

CHINA'S AID-FOR-PROFIT ECONOMIC POLICIES IN AFRICA:
IMPLICATION TO US FOREIGN POLICY AND
AFRICAN STATES' DEVELOPMENT

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Art of War Scholars

by

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The opinions and conclusions expressed herein are those of the student author and do not necessarily represent the views of the U.S. Army Command and General Staff College or any other governmental agency. (References to this study should include the foregoing statement.)

ABSTRACT

CHINA'S AID-FOR-PROFIT ECONOMIC POLICIES IN AFRICA: IMPLICATION TO US FOREIGN POLICY AND AFRICAN STATES' DEVELOPMENT, by MAJ Sidney H. McMath, 123 pages.

Though China's foreign aid programs in Africa do provide some positive impact on local populations, their profit-driven nature prevents them from targeting, as claimed, the infrastructure gaps perpetuating the developmental challenges facing most African states. Unfortunately, Western lenders and aid programs stopped providing years ago the type of major infrastructure projects needed to address these challenges. The number of African states and the size and youth of their populations, position many African states to be some of the most politically and economically important of this century. If the US seeks to maintain its leadership role, it should reverse its diplomatic retreat from Africa and help African states fill their infrastructure gaps. These actions would enhance US influence worldwide, ensure the long-term stability and economic viability of states across Africa, and provide opportunities to both compete and cooperate with China for the betterment of all. Until the US provides a meaningful alternative to China's aid-for-profit programs, needy African states are left prey to China's political influence enabled by its monopoly on infrastructure-focused aid.

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ACRONYMS

BRI	Belt and Road Initiative
DoS	Department of State
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IO	International Organizations
NGO	nongovernmental organizations
ODA	Official development assistance
OECD	Organization for Economic Co-operation and Development
OOF	Other Official Flows
SOE	State-Owned Enterprises
SSC	South-South Cooperation
UN	United Nations
US	United States

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CHAPTER 1

INTRODUCTION

Though China claims that its economic policies in Africa help many of the poorest states address their developmental challenges, due to their profit-driven motives, these policies often fail to target the neediest African communities. Unfortunately, Western lenders and aid programs walked away years ago from the type of major infrastructure projects that so many African states desperately need to address their most significant developmental challenges. Consequently, there exists a gap in the world's Africa-focused foreign aid programs. The United States (US), along with its extensive alliance network, should coordinate aid programs to fill this gap. Such efforts would challenge China's aid-for-profit economic policies to the advantage of African states. These reforms would also create opportunities to cooperate with China to the betterment of all states. The West working with China to address the actual developmental challenges facing African states would only make a more prosperous and peaceful world.

The Chinese Government argues that its foreign aid efforts to finance and build a global economic network through China's Belt and Road Initiative (BRI) provides Africa with the infrastructure solutions needed to combat its development challenges.¹ Critics claim that China is only fueling its rise to great power status at the expense of the developing world.² They argue that China's rise requires an economic growth model to fund its continuing economic rise through the acquisition of raw materials and access to global markets to sell the resulting finished goods. China then uses that economic power and access to buy greater political influence to achieve its strategic aims, particularly in the developing world.

This growth model requires adequate infrastructure to keep up with China's increasing demand for raw materials and access to export markets.³ As a result, China offers states the financing and expertise to both fund and build the required infrastructure required. For many African states, abundant with raw materials yet lacking the needed infrastructure, this financing and expertise is an opportunity not lightly passed over.⁴ However, the expense paid by participating African states can be high and comes in numerous forms. Often, African states are overburdened with unmanageable debt to Chinese lenders.⁵ The ultimate recipients of this financing are Chinese firms that continuously outbid any local and even major international contractors,⁶ leaving little financing and lots of debt for the local economy, a debt which China then uses as political leverage.⁷ Further compounding the issue, corruption often drives Chinese firms to build these projects in state leader's home regions, not where they can do the greatest good for the neediest Africans.⁸

