

No Political Strings Attached? The Allure of Chinese Money in Africa

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Abstract: Usually when foreign countries invest in Africa, quite often it is expected that lucrative returns would be gained or purported practice of good governance would be used as a condition attached to the loans. Powerful and wealthy countries such as China usually loans billions of dollars to developing and weaker economies in Africa with the intention that it would influence the foreign policy of recipient countries. This could be attributed to many factors such as developing countries desperately seeking foreign direct investments to upgrade its infrastructure such as railway, roads and energy. Based on the dependency theory, this paper argues that powerful economies dictate the foreign policy of developing African economies, which they grant loans to. This paper further contends that there is no such a thing as no political strings attached. For instance, the argument is that recognising the one China policy on Taiwan is a condition. China is a newcomer in Africa and it comes with a new stand and not following the usual norm used by the World Bank and the International Monetary Fund on how it grants loans to African countries for infrastructure development. This approach is somewhat painful to other role players in the international community such as Europe; in particular Germany, United States and United Kingdom. As a result, China is moving forward towards a wiser model. This paper opted for an exploratory study using the review of literature and followed the qualitative research approach. The study found that China is alluring its money in Africa by granting huge loans to African countries for development. The study also found that China has a different culture from the one of Africa and operates different from traditional democracies in Africa. The study recommends that Africa either compete or cooperate with the Chinese economic model. It also recommends that African countries consider getting financial assistance not only from China but also from countries from Middle East such as Qatar or Saudi Arabia.

Keywords: African economies, Foreign, Infrastructure development, International Monetary Fund

1. Introduction

For many years China and Africa shared remarkable similarities including colonialism and the burden of poverty. Lately, commentators have ignored this historical similarity. In 2009, China overtook the United States as Africa's biggest trading partner and China's foreign direct investments grew exponentially. The trade partnership marked the beginning of China infrastructure development across the African continent, from Cape to Cairo rail, ports and bridges. A paradigm shift started to re-engineer Africa and turn around its fortunes, this is because China adopted a different engagement model with Africa from that which the West has pursued since 1885. However, there are emerging debt challenges which appear to be spiralling. Which begs the question: Have you ever borrowed money and struggled to pay it back to your lender? And you say okay give me whatever you own for the next 99 years. This is the condition which is given to countries that borrow money from China. It is called debt diplomacy.

The same condition was given to Sri Lanka, a small island off-the coast of India, in 2010 the island received a small 1.5 billion Chinese loan to build a giant shipping port, but the construction was never completed. This was due to Sri Lanka missing a few payments on its debt owed to China. The country had to sign the entire port to China with a 99 years lease. Clearly, African countries have not learned a lesson from Sri Lanka and as a result several countries from Africa loaned money from China. For example, in September 2018, China pledged to invest another \$60 billion in Africa. This paper illustrates the African countries which have the most debt owed to China and how China attaches political strings to its debt diplomacy in Africa. This paper begins by providing an overview background on the Chinese state, then followed by a discussion on the building blocks to understanding the rise of China, the rise of China and African countries that have fallen into debt trap with China. Conclusion and recommendation are provided as a last narration in this paper.

2. Background Overview of the Chinese State

The world is changing with a remarkable speed. For instance, the projection by the Golden Sachs on the size of the national economies in the world in 2025, the Chinese economy would be twice the size of the American economy. It should be borne in mind that these projections were drawn up after the 2008 financial crisis. China is changing the world in two fundamental respects, first of all, it is a huge developing country with a population of 1,4 billion (Worldometers, 2019), which has been growing over 35 years, at around 10 percent per year and within 20 years China would be the largest economy in the world.

Never before, has been in the modern world that the largest economy in the world has been a developing country. For the first in the modern era, the dominant country in the world, which one thinks is what China will become, will not be from the West or Africa but from very different civilization roots. China is not like the West or Africa and it will not become like the West or Africa, it will remain in very fundamental respect, a very different country. The big question is how do we make sense or understand China? The problem we have is that by and large the conventional approach, that we understand China in western world western ideas. There are three building blocks of understanding China:

- The first, China is not really a nation state, but it calls itself a nation state for the last 100 years (Jacques, 2012).
- What gives China a sense of being China, comes not from last 100 years, not from the nation state, which what happened in the West but from the period of civilization state. Unlike the Western state China is shaped by its culture of civilization state rather than as a nation state.
- The relationship between society and state is very different from the one from the West and Africa (Jacques, 2012).

