

THE IMPACT OF CHINESE INVESTMENT ON URBANIZATION: THE CASE OF ADDIS ABABA



Addis Ababa is a developing city in Ethiopia. It is famous for its high rates of urbanization, but also for its undeveloped buildings and housing projects. Many of the current infrastructure and business projects are financed by Chinese FDI. Implications of worldwide urbanization cannot be tackled on a global scale. Rather, specific examples must be taken as they can help develop better solutions to apply in other countries or on a global level.

The population growth of Addis Ababa in 2000*



The population growth of Addis Ababa in 2020*



Infrastructure



- low capacity
- lack of appropriate government subsidies
- poor urban design



Climate Change

- rise in greenhouse gas emissions due to increasing urbanization
- climate extremes pose significant threat to urban population

Economic Stability



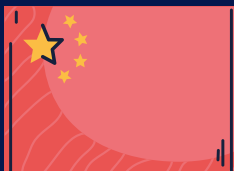
- FDI-induced economic growth is unsustainable in the long term
- foregone government revenue through inefficient land allocation policies



Housing Crisis

- rising number of informal settlements
- excess demand for housing
- increasing land prices

Chinese Impact



- increasing foreign debt creates dependency on credit channel from China
- Chinese construction tends to be of low quality
- investments are focused on profitability causing a majority of inhabitants to not benefit from Chinese involvement
- industrial sector-based investments contribute to climate change

Policy Proposals

Addressing the housing crisis

- socially compatible approach to land allocation procedures to decrease the number of informal settlements
- human rights-based approach that considers the vulnerability of residents
- develop more democratic decision-making processes which aim to meet the demand for land as a social not just an economic asset

Promoting economic stability

- foreign investments need to be channeled into more sustainable and equitable projects that create local jobs
- improve the tax system to increase government revenue
- development of the financial sector specifically focusing on mortgages

Combatting climate change

- improve climate resilience by careful infrastructural planning including drainage systems
- establish green infrastructure reducing soil seal
- improve water access by using grey water recycling