China's counterargument is that no other state is providing the level of financing and expertise needed to build the major infrastructure projects that African states require to meet their development challenges. While the rest of the world only talks about Africa's development, China is the only one doing something about it. Additionally, any predatory business practices are not the result of the Chinese Government working in concert with Chinese corporations to pursue China's strategic aims, but the actions of independent Chinese corporations. Despite China's centrally-control society, many corporations operate independently from the state.⁹ To believe this level of coordination is to fall victim to thinking about states as one would a person with a singular mind driven by coherent thoughts. Instead, countless disparate groups, organizations, and

entities make up states, all pursuing separate agendas that sometimes align and, at other times, clash.

Though China's actions in Africa are undoubtedly motivated by the pursuit of its strategic aims, as are the economic policies of all states, it claims that its efforts across the continent help address African states' developmental challenges. Arguably the most significant developmental challenge facing most African states is the rural isolation of most of their populations, leaving them without access to the world economy and its opportunities.¹⁰ The question at hand is whether Sino-African relations are as equitable as China claims, helping African states address their greatest development challenges, or if any benefit to African states is incidental. This research finds that much of China's efforts across the continent do provide a positive economic impact in the areas and surrounding regions in which they build them. However, China's economic policies are incentivized by profit-based motives, preventing them from targeting the neediest African communities.

This research explores this topic by examining the available facts surrounding China's economic policies in Africa, as primarily seen through the various financing sources employed in China's pursuit of its BRI, to determine if China acts in the mutual interests of its African partners or if any benefits to African states are merely incidental. The concluding chapter examines the possible strategic implications for US foreign policy in Africa. Towards these aims, the following question serves as the primary research question guiding this effort: "what are the implications for US foreign policy and the development of African states as a result of China's potentially exploitative economic and diplomatic policies in Africa?"

The two secondary questions supporting this research are:

1. How does China use its economic diplomacy to achieve its aims in Africa?
2. What are the effects of those policies on Africa's ability to address its lingering development challenges?

Assumptions

There are numerous assumptions under which this text operates. First, is that, though China's economic model is evolving, it will maintain its current economic policies in Africa for several years to come, if they do not become more aggressive under the leadership of China's President, Xi Jinping. Supporting this assumption is President Xi's past actions when he doubled down on China's "go out" strategy by advocating for even more aggressive global economic expansion.¹¹

The first assumption speaks to the second assumption that China's strategic aims in African will also remain relatively constant, where China seeks the acquisition of raw materials, access to export markets, African states' compliance with the One China policy, and support for China's efforts in international organizations (IO).¹²

The third assumption is that US interests in Africa will also remain relatively constant: the acquisition of raw materials, access to export markets, support for US efforts in IOs, to minimize "terrorism, narcotics trafficking, international crime, piracy and money laundering" in Africa to limit their harm to American interests, and basing and overfly rights that ensure the US military maintains access to ports and airfields across the continent.¹³ The final objective might serve as something China wishes to add if its new base in Djibouti is an indicator of future interests.¹⁴

Definition of Terms

Economic diplomacy: “Economic statecraft and economic diplomacy involve using diplomatic skills with economic tools to advance a country’s economic, political and strategic goals.”¹⁵

Finished goods: The Organization for Economic Co-operation and Development (OECD) defines finished goods as, “inventories of finished goods consist of goods that are ready for sale or shipment by the producer but which are still held by the producer.”¹⁶

Foreign Direct Investment (FDI): The OECD defines FDI as “a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy. Ownership of 10 percent or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship.”¹⁷