3. The Building Blocks to Understanding China

Of course, we know that China is a huge country geographically with a population of 1.4 billion people. What we often extremely unaware of is the fact that

China is extremely diverse and very pluralistic and, in many ways, very centralised. One cannot run a place like this simple from Beijing even though we think this to be the case and has never been the case. So, this is China a civilization state rather than a nation state. What does it mean? I will give you two profound reasons; the most important political value for the Chinese is unity, is the maintenance of the Chinese civilization. 2000 years ago, Europe broke down the fragmentation of the Roman empire and divided it and it remains divided ever since. China in the exact time period went to the opposite direction and painfully holding this civilization state together (Jacques, 2012).

The second is maybe for more precache, which is Hong Kong, remember the handover of Hong Kong by Britain to China in 1997, one may remember what the Chinese constitutional proposition was; one country two systems and when China gets its hands on Hong Kong that will not be case, 21 years on the political and legal system in Hong Kong is different as it were in 1997. The international community was wrong, why so? We were wrong because actually enough in nation state ways. Think of Germany unification in 1980, what happened? Basically, the East was swallowed by the West; one nation, one system that is nation state mentality. Therefore, one cannot run a country like China, a civilization state on the basis of one civilization, one system does not work. Actually, the response of China on the question of Hong Kong as it would be to the question of Taiwan was a natural response; one civilization many systems (Jacques, 2012).

Let me offer you another building block to try and understand China; the Chinese have a very different conception of race to most other countries, of the 1.4 billion Chinese people over 90 per cent of them think that they belong to the same race "the hen". This is very different from other world most populace countries; India, the United States, Indonesia and Brazil, all of them are multi-racial, the Chinese do not feel like that. The advantage of non-multi-racial society is that "the hen" identity has been what held China together. The great disadvantage is that "the hen" have a very weak conception of cultural identity and that they really believe in their very own superiority and they are very disrespectful to those who are not "hen" for example to the Wigos and Tibetans (Jacques, 2012).

The third building block to the Chinese state, the relationship between society and state in China is

very different from that of the West and Africa. Many countries from the West and Africa believe that the legitimacy and authority of the state lies in the state and is a function of democracy. The problem with this proposition is that the Chinese state enjoys more legitimacy and more authority amongst the Chinese than is true with any Western or African state. The reason for this, in fact there are two reasons which has nothing to do with democracy, because in our terms the Chinese certainly do not have democracy. The reason for this is firstly, because the state in China enjoys a very special significance, as the representative, the embodiment and the guardian of the Chinese civilisation of the civilization state, this is where it gets to the spiritual role. The second reason; whereas in African, European and North America the state power is continuously challenged.

For 1000 years, the power as the Chinese state has not been challenged or had no serious rivals. The way in which power has been constructed in China is very different from our experience in Africa or Western history. The argument is that the Chinese have a very different view of the state, whereas we tend to view it as an intruder, a stranger, certainly an organ where its power needs to be limited, or defined and constrained, the Chinese do not see the state like that at all (Moyo, 2013).

The Chinese view the state as a member of the family, not just a member of the family but as the head of the family. This is the Chinese view of the state, very different from African or Western view, is embedded in society in a very different way towards the case in the West and Africa. What we are dealing with here is a different kind of paradigm, which is different from what we ought to think of in the past nor the Chinese believe in the market and the state (Jacques, 2012). The state is everywhere in China, many firms in China depends on state patronage. For example, Huawei and its suspected links to spying for the Chinese government in its construction of 5G network in Europe and United States of America. Moreover, this is a very old state tradition.

4. The Rise of China

Kristof (1993) predicated in 1993, that China would be the most important trend with the world for the next century. This is so now in 2019 that China and its significance to the market world economy is showing signs to be rattling the United States and the United Kingdom. For instance, in 2018 the

British Prime Minister Theresa May at her official visit to Kenya, warned African countries against the rise of China. The aim of the British visit to one of the African countries was to petition African governments for more trade (The Conversation, 2018). The Chinese had an idea to make inroads in Africa since 1977. The West's current attempt to counter the Chinese infiltration in Africa appears to be a desperate act.

The rise of China was led after the Mao Zedong era, Den Xiaopin set out his four modernisations, a policy framework which has been designed to build a huge Chinese economy led by trade with the outside world (The Conversation, 2018). This proposition is supported by the assertion that China has laid some groundwork by offering investment loans to countries in Africa and supplemented by huge volumes of trade. The rise of China and its influence in Africa is to develop its economies by a way of huge infrastructure (The Conversation, 2018). Moyo (2013) once posed a question; "Is China the new idol for emerging economies?" – perhaps the answer to this question is too philosophical. However, Moyo (2013) argues that the reason for the rise of China, especially economically for the past 30 years, is because of China's ability to move its citizens out of poverty. To be more exact, putting a dent on poverty and putting the citizens meaningfully out of poverty (about 300 million people). One could make an inference that perhaps African countries could learn from China's approach to poverty reduction by meaningfully and drastically putting its citizens out of poverty. Moyo (2013) further argues that China's rise as an economic superpower is only in economics. In particular, China in the 1970s about 28 percent of its citizens had secondary school attendance and by 2012 the secondary school attendance has risen to 82 percent. Therefore, overall, the economic improvement has been quite significant.

Another point which demonstrates the rise of China is the fact that China has meaningfully decreased its income inequality without changing the political construct. In 2019, the United States and China were the leading economies in the world. Both countries have vastly different political and economic systems; one private capitalism and another with broadly state capitalism. It is worth noting that both China and United States have contrast income inequalities. For instance, China's income inequality has been increasing lately, while that of the United States has been declining (Moyo, 2013). Another reason

for the remarkable rise of China economically, is that countries from the emerging market look at China's legendary infrastructure roll-out as amazing. The argument is that is not about China building roads, railways in its own country. China has been able to build 85 000 kilometres of road network in China and surpass that of the United States. Notable and worth mentioning is the observation made by Davies, Edinger, Tay and Naidu (2009) that in African countries where it has granted loans for development, China showed high commercial interests. This proposition seems to make sense because economically, it would not be ideal that a country invest in another country without expecting any commercial returns. Furthermore, Angola is a classical example where China has granted loans to an African country and ultimately became one of the largest trading partners of China in Africa (Schmitz, 2018).

Power and Alves (2012) explains that despite outcry from the international community on China's interests and activities in Africa, the terms and implications of the China-Angola partnerships remains unclear. He (2009) posit that instead of the West criticising China's intentions in Africa, the West should acknowledge that a lesson could be learned from China in terms of the results achieved in such a short time. Cork (2013) agrees with Davies *et al.* (2009) observations and further posit that the Angola model to debt financing of infrastructure has been criticised for not implementing contracts. The criticism was around the notion that Export-Import Bank of China has no regard for commercial risk, bulldozing its way, into Africa for political purposes.

However, on the other hand, Stähle (2008) puts forward an argument that a strategy which the Western countries could adopt to neutralise China's approach to development in Africa as far as loans are concerned is to push China to a come by cajole the country into "playing by the rules of the game". Fang (2009) disagrees and points out that China's approach to aid development in Africa is an attempt to increase its "soft power" by exploring aid options outside the aid regime spearhead by international organisations. Economy (2010) notes that China is transforming the world as it transforms itself.

Peason (2006) points out that China is a "status quo" power, implying that it poses no threat to the current international political structure. However, one should note that China is unlikely to compromise on such issues as "non-interference". From such view, it

could be argued that China is likely to interfere in the political affairs of the countries it grants loans to if such countries are unable to pay-back the loans. The most striking example to illustrate this point is the stance on One-China policy, which is a pre-condition that all African countries receiving loans from China have to recognise that Taiwan is part of China.

5. African Countries that Have Fallen into China's Debt Trap

The problem with debt which China gives to Africa countries is that, if these countries are not careful, the debt will be become so huge that the countries will not be able to pay it back. There are several African countries which the debt owed to China has reached disproportionate stage. For instance, Sudan was the first country in the Southern Africa to recognise the People's Republic of China as far back as in 1959. Sudan is war thorn country, which holds the longest running war in Africa including the death of 2 million people. The war which led to the break-up of Sudan to South Sudan. It was reported in September 2018 that Sudan would get the largest share of the \$60 billion loan from China (China Uncensored, 2019).

China's investment in Sudan has given China control of around 70 percent of Sudan's oil industry under the supervision of the China National Petroleum Corporation. Some of the money loaned to Sudan was used to upgrade the oil refinery in Khartoum and most of the oil goes to China. Sudan's estimated debt owed China is \$6.4 billion and with China pledged to provide more financing, the debt could balloon further. According to the United Nations Report (2018) Sudan's debt assessed to be unsustainable (China Uncensored, 2019). The other country which is falling into debt trap with China is the Republic of the Congo, not to be confused with the Democratic Republic of Congo. The country is reported to be owing China \$7.3 billion dollars. China and Congo are working on a number of projects, including a motorway in Brazzaville, the construction of a Brazzaville stadium and upgrading of the country's airport. The Republic of Congo is one of the three countries alongside Zambia and Djibouti that make up the most significant contributor to high risk of actual debt distress (Mail & Guardian, 2018).

So, what does the Chinese debt mean? Other commentators suggest that it is a growing amount and some conditions are not known and these countries are going to be increasingly leveraged to repay that

when they are unable, China will make additional demands and these countries will have less money to spend on social security and other programmes. Some of the gestures which China gave to Congo include construction of the country's new \$50 million parliament for free. The Chinese intention in Africa appears to resemble that of luring money. For instance, it was reported in 2018 that China bugged the African Union headquarters building allegedly for state secrets. The interesting part is that China helped build the building and allegedly paid and built the computer network (African news, 2017).

According to the International Monetary Fund (IMF), Congo is officially in debt distress and requires a bail out. When the IMF found out that the Republic of Congo maybe hiding some of its debt, the country claimed that its GDP ratio was 77 percent, but the IMF calculated that ratio to be 117 per cent. They accused the government of lying and called for the anti-corruption watchdog to be set up before they could agree to release any funds. It is worth noting that Congo is major oil producer. Maybe China would agree to take oil as collateral for more money, such move would be a win, win for China (African news, 2017). The next country which China is alluring money in Africa, is Kenya which its debt to China is nearly \$8 billion. In Kenya, it has been reported that China has built a high-speed railway. The 291 km Mombasa railway is the biggest infrastructure project since the country gained independence in 1964. After the completion of the phase 1 of the project Kenya secured another \$6.3 billion loan from China to extend the railway line by 155 km. The opposition parties in Kenya criticised the government's decision and indicating that the project is too expensive and will not generate enough revenue and that it was a ticking financial time bomb, because after a 10 year grace period Kenya has to start paying back the loan.

The other country which has fallen into debt trap with China is Ethiopia. The county owes China an estimated \$13.5 billion. The Chinese ambassador to Ethiopia has reportedly said that by lending money China is helping not only Ethiopia but the entire world. Lastly, Angola, is the African country which has the most debt owed to China, it is estimated to be around \$25 billion. In Angola, Chinese companies are building cities like the city of Zongo on the outskirts of the capital, Luanda. The project is built by China limited and the company has links to the Chinese regime. Chinese companies are also using debt to finance the new Luanda airport. It has been

reported that the project had cost \$4 billion and was behind schedule. The modus operandi of the project is that it has created jobs which are exclusively done by the Chinese people and the local people are not happy (African news, 2017).

Chinese scholar, Brautigam (2009) stresses that China's approach to aid or loans in African countries needs to be assessed on a country-to-country basis. She explains that China cannot be expected to merely adopt a multilateral model. As argued above in this paper that China has a new model to aid, therefore it is worth noting that China has never considered itself a 'donor' in economic cooperation, so can never integrate into multilateral framework. One could argue that the criticism which is levelled at China's approach to aid to Africa is because it is bilateral and countries from the West regard the approach as not transparent enough.

On the other hand, Park (2013) posit that China is generally regarded as a good ally who further development in Africa and furthermore an acknowledgement is also made that the Chinese in Africa are perceived more negatively. The Western media is said to be blamed for driving such perceptions about China. Sautman and Hairong (2009) conducted a survey on Southern African countries' perceptions of China in Africa and Botswana had the highest number of respondents which thought China was just in continent for the natural resources.

Zhou (2009) and Zhao (2010) admit that China was still learning and could also learn a lot from the Western countries in terms of standards and norms of loans. Considering that China is still learning, it could be deduced that it is likely to commit mistakes and recklessly lend money to African countries which could in the future not afford to pay back the debt. Again, some Chinese scholars and policy makers are of the view that despite distinguishing China from other Western "great powers" China will one day rightfully take its place amongst the "great powers" of the world (Dong 2009). Although, French (2014) is of the view that China's role in Africa resembles the traditional interpretations of imperialism.

6. Conclusion and Recommendations

This paper argued that China is alluring its money in Africa by granting huge loans to African countries for infrastructure development. The paper contended that China has developed a new economic

model which arguably shall surpass the private capital system of the United States and becoming the largest world economy by 2030. The paper also illustrated how countries such as Sudan, Ethiopia, Angola, Kenya and Republic of Congo have fallen into debt trap with China. It is also the contention of this paper that the debt accumulated due to Chinese loans could comprise the political independency of these African countries. The paper also argued that the Chinese culture is very different from the one of Africa or the West and the Chinese state operate somewhat different from traditional democracies found in Africa or the West. The study recommends that Africa has an option to ensure that China does not take over its political sovereignty and amongst the options include that:

- Africa either compete or cooperate with the Chinese economic model and if Africa chooses to compete with the Chinese model and attempt to convince countries around the world with an agenda to promote private capitalism as it is implemented by the West and this shall be against the headwinds and it is purported that this would be a natural stance to take.
- African countries should be given the flexibility to figure out in an organic way what political and economic system works best for them.
- African countries should focus on economic outcomes by creating more middle class to holds its government accountable.
- African countries consider getting financial assistance not only from China but also from countries from the Middle East such as Qatar or Saudi Arabia.

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