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In a fix: Africa's place in the Belt and Road Initiative and the reproduction of dependency

Ian Taylor^a and Tim Zajontz^b

^aSchool of International Relations, University of St Andrews, Scotland; ^bCentre of African Studies, University of Edinburgh, Scotland

ABSTRACT

The Belt and Road Initiative (BRI) aims to integrate Africa into an ambitious Chinese-constructed infrastructure network. The terms of this integration however deepen Africa's dependent position and perpetuate its terms of (mal)integration into the global political economy. These terms, which are characterised by external domination and socially-injurious and extraverted modes of accumulation, are likely to be exacerbated by the BRI's focus on facilitating extraction from the African continent while importing huge amounts from China. While the BRI aims to resolve contradictions within China's own economy, the latent dynamics within the BRI vision may result in an entrenched African dependency.

KEYWORDS

China; Belt and Road Initiative; capitalism; dependency; spatial fix; underdevelopment

In 2014, Xi Jinping instigated a major new plan of epochal importance: the Belt and Road Initiative (BRI). The New Silk Road was initially suggested by Xi while visiting Kazakhstan in September 2013 as a reinvigorated economic belt constructed across Central Asia and into Europe. A subsequent Maritime Silk Road was introduced while Xi was visiting Indonesia a month later, this time linking China across the Indian Ocean to East Africa.¹ In Africa, the BRI has unfolded primarily as a set of vast infrastructure projects. While proponents suggest that it will lead to accelerated development on the continent, a more critical analysis suggests that its potential to reproduce and deepen existing pathologies within Africa's economies is very real, while the financial commitments taken on by host governments pose a potentially serious challenge to the economic sustainability of both the projects themselves and of the countries taking on such debt. Furthermore, while presented as an exemplar of Chinese goodwill towards the continent, the domestic needs of Beijing are in fact central and the nature of the modern Chinese state-society complex dictate terms that are not necessarily in line with the rhetoric of 'win-win' cooperation. Various Chinese academics have sought to portray the BRI as a panacea for African development. Wang Yiwei for example has argued that the infrastructure laid down by the BRI will in itself reduce Africa's marginalisation and underdevelopment, while Li Anshan has dismissed out of hand questions of debt sustainability and its implications for the BRI's long-term future.²

This article seeks to provide a meta-analysis of some of the important questions pertaining to political economy and how the BRI is likely to affect those African countries that have (thus far) eagerly embraced it, namely Djibouti, Ethiopia, Kenya and Tanzania. Drawing on David Harvey's concept of the 'spatial fix', the article links changes within China's economy to the need for an exporting of surplus capital.³ It then argues that the nature of the investments utilising this surplus capital may well perpetuate – if not deepen – Africa's dependent position in the global economy, while placing those countries who involve themselves in the BRI in a worrying position both economically and politically vis-à-vis Beijing. The article starts with an analysis of the nature of the Chinese economy and the dynamics behind the launch of the BRI itself.

The political economy of China

Debates around China's contemporary political economy have been increasingly polarised. One school of thought contends that China is a benevolent and progressive rising power, which is qualified to transform the world by somehow making it more compassionate and diverse, given Beijing's alleged regime based on Confucian principles of social harmony and balance. This argument underpins recent interventions by Chinese academia around the Belt and Road Initiative (BRI).⁴ However, these analyses do not grapple with the nature of the state in China and its objective and subjective realities. They also elide the *de facto* restoration of capitalism in China post-Mao. Deng Xiaoping and his successors instrumentalised the Chinese state to play a leading role in this process by being 'highly active in reorganising social relations commensurate with the restoration of capitalism'.⁵ This reality has to be at the heart of any analysis of contemporary China.

Post-1978 China has moved clearly toward the market mechanism, with a stress on judicious fiscal policy, economic openness, privatisation, liberalisation and the protection of private property.⁶ Through a Gramscian passive revolution,⁷ an 'increasingly hierarchical and brutal form of capitalism' has developed in China that is heavily inclined to the propensities of the policy paradigm of neoliberalism.⁸ As Lin Chun notes, 'The erosion of socialism in China is undoubtedly ... the work of a 'peaceful evolution' through capitalist integration'.⁹ The fourteenth Communist Party of China Congress in 1992 coined the notion of a 'socialist market economy' for the political-economic model, consequently adopting several resolutions to accelerate economic opening. Thus, 'neoliberalism with Chinese characteristics'¹⁰ celebrated a breakthrough: scores of parastatals were privatised, the import licensing and quota system relaxed, tariffs considerably reduced, new industrial segments opened up for foreign investment, and export-supporting measures created.¹¹ China's accession to the WTO in 2001 initiated a new phase of economic internationalisation with further tariff reductions, and the liberalisation of the services and agricultural sectors.¹²

State involvement operated alongside a gradual liberalisation, ensuring that the necessary infrastructure was provided, that property rights were protected and that contracts were upheld. The development of China's vast internal market enabled mass consumption to come into being while a growth model based on exports and cultivating state sectors such as energy, transportation, telecommunications, construction, and the banking system generated the take-off of China's economy. Building on the achievements

of the period 1949–1978 in terms of a comparatively strong and literate rural labour pool and wide-ranging transport networks, China's capitalist take-off saw the Chinese economy expanding at an average of 9% per year.¹³