Official development assistance (ODA): More commonly known as foreign or international aid, ODA is defined by the OECD as “government aid designed to promote the economic development and welfare of developing countries.” The OECD excludes from their definition any assistance provided for military purposes.¹⁸ This assistance can take any of three forms: grants, “soft” loans, and technical assistance. Grants are financial assistance provided “free of interest, and with no provision for repayment.” “Soft” loans must be repaid with interest. However, these loans are “soft” because the interest rate is significantly lower than that offered by commercial banks. Additionally, the loan must have a grant element of at least 25 percent of the total to be considered ODA.¹⁹ The repayment feature associated with loans is a critical difference for recipient states relative to grants in that the need to repay loans “induces policymakers to use funds wisely and to

mobilize taxes or, at least, to maintain current levels of revenue collection. In contrast, grants are viewed as free resources and could therefore substitute for domestic revenues.”²⁰ Though not explored specifically in this text, technical assistance also falls under foreign aid. Technical assistance “includes both (a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, (including the cost of associated equipment).”²¹

Other Official Flows (OOF): The OECD defines OOF as “official sector transactions that do not meet ODA criteria. OOF include: grants to developing countries for representational or essentially commercial purposes; official bilateral transactions intended to promote development, but having a grant element of less than 25%; and, official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose.”²²

Raw Materials: The OECD states that “natural resources are natural assets (raw materials) occurring in nature that can be used for economic production or consumption.”²³

State-Owned Enterprises (SOE): This text combined two definitions of describe SOEs: A business that is either wholly or partially owned and operated by a government so that it can take part in activities of a commercial nature.²⁴

External limitations

Several external limitations plague this research, with the availability of time being the first. A shortage of time is easily the most common limitation placed on any researcher. The complexity of this research does little to alleviate those pressures of time.

Therefore, the scope of this research is narrow to ensure something manageable within the time provided while achieving the depth of research necessary to be useful to the broader field of study.

The second limitation is the availability of accurate information and data. This challenge presents itself in two ways. First, states often advance initiatives of which they would rather others know little. Therefore, a scholar's ability to understand and ultimately represent the reality of a government's position is often largely informed through well-groomed official statements. For China and many African states, the secretive nature of their governments amplify these difficulties. Additionally, some states tend to withhold some information while exaggerating the effects of others. Second, and in contrast, Western sources tend to focus on the ill-deeds of China's actions, with a few notable exceptions. This imbalance can frustrate one's ability to find objective sources. Therefore, one must understand that even the most accurate data available can, at times, only suggest the true nature of circumstances.

The third limitation is the shortage of resources, which limits access to first-hand Chinese and African sources. Coupled with the secretive nature of Chinese economic and diplomatic initiatives, the limited ability to access first-hand government and business sources frustrates the pursuit of a balanced approach. As a result, this research seeks sources across all perspectives and, when possible, leaves no accusation unanswered from all perspectives. Additionally, this research must rely on experts in the media, other governments, and non-governmental and international governmental organizations to build a holistic view of Sino-African economic and diplomatic interactions.

The author's biases also play a role in any research. This text inherently suffers from biases stemming from the author's nationality and profession as a US service member. Therefore, it is, again, critical to ensure fair and measurable coverage of perspectives and leave no accusation unanswered on all sides, as well as the introduction of measurable standards by which to analyze all parties' actions when able. Additionally, the pursuit of objectivity requires avoiding partisan, hypocritical analysis. Towards these ends, this research looks at several methods of reducing bias. First, this research seeks to objectively compare China's actions against conventional diplomatic and economic practices advanced by other great powers. Second, this analysis addresses the equitability of relations between China and African states by comparing what both China and Africa gain from their relationship. Finally, this text seeks to consult a wide range of sources from all points of view.

Despite these shortcomings, the author, having achieved a Master's in International Affairs, does hold qualifications to explore this topic. In achieving that master's, the author also explored similar topics regarding China's global economic interests and potentially strategic aims. This background provides a foundation from which to explore more deeply the external effects of China's pursuit of its strategic aims. Additionally, both the author's professional and academic experience provides the tools to draw more significant insights into China's actions within the context of historical case studies and theoretical models. Those same experiences enable the exploration into the implications of China's actions on US foreign policy.

Self-Imposed Delimitations

There are several self-imposed delimitations designed to focus this research. First, this text explores China's economic policies largