprung, 2002). Peres, Ameer, and Xu (2018) examine the impact of institutional quality on FDI inflows in developed and developing countries, using corruption and the rule of law as indicators of institutional quality, and conclude that institutions have a negligible impact on FDI inflows in developing countries due to institutional weakness. Others studies also emphasized on the importance of strong structure in institutions of host countries to attract FDI (Gani, 2007; Ullah & Khan, 2017). Jafari and Aryani (2010) found a positive association of political stability and trade openness in MENA countries. In a similar research study of 5 countries including Brazil, Indonesia, India, Turkey, and South Africa, a related positive association of political stability and FDI was found. Other researchers reported a negative connection between political stability and FDI inflows but these results were majorly persistent in developed countries (Samimi, Moghaddasi, & Azizi, 2011; Vasilyeva & Mariev, 2021). Due to the initial importance of African slaves for the wealthy colonists and the rich African soil, it has been under thorough interest by the world powers which retained an unstable situation in the whole continent (Alao, 2007; Lovejoy, 2011). Specially, the presence of diamonds and gold in South Africa made it a place of great importance (Lukasiewicz, 2017). The end of Apartheid and the first democratic election of South Africa in 1994 set the tune for political stability in the country where the African National Congress (ANC) became victorious. This victory followed by a series of successful events in the country ensured the survival and success of ANC (de Jager & Steenekamp, 2016). Regardless of a democratic government in South Africa, the state of political stability remains a challenge which is worsened by the post COVID-19 era (Fubah & Moos, 2022). Regardless, Chinese FDI in South Africa throughout the years remained sustained with 5.42 billion $ in the year 2020 which was marked as the year of crisis due to

COVID-19 (Statistica, 2023c). With the dependency of China on the rare Chinese minerals, diamonds and gold in South Africa, a major chunk of these FDI are involved in mining sector. These greater investments of China in South Africa are not only driven by the Chinese growing needs but also the excellent African-Chinese relations which are achieved through South African political stability (South Africa Government, 2023).

8. Effects of Chinese FDI on the Areas Surrounding Mines

Mining is considered to be a key driver for the modern world due to an increasing need for the products obtained from mines in industrial sector. These products also serve as drivers for capital enhancement ultimately leading to economic stability of almost every available country on the world map. Simultaneously, it creates a variety of effects on the environment and social living of the people living in surrounding areas. The empirical data reveals that FDI in the mining industry can decrease or raise environmental pressures when compared to domestic investment, depending on the geographical location and whether regulatory, technological, or scale impacts are addressed. For example, in Chile, foreign investment in copper mining has permitted a considerable inflow of ecologically sound technology, such that the environmental performance of international investors is frequently better than that needed by local legislation and norms (Nasirov & Agostini, 2018; Odell & Bebbington, 2023). Comparatively, there have also been instances where foreign mining investors have put downward pressure on environmental regulations. Evidence from Africa suggests that the foreign companies are putting pressure on Ghana's government to allow exploration and mining in the country's forest reserves (Adu, 2018). Adding up, mining in Ghana also had a negative impact on the livelihood of surrounding communities leading towards social injustice, marginalization and poor livelihood (Andrews, 2018). Specifying results to South African context, most of the mining activities in South Africa are keenly dependent on FDI (Aniche & Ukaegbu, 2016) where China is one of the major FDI investor in the country. The emergence of large-scale mining ventures in outlying areas was viewed as one of the mediating processes between households and the larger socioeconomic backdrop in Mapela area of South Africa, having a direct effect on their livelihood assets or endowments (Mtero, 2017). The study also found that mining-related land dispossession have had a negative influence on land-based and agrarian subsistence activities such as homestead garden cultivation, plough big fields, and livestock husbandry. Large-scale mining investment, in this sense, affected the local livelihood system, exacerbating the crisis of social reproduction among small rural households and reducing their ability to accumulate, particularly from agriculture (Mtero, 2017). Shackleton (2020) reported that just 23% of homes in the mining impacted hamlet had crop fields, compared to 90% of households in a neighboring community that did not lose land to the mine in the Limpopo province of South Africa. These land loses induced loses in agricultural revenue, both as cash profits and savings, and had a detrimental impact on family food security as well as cattle rearing capacity of these families. Mining did not assist certain households in acquiring assets, despite improving their capacity to satisfy their day-to-day requirements in Kenya (Irene, Raphael, & Daniel, 2020). Mining pits, insufficient rehabilitation, and large-scale mining have resulted in the loss of agricultural land, which has resulted in lower crop yields and worse living standards. Some of the areas established mining businesses did not recompense or share their accrued income, nor did they fund development initiatives as promised.

9. Conclusion

The rich resources of South Africa had been a source of attraction for foreign investment since the colonials but modern day competition for the attainment of resources turned these FDI to be more prominent. China being one of the silent super powers of current age requires a variety of foreign resources to maintain their supply chains and billion dollar industries. The more specific interest of China in South African mining sector is due to the presence of valuable assets such as diamond and gold as well a wide variety of minerals. Although, China shares a major chunk of the foreign direct investments (FDI) in the South African mining, there are certain factors that determine the growth of these investments. Factors such as inflation, availability of natural resources, trade openness and political stability seem to contribute to the attraction process of FDI in the South African mining. Inflation has a negative impact of FDI while natural resources, trade openness and political stability showed to have positive association with Chinese FDI in the South African mining. The rise in global prices and domestic South African goods effects labor wages, electricity cost, machine operation cost etc., which ultimately demotivate global investors to invest in highly inflated countries. While, the availability of natural resources, trade openness and political stability promotes good business environment and more assurance to the investors which is why they are positive drivers of Chinese FDI in South African mining.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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