As China's growth policy was based on the 'world's factory' producing goods for export, the need to endlessly plough a significant amount of the surplus generated back into the manufacturing sector became a focus of policy. The growing bourgeoisie that emerged in the reform period (and who had been welcomed into the party by Jiang Zemin in the Three Represents formulation), exercised growing influence within the party-state and, allied with the managerial elements located in the remnants of the state-owned enterprises (SOEs), they demanded gargantuan expenditure on both state support for the export sector and on constructing infrastructure across the country. This in itself drove up global commodity prices, creating a price spike in the 2000s. This then generated high growth rates in Africa: as the World Bank noted, 'commodity prices [became] more synchronized in the ... commodity super cycle, which began in 2000 and [was] associated with the rapid industrialization and urbanization of dynamic large emerging market economies, most notably, China'.¹⁴ This was then interpreted as being indicative of a putative 'Africa Rising', but in fact was merely the diversification of dependency.¹⁵

However, within these dynamics, contradictions in the Chinese economy have developed. The Chinese labour force is no longer the cheap reserve pool of labour that enabled transnational corporations to generate mega-profits in the 1990s. A fundamental transformation in China's social structure has occurred, with the agricultural labour force falling and the non-agricultural labour force expanding. With this decrease in the rural surplus labour force, labour shortages resulted in wage increases as the Chinese workers engaged in efforts to increase pay and improve conditions. Wages in China averaged ¥10 744.45 per year from 1952 to 2017; in 2010 it stood at ¥37 417. By 2017 however, the average wage in China had reached ¥74 318, roughly \$11 400.¹⁶ Crucially for China, since around 2010 wages have increased more quickly than labour productivity, thus contributing to a depression in both the profit share and the profit rate as the unit labour cost within China has increased.¹⁷

These problems were compounded by events following the global financial crisis of 2008–09. As Western economies went into recession, their markets for Chinese exports shrank. Encountering a stagnation in its exports, which was the basis for its growth model, Beijing's policymakers embarked on a massive spending spree on infrastructure. Indicatively, in 2008 China had only a single 70 mile demonstration line for high-speed rail (and that was built especially for the 2008 Beijing Olympics); by 2018 it had a 15,500 mile nation-wide network.¹⁸ This period also saw China use more cement between 2011 and 2013 than the United States used in the entire 20th century: total American cement consumption in the 20th century was around 4.4 gigatons (1 gigaton = circa 1 billion metric tons); China used around 6.4 gigatons of cement in the three years of 2011, 2012 and 2013.¹⁹ Such investment became a key source of economic growth. China's gross fixed capital formation thus increased from \$1.38 trillion in 2007 to \$5.12 trillion in 2017.²⁰ While a huge amount was consumed, colossal oversupply of material and a generalised bubble across the Chinese economy built up.²¹

As an economy develops along capitalist lines, progress in technology predisposes towards capital-intensive activities, pushing down the output-capital ratios in the

economy. If this is not assuaged by a rising rate of surplus value or an upsurge in profits as a portion of total economic production, the rate of profit falls, with both economic and politico-social consequences.²² Solutions to this crisis can be found in: an increasing rate of exploitation of the workforce; the depression of wages below the value of labour-power; relative over-population so as contribute to the depression of wages; and foreign trade.²³ Other than foreign trade, none of the other solutions may be found in contemporary China, which is consistent with Marx's view that crisis tendencies were domestically engendered within the capitalist mode of production and thus a domestic solution was not possible. Hence, the export of capital is a possible 'spatial fix' for China's economic crises of over-accumulation and declining profits.²⁴

The BRI as China's 'spatial fix'

The crisis of an over-production of capital requires new channels for investment. Capital exports are a strategic short-term answer.²⁵ This 'export emphasis' notes that more and more capital has to be invested to get the same return in profit within an economy; with the danger being that profits will continue to fall because of the over-accumulation of capital, under-consumption within the economy and a scarcity of outlets for new and profitable investment. As a result, external solutions must be found.²⁶ As we have elaborated elsewhere, the spatial fix then is a response and involves changing geographies of capital investment and investing capital in long-gestation ventures such as physical infrastructure.²⁷ The 'fix' has two meanings. Literally, it suggests that capital is 'fixed in and on the land for a relatively long period of time (depending on its economic and physical lifetime)'.²⁸ Infrastructure would be the most obvious example. In the metaphorical sense, 'fix' represents a 'particular solution to capitalist crises through temporal deferral and geographical expansion',²⁹ in that over-accumulated capital is utilised overseas through spatial and temporal transferral. The 'fix' is necessarily a temporary solution due to capital's chronic tendency to over-accumulate.

This appraisal of the dynamics of global capital should be sufficient to take out some of the bitter moralising about whether Chinese capitalist engagement with Africa is better or worse than other sources and actors. The underlying logic and driving force of capitalism and capital is the accumulation of profits; in the words of Marx, the 'boundless drive for enrichment' and the 'passionate chase after value'.³⁰

Essentially, Beijing is seeking to direct and manipulate the spatial fixes that are required due to the contradictions brought about by over-accumulation in the economy and the associated problems. This was signalled with the 'go out' (*Zouchuqu Zhanlue*) policy, which encouraged Chinese corporations to invest overseas and play a role in international capital markets.³¹ Initially, the main type of China's capital exports was Beijing's substantial purchase of US Treasury bonds. However, since the Hu Jintao era (2002–2012), an ever larger portion of China's foreign reserves have been utilised to promote foreign direct investment by Chinese corporations, accelerating after the 2008 crisis and then massively increasing with the launch of the BRI. Chinese foreign direct investment (FDI) net outflows increased from \$17.15 billion in 2007 to \$216.42 billion in 2016.³²

As Beijing's currency reserves rocketed from \$200 billion in 2001 to \$4 trillion in 2014, Xi Jinping instigated a major new plan of epochal importance: the 'New Silk Road'. The suggestion by Xi was that a reinvigorated economic belt be constructed across Central

Asia and into Europe to facilitate trade and investment. A subsequent Maritime Silk Road was introduced while Xi was visiting Indonesia a month later, this time linking China across the Indian Ocean to East Africa and up through the Suez Canal into the Mediterranean and European markets. The project aims to accelerate the economic integration of large parts of the world under Chinese management.³³

He Yafei, vice minister of the Overseas Chinese Affairs Office of the State Council, asserted in an op-ed in the *South China Morning Post* that:³⁴

The excess capacity has been caused by China's fundamental economic readjustments against the global economy. With the ensuing knock-on effects of the global financial crisis manifesting in the economic stagnation of advanced nations, coupled with the slowdown in China's domestic demand, industrial overcapacity, accumulated over several decades, has been brought into sharp relief ... [and] has resulted in a steep drop in profits [and] the accumulation of debt and near bankruptcy for many companies ... The Chinese government, guided by the principles laid out at the third plenum, has put forward guidelines for its resolution. The most important thing is to turn the challenge into an opportunity by 'moving out' this overcapacity on the basis of its development strategy abroad and foreign policy.

While he did not use the term 'spatial fix', Chinese strategy to tackle its over-accumulation crisis looks remarkably similar to Harvey's formulation. The BRI then, cannot be separated from domestic considerations in China. As China's economic growth mushroomed and receipts from Chinese exports accrued, China's state banks were compelled to create new loans to stimulate fixed asset investment. This growth in domestic investment led to overcapacity, falling profits and debt in key industrial sectors.³⁵ This overcapacity and over-accumulation is, as has been noted, the spur behind Beijing's impulse to transfer its surplus capital overseas in search of profits (China became a net exporter of capital in 2014). As Ho-fung Hung notes, after the global crisis of 2008, China's exports declined while debt-financed investment intensified under the \$560 billion stimulus policies of 2009–10, which were primarily financed by loans from the state banks. After a sudden decline and then robust recovery, which helped China avoid the worst effects of the global recession, Chinese economic growth slowed and the debt-to-GDP ratio increased to over 250% post-2010 (over 300% according to some estimations).³⁶

This slowdown and rapid build-up of debt burden increased the pressure for capital export. This pressure is in conjunction with the reorientation of China's foreign policy from passive cooperation with existing powers to active conversion of China's economic weight to geopolitical influences.

The transferral of China's problems overseas via the BRI however holds within its dynamics serious challenges for Africa. These are, namely, continued underdevelopment and dependency on the continent, while debt deepens.³⁷

The BRI as a vector of underdevelopment

The BRI entails a gargantuan plan to finance and construct infrastructure, projects and other commercial enterprises across perhaps 87 countries, of which around 20 are African. The total estimated value of all the deals announced thus far within the ambit of the BRI is about \$1.12 trillion, of which a significant amount is directed towards projects in Africa, particularly in sectors such as infrastructure and mining (but also in

manufacturing, finance, telecommunications, real estate and agriculture). Those African countries that have played a leading role in the BRI thus far have clearly witnessed a spike in Chinese investment flows since the launch of the initiative (see Table 1).

The lion's share of Chinese investment (separate from loans) in Africa is clearly directed at extraction and infrastructure construction to facilitate that extraction (see Table 2).

A number of the countries involved in the BRI (ie, Djibouti, Ethiopia, Kenya) are not resource-rich and thus it might be averred that the extraction thesis does not hold water. However, the investment in infrastructure needs to be seen within the familiar pattern of external actors seeking to access the continent's natural resources and open up Africa for the extraction of said assets. As Xiaochen Su notes:³⁸

Europeans built infrastructure in Africa at the turn of the century, purportedly also for local economic development, but in essence the projects were used for natural resource extraction. The predecessor of both the Nairobi-Mombasa and Addis Ababa-Djibouti railways can be categorized as such. Both connect inland regions with mineral deposits with major ports on the Indian Ocean.

The BRI is obviously not a charitable exercise on the part of China and each country wishing to be included within the domain of the BRI or to seek to take advantage of Chinese largesse must individually deal with Beijing, agreeing at a bilateral level on the financing and the conditions of the project. As noted, the impulse behind the BRI has more to do with Chinese needs and the (temporary) resolution of Chinese economic problems than it does with the developmental needs of those countries that engage with it. Africa is no exception. Why the BRI may be seen as a vector of (further) underdevelopment may be identified in a number of processes: profit extraction; exploitation; the entrenchment of disarticulated economies; and the diversification of dependency.

Profit extraction

For those companies that do engage in Africa, profit margins are high: among Chinese firms interviewed for a report on Chinese activities in Africa, nearly a quarter said they had covered their initial investment in one year or less, and more than half reported that they had taken three years or less to make back their initial investment.³⁹ Nearly

Table 1. Chinese FDI flows to BRI African countries (\$ millions, unadjusted).

	Djibouti	Ethiopia	Kenya	Tanzania	Total
2003	0.00	0.98	0.74	0.00	1.72
2004	0.00	0.43	2.68	1.62	4.73
2005	0.00	4.93	2.05	0.96	7.94
2006	0.00	23.95	0.18	12.54	36.67
2007	1.00	13.28	8.90	−3.82	19.36
2008	0.00	9.71	23.23	18.22	51.16
2009	3.40	74.29	28.12	21.58	127.39
2010	4.23	58.53	101.22	25.72	189.70
2011	5.66	72.30	68.17	53.12	199.25
2012	0.00	121.56	78.73	119.70	319.99
2013	2.00	102.46	230.54	150.64	485.64
2014	9.53	119.59	278.39	166.61	574.12
2015	20.33	175.29	281.81	226.32	703.75
2016	62.24	282.14	29.67	94.57	468.62
2017	104.64	181.08	410.10	132.46	828.28

Source: China Africa Research Initiative, 2019.

Table 2. Chinese end of the year FDI stock to Africa, top 5 sectors (\$100 millions).

	Construction	Mining	Manufacturing	Finance	ICT	Other
2013	68.38 (26.1%)	69.17 (26.4%)	35.11 (13.4%)	36.68 (14.0%)	13.36 (5.1%)	39.30 (0.15%)
2014	79.90 (24.7%)	79.26 (24.5%)	44.00 (13.6%)	53.05 (16.4%)	13.59 (4.2%)	53.70 (16.6%)
2015	95.10 (27.4%)	95.40 (27.5%)	46.30 (13.3%)	34.20 (9.9%)	14.60 (4.2%)	61.42 (17.7%)
2016	113 (28.3%)	104.1 (26.1%)	50.9 (12.8%)	45.6 (11.4%)	19.1 (4.8%)	66.22 (16.6%)
2017	128.8 (29.8%)	97.6 (22.5%)	60.8 (14.0%)	57.1 (13.2%)	23.1 (5.3%)	65.85 (15.2%)

Source: China Africa Research Initiative, 2019.

one-third of the Chinese firms surveyed reported 2015 profit margins of more than 20%. The report from which this data is drawn sees this as a net positive for Africa. That is one way of looking at it. Alternatively, Paul Baran's study of underdevelopment, *The Political Economy of Growth*, could be cited, proposing an alternative scenario:⁴⁰

[T]he firms sinking their profits (or for that matter, additional funds) into the enlargement of their undertakings or the establishment of new ones spend a large proportion of the amounts so employed on equipment produced in their home countries. Nor could it be otherwise, since the required equipment is not available in the areas in which the investment takes place, and the investing firm and its personnel have an understandable bias in favour of the familiar tools manufactured at home. As a consequence, with the orders for investment goods going to the industry of the advanced country, the investment act occasioned by the founding or by the expansion of a foreign enterprise in an underdeveloped country as well as by the eventual replacement of its equipment constitutes an expansion of the advanced country's internal market, rather than a widening of that of the underdeveloped country.

Furthermore, the high profits made by the Chinese companies in Africa are, as is self-evident, made by those Chinese companies, rather than by African companies. When a third of Chinese companies surveyed in Africa state that they are garnering profit margins higher than 20% and that their consolidated revenues (currently estimated at \$80 billion) are expected to range between \$250 and \$440 billion by 2025,⁴¹ it is clear who is benefiting the most from this ostensible 'win-win' partnership. As Chase-Dunn notes, 'unequal exchange and uneven development will occur in any system of interaction in which the distribution of power is unequal'.⁴²

Exploitation

Underdevelopment is a dynamic – not static – condition: it is a relationship and 'expresses a particular relationship of *exploitation*: namely, the exploitation of one country by another.'⁴³ The external domination of Africa's economies and the pathologies of dependency that this engenders, constructed during the colonial period, have proven markedly resilient. 'The root dilemma of Africa's economic development has been the asymmetry between the role of the continent in the world and the degree to which that world ... has penetrated Africa'.⁴⁴ Broadly speaking, the inflexibility of the international division of labour has not allowed African economies to escape their role as primary producers, for reasons which involve a lack of access to technology, the comparative advantage of the developed world in industrial manufacturing, and the limitations of the domestic African market.⁴⁵ Protectionist measures by the North in terms of tariffs, non-tariff barriers, subsidies to producers, etc, have also curtailed market access, while gaining asymmetrical access.⁴⁶ Indeed, African economies are integrated into the very economies of the

developed states in a way that is unfavourable to Africa and ensures structural dependence.⁴⁷ In short,⁴⁸

[T]he geo-economy of [Africa] depends on two production systems that determine its structures and define its place in the global system: (1) the export of 'tropical' agricultural products: coffee, cocoa, cotton, peanuts, fruits, oil palm, *etc.*; and (2) hydrocarbons and minerals: copper, gold, rare metals, diamonds, *etc.*

This has not radically changed since independence and is routinely overlooked in accounts which portray China as a potential redeemer of the continent, particularly when it comes to the BRI.

Disarticulated economies

For Africa, problematically the economic structures which emerged from the colonial period as a result of the world division of labour distorted the continent in such a way as to create obstacles to development.⁴⁹ Samir Amin has demonstrated that a dependency on foreign capital investments causes structural distortions or disarticulation of the economy.⁵⁰ The result has been what Shivji terms 'structural disarticulation', where Africa exhibits a 'disarticulation between the structure of production and the structure of consumption'.⁵¹ What is produced is not consumed and what is consumed is not produced'. Ake has convincingly demonstrated that this disarticulation is a major feature of Africa's political economy and a key factor behind the continent's underdevelopment.⁵² In articulated economies, multiple sectors interrelate to each other so that development in one sector stimulates development in another sector. This situation characterises developed economies – including that of China. On the other hand, disarticulated economies occur in underdeveloped nations where economic sectors are not closely interrelated. Hence, development in one sector is unable to stimulate development in the other sector.

The theory of disarticulation demonstrates how a dependency on foreign capital generates income inequalities through fostering an uneven growth of capital-intensive industries in urbanised locations and thus, in due course, enlarging the mismatch between dual sector economies, or between capital and non-capital intensive parts of the economy.⁵³ Thus while Chinese investment may cause a cumulative expansion of the internal market in an African country as a by-product of external economies, for these improved conditions for investment to result actually in further productive and sustainable investment, the level of economic and social development attained must be such that there is the possibility for an evolution to industrialisation. According to Baran,⁵⁴

Otherwise such virtual sources of external economics as may appear in the economic system will only strengthen the forces keeping the economic and social structure in whatever mould it happens to be in, or will remain mere potentialities – available but not utilized – and join other productive forces that are not employed, and contribute little if anything to the country's economic development.

Consequently, 'it is a fallacy to believe that the sheer presence of potential sources of external economies is bound to generate economic expansion'.⁵⁵ In fact,⁵⁶

Whereas at the centre growth is development – that is, it has an integrating effect – in the periphery growth is not development, for its effect is to disarticulate. Strictly speaking,

growth in the periphery, based on integration into the world market, is the development of underdevelopment.

The diversification of dependency

The Silk Road Academy of the Chinese Academy of Social Sciences notes that 'Africa possesses the most abundant resources in the world. Oil and gas, uranium, cobalt, copper and other strategic resources place Africa in the forefront of the world'.⁵⁷ China on the other hand 'has become the world's largest producer of industrial products, the world's second largest economy [and] is also one of the world's most important exporters of funds'.⁵⁸ According to the logic of the Silk Road Academy:⁵⁹

Both China and Africa must get rid of the dependence on Western markets and seek new and more stable capital markets, commodity markets and investment markets[. The] high degree of complementarities between the two markets provides a comprehensive cooperation space for the upgrade of cooperation mode, and for the new situation of development of win-win cooperation [*sic*].

This 'upgrade of cooperation mode' [*sic*] is nothing more than the diversification of Africa's dependency away from the neo-colonial model inherited from the imperialist period towards a new dependency on China. It is also a return to Ricardo's analysis regarding the comparative advantage thesis that actors can mutually benefit from cooperation and voluntary trade when states produce goods and services based on opportunity costs. As a resource-rich continent, African states have been placed within the international division of labour as an exporter of raw materials.⁶⁰ The fate of the continent under the BRI – as envisaged by the Chinese themselves – will not result in a mutually beneficial relationship playing to any ostensible comparative, but will in practice be one of unequal exchange and of exploitation, consistent with previous readings of Africa's underdevelopment. This is hardly different from previous incarnations of Africa's dependent status in the global economy and it is again Baran who notes that:⁶¹

[A]n intranational and international specialisation that is so organised that one participant of the team specialises in starvation while the other assumes the white man's burden of collecting the profits can hardly be considered a satisfactory arrangement for attainment of the greatest happiness for the greatest number.

It hardly needs saying that there is a desperate need across Africa to convert natural resources and receipts from these into structural change, 'defined as an increase in the share of industry or services in the economy, or as the diversification and sophistication of exports ... or as the shift of workers from sectors with low labour productivity to those with high labour productivity'.⁶² This has not happened thus far and it is doubtful if the BRI will contribute much in this direction. Celebrations of growth engendered by the BRI miss the point. After all, 'growth is a quantitative process, involving principally the extension of an already established structure of production, whereas development suggests qualitative changes, the creation of new economic and non-economic structure'.⁶³ Indeed:⁶⁴

Emergence is not measured by a rising rate of GDP growth (or exports) ... nor the fact that the society in question has obtained a higher level of GDP per capita, as defined by the World Bank, aid institutions controlled by Western powers, and conventional economists.

Emergence involves much more: a sustained growth in industrial production in the state [or region] in question and a strengthening of the capacity of these industries to be competitive on a global scale.

As is clear, much of the interest in Africa within the BRI framework is hinged upon economic activities that threaten to deepen the continent's dependent position in the global economy. Africa's terms of (mal)integration in the global political economy have not been restructured with the rise of Chinese interest in Africa. 'Overwhelmingly, Africa continues to be incorporated within the global economy and international division of labour on a subordinate neo-colonial basis, coerced for the most part into primary commodity production'.⁶⁵ Consequently, China's escalating role in Africa through the BRI replicates and deepens the continent's entrenched and detrimental terms of (mal)integration within the global capitalist system. Furthermore, a by-product of this upsurge in interest in Africa is the deepening of uneven development across the continent. Those countries useful to the BRI initiative will enjoy attention; those not useful will be overlooked.

The BRI and Africa's debt

If brought to fruition, the BRI will engage with over 60 countries and have a declared total investment as high as \$8 trillion.⁶⁶ Serious questions immediately arise with regard to the sustainability of the financing of the BRI initiative within recipient nations and what Beijing's policies will be on debt sustainability. The sustainability of BRI financing will depend in part on the productivity of the BRI projects themselves. However, the opacity of Chinese policy on its loan disbursements is of concern. No official data on Chinese loans exists and thus all published figures are estimates and guesses. Beijing is not a member of the OECD and it does not take part in the OECD's Creditor Reporting System. In addition, the Chinese state banks seldom release information concerning detailed financing contracts while recipients of such loans invariably fail to completely divulge the information of the finances they are obtaining.⁶⁷ Ironically, the Chinese refuse to divulge information about their lending practices to Africa – and then complain about 'inaccurate' reports by African and other sources criticising the self-same arrangements. Chinese Foreign Minister Wang Yi's standard response is to dismiss such critiques of China as 'false'.⁶⁸

Infrastructure financing, which frequently involves lending to sovereign states and/or the utilisation of sovereign guarantees, can generate issues vis-à-vis sovereign debt sustainability. When the creditor is a sovereign or has formal connections to a sovereign (such as China's policy banks), such challenges invariably concern the diplomatic ties between the states. Two main concerns centre on the financing of the BRI in Africa. Firstly, will the capital borrowed by African countries as part of the BRI leave these countries with such levels of debt that it may obstruct public investment in social sectors as well as economic growth? Secondly, should debt problems arise, this will generate a detrimental amount of dependency on Beijing as the creditor. Debt associated with the BRI has already worsened domestic problems in several BRI countries and damaged ties with China. One such example would be the controversial Sri Lanka's Hambantota port, where Colombo gave a 99-year lease and 70% stake in the port worth \$1.12 billion to a Chinese operator. This capital was utilised to reinforce Sri Lanka's foreign reserves and pay off several short-term foreign debts. It was not a 'debt trap' scenario, but rather a balance of payments issue. However, the Hambantota port deal was certainly

portrayed in much of the media as a debt-equity swap with 'the Chinese' swapping debt in exchange for physical control of a foreign port. This narrative dogs a lot of discussions around the BRI, much to the confusion of analysts.⁶⁹

An issue facing any evaluation of the debt stemming from Chinese loans is the fact that neither of the two main lenders – the China Development Bank and the China Exim Bank – divulges the terms of the loans they disburse. It appears that the lending terms from these two institutions vary, from interest-free loans to fully commercial rates. Debtors are of course vulnerable to exchange rate risks as most Chinese loans are denominated in either US dollars or renminbi. However, data shows that between 2000 and 2017 the Chinese Government, banks and contractors extended \$143 billion worth of loans to African governments and state-owned enterprises.⁷⁰ Those countries most engaged with the BRI at present and the amount received in loans from China between 2000 and 2017 are presented in Table 3.

In Kenya, President Uhuru Kenyatta's government has contracted a combination of semi-concessional and commercial debt from China, as well as from international markets since 2014 to build infrastructure. Ironically, after Kenya was anointed as a lower middle-income economy, its access to favourable concessional loans from development lenders ended. China's role in Kenya's infrastructure development began in earnest after the building of the Thika Superhighway (2009–2012) at a cost of about 32 billion Kenyan shillings (\$360 million) during the last term of President Mwai Kibaki. The Exim Bank of China then agreed to fund 90% of the \$3.6 billion (363.60 billion Kenyan shillings) costs of the 485-kilometre Mombasa-Nairobi standard gauge railway (SGR) line.⁷¹

Debt contracted from Beijing increased to \$6.20 billion in December 2018, up from \$5.30 billion in 2017. Kenya has, in fact, been taking on around \$1 billion every year from China in the last few years. In the July-December 2018 period, Kenya's debt to China accounted for 22% of its total foreign debt. Notably, during this period, Nairobi

Table 3. Chinese loans to selected BRI countries, 2000–2017 (\$ millions).

Loans	Djibouti	Ethiopia	Kenya	Tanzania
2000	0	0	0	0
2001	12	1	6	0
2002	0	0	6	4
2003	18	0	0	12
2004	0	0	0	0
2005	0	0	0	0
2006	0	1500	46	0
2007	0	207	65	0
2008	0	0	57	77
2009	0	619	365	0
2010	36	365	262	179
2011	8	1381	225	80
2012	64	79	1279	1192
2013	814	6623	32	589
2014	0	773	3730	15
2015	150	613	2570	200
2016	365	926	1095	0
2017	0	652	64	0
TOTAL	1.46 billion	13.73 billion	9.8 billion	2.3 billion

Source: China Africa Research Initiative, 2019.

Note: The data indicates quantities borrowed after 2000; they do not indicate current debt figures given repayments have been made on such loans.

paid 12.80 billion Kenyan shillings (circa \$128 million) in interest, compared to only 2.63 billion Kenyan shillings (circa \$26 million) of the principal sum, giving an indication of the lending rates. Critically, Kenya has faced increased debt service obligations since May 2019, as the original five-year grace period extended by the Exim Bank of China for the SGR ended then. The sustainability of BRI debt will be dependent in part on the output and usage of the BRI projects. The SGR, which is the flagship project of the BRI in Kenya, registered losses of \$100 million in its first year of operation.⁷² Trucking companies that formerly transported goods between Mombasa and Nairobi are projected to incur \$210 million in lost business while the Container Freight Station Association has estimated that their losses will be more than \$100 million and that 3,200 workers had already lost their jobs.⁷³

Debate over the project is heated within Kenya as, when it was announced, critics asserted that the railway was grossly overpriced, unsustainable and economically unviable. Positive commentators claim that,⁷⁴

While the SGR hasn't achieved financial viability, it has made considerable social and economic impact. That includes transferring people and goods faster between Mombasa and Nairobi; cutting environmental pollution and risks; reducing damage to transport infrastructure; and improving safety.

On the other hand,⁷⁵

As SGR edges out trucks in long distance cargo transport, towns and market centres heavily reliant on trucks for business opportunities will be in danger of economic downfall as establishments such as hotels, bars, lodgings and garages collapse due to lack of customers. With their ruin, loss of livelihood for shop owners, mechanics, oil recyclers, and waiters will be imminent forcing them to migrate or change profession.

This is what may be called accumulation by dispossession.⁷⁶

In late February, 2019 the Kenyan Government admitted in a report by the Joint Technical Committee on the Improvement of Efficiency and Cost-Effectiveness of Transportation of Cargo Using SGR that it cost twice as much to transport cargo by the SGR than by road and that there were serious implications for Kenya if usage of the rail line did not improve. A report detailing this information is worth quoting at length:⁷⁷

While it costs Sh50,000 (\$500) to move a 20-foot (ft) container from the SGR terminus in Miritini to the Inland Container Depot (ICD) in Nairobi, costs associated with the handling and storage of cargo at the port tend to push up this cost by more than 100 per cent, which in effect sees cargo owners part with a total of Sh142,000 (\$1,420). This is in comparison to road transport where cargo owners would pay truckers Sh65,000 to have a similar 20-foot container moved from Mombasa to Nairobi ... The difference between road and rail for 20-foot and 40-foot containers amounts to Sh77,000 (\$770) (118 per cent increase) and Sh127,000 (\$1,270) (149 per cent increase), respectively.

However, the report goes on to state that:⁷⁸

A report by the Auditor General's office cited that KPA [Kenya Ports Authority] was under an obligation to feed sufficient cargo to the Chinese-built railway project. Failure to provide the requisite cargo would mean Kenya has gone against a critical clause in the loan agreement of guaranteeing specified 'minimum volumes required for consignment'. The report indicated that KPA's assets, which include the Mombasa port, could be taken over if the SGR does not generate enough cash to pay off the debts. 'The China Exim Bank would become a

principle in (over) KPA if Kenya Railways Corporation (KRC) defaults in its obligations and China Exim Bank exercise power over the escrow account security’.

Unfortunately, various corruption scandals involving the embezzling of millions of dollars by both Kenyan and Chinese actors overshadows the entire project. In August 2018, Kenyan authorities arrested both the head of the agency that administers public land and the executive of the state railway on suspicion of corruption over land allocation for the SGR.⁷⁹ Soon after, seven officials from the China Road and Bridge Corporation (CRBC) were arrested for bribing investigators looking into corruption tied to the SGR.⁸⁰ And in mid-2020, the Court of Appeal in Nairobi ruled that the procurement process for the entire SGR project was flawed and corrupt.⁸¹ This raises a wider issue, namely if the situation outlined is so dire, why do African governments persist in taking part? Tudoroiu and Ramlogan argue that Beijing’s socialisation of the political elites involved in the BRI has generated shared beliefs in the legitimacy and thus in the tolerability of a Chinese-led global order.⁸² Policies of states under the leadership of these elites incline to be aligned with Chinese norms, and China becomes seen as the great provider – and ultimate solution – to a host of problems encountered by the host governments.

In Ethiopia, the government appears to genuinely believe that China offers a great opportunity for the country’s development. Prime Minister Abiy Ahmed also appears to be positioning Ethiopia to leverage competition between the West and China to attract larger amounts of FDI, in effect reducing the country’s dependence on Beijing.⁸³ Djibouti appears to be seeking to take advantage of the effect of Ethiopia’s economic transformation and growth. A new and improved rail link between Addis Ababa and Djibouti facilitates this.⁸⁴ Only Tanzania appears to be having second thoughts, pushing back, for example, on the \$10 billion Bagamoyo port project after Tanzanian officials felt that the terms of the deal would not benefit the country. The context is a more nationalist and results-oriented (and increasingly autocratic) government led by President John Magufuli, who has been unafraid to confront and then re-negotiate contracts signed by former governments but which are seen by Magufuli as being non-advantageous to Tanzania. Kenya is devoid of such leadership.

It should be noted in discussion of Chinese loans to Africa and the so-called ‘Chinese debt trap’ that Beijing’s share of Africa’s debt, while notable, is not the biggest. A report by the Jubilee Debt Campaign in 2018 found that on average, 20% of African government external debt is owed to China and 17% of African government external interest payments are made to China while 32% of African government external debt was owed to private lenders, and 35% to multilateral institutions such as the World Bank and IMF.⁸⁵ Reckless lending to Africa by the capitalist world, in particular the colossal sums that may be justifiably labelled illegitimate debt, have been far more detrimental to the continent than anything China has managed thus far. However, in the context of the BRI, there are indications that some African nations involved in the initiative are in danger of debt distress as a result of Chinese loans and the debt issue cannot be dismissed as a mere meme or even a myth.⁸⁶

The key country of concern at this point is Djibouti, which has received \$1.4 billion in loans from the Chinese to help construct the expansion of the Goubet salt port, the Damerjog livestock export port: the Addis-Djibouti railway (Djibouti’s share being \$492 million); the Djibouti-Ethiopia water pipeline; the Doraleh container terminal/

multipurpose and the expansion of Djibouti port as the terminal of the Ethiopia-Djibouti railway). It is commonly held that if the debt-to-GDP ratio of a country is over 77% for a protracted period, economic growth declines. The latest figures show that Djibouti's debt-to-GDP ratio has risen from 50% in 2014 to 90.7% in 2017.⁸⁷ The China Africa Research Initiative (2019) data shows that China lent \$1.47 billion to Djibouti between 2001 and 2016 and that 68% of Djibouti's external debt is owed to China. An IMF report concluded that⁸⁸

Djibouti remains at a high risk of debt distress ... solvency and liquidity risks are significant over the projection horizon, and all the debt burden indicators breach their respective policy dependent thresholds by sizeable margins ... All the solvency debt burden indicators exhibit protracted breaches of their respective thresholds. In addition, liquidity risks have increased significantly compared [since] 2015.

China's loans to Djibouti only constitute \$1.4 billion, which in the scheme of things is rather insignificant; the problem is that Djibouti's annual GDP is only about \$1.8 billion. While there have been overblown accusations about the 'billions' of Chinese loans made to Djibouti, the fact remains that a country with such a small economy, taking on such levels of debt to one country – ie, China – is problematic, whatever country that may be.

What critics of the idea that debt is a problem within the BRI ambit miss is that debt grants power. As Di Muzio and Robbins point out, debt is a technology of power and can be utilised to discipline countries and their populations.⁸⁹

In capitalism, the prevailing logic is the logic of differential accumulation, and given that debt instruments far outweigh equity instruments, we can safely claim that interest-bearing debt is the primary way in which economic inequality is generated as more money is redistributed to creditors.

Debt efficiently distributes global society, and in fact bilateral relations, into debtors and creditors. Equally, debt in the BRI context is linked to the spatial fix outlined above, in that 'The credit system appears as the main lever of over-production and over-speculation in commerce',⁹⁰ however while exporting excess capital in the form of loans and credit to African countries may well help assuage China's problems of over-accumulation, it may not necessarily aid Africa. Of course, this all takes place within a control structure that infinitely favours creditors over debtors and is something that, while definitely not unique to Sino-African relations, cannot be breezily dismissed.

Conclusion

The patterns that have caught the attention and imagination of commentators regarding the BRI investment directed to resource extraction and infrastructure projects and deepened economic exchange between China and Africa still do not indicate any fundamental break with the long-established patterns of asymmetrical economic relations that Africa has with the rest of the world. In fact, 'Evidence is mounting that the traditional fault-lines of North–South interaction are being replicated in the burgeoning trade between Southern states'.⁹¹ It is apparent that a very large part of the BRI story is the dependent status the continent has *vis-à-vis* external economies.

If the involvement of China (alongside other actors) is to intensify the pathological structural features of African economies, as outlined above, celebration of the BRI needs greater investigation, to say the least. It hardly needs stating that the diversification of dependency cannot be considered a coherent development project for the continent, even if the notion that China's BRI may somehow facilitate an escape route from the historically exploitative relationships with the North is held. The BRI may well be China's strategy to displace its overcapacity and debt burden abroad, but it will likely intensify underdevelopment, uneven (mal)development and dependency for the African continent. In short, the BRI is a strange vehicle upon which to pin African hopes, unless there are serious and qualitative adjustments by Africa towards the goal of Africa's structural transformation.⁹² This transformation's ultimate goal must be⁹³

to break with production for production's sake (or surplus for surplus's sake) and to organize a society geared to optimum consumption and optimum output in accordance with genuine human needs: a society in which the surplus and its utilization were democratically planned.

An exercise of African agency in this progressive direction is barely a necessary and certainly not a sufficient condition. Africa's resources must be taken control of by Africans and used to lessen inequality and promote sustainable development: 'autonomous and hence continuous development will only occur when the periphery can establish exchange relations ... which do not tie it into a system of dependency likely to perpetuate the underdevelopment created by ... subordination to the dominant institutions of international capitalism'.⁹⁴ With their rise and incorporation into the global structures of power and governance in accordance with the normative principles of capitalism, China has joined these 'dominant institutions'; South-South solidarity coming from this direction is likely to be void of content, despite the rhetoric which envelops the BRI.

Furthermore, regarding the spatial-fix foundations of the BRI, infrastructural spatial fixes do not take place in smooth social spaces. Rather, they must deal with the actuality of contradictory and multifaceted social dynamics. In circumstances where social space is undermined to such a degree that there develops forceful opposition, the state may seek to settle such resistance so as to safeguard the spatial fix through military methods. This would however only increase the rupturing of the social space as well as intensify the core-periphery disparities that provoked resistance in the first place. Anti-Chinese sentiment in Africa is a growing problem.⁹⁵ If the forces at work discussed above and connected with the BRI deepen, Chinese policy will be forced to respond. While the spatial fix may see a reorganisation of fixed capital to serve as a safety-valve for China's crisis tendencies, the temporal nature is critical. The BRI fix may buy time for Beijing through the creation of space but the contradictions of China's capitalist model will become patent sooner or later. China's economic problems make obvious the fact that it is very much integrated into the global capitalist system and that capital accumulation in China follows the same logic and experiences similar flaws as capitalist development does elsewhere. Spatio-temporal fixes ultimately are temporary and will eventually run out of steam. For Africa to reproduce and deepen its own dependency and underdevelopment as a footnote to China's own internal contradictions will truly be yet another African false start.

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Notes on contributors

Ian Taylor is a Professor in International Relations and African Political Economy in the School of International Relations, University of St. Andrews and also Chair Professor in the School of International Studies, Renmin University of China in Beijing. He is also Professor Extraordinary in Political Science at the University of Stellenbosch, South Africa and a visiting professor at the University of Addis Ababa, Ethiopia.

Tim Zajontz is a Research Fellow at the Centre of African Studies, University of Edinburgh, where he works in the ERC-funded project African Governance and Space (AFRIGOS) as well as a Research Fellow at the Centre for International and Comparative Politics at Stellenbosch University. He has done research on China's spatio-temporal fix in Tanzania and Zambia and holds a PhD from the University of St Andrews, UK. He is co-founder of the Germany-based non-profit organisation *Freunde-skreis Uganda e.V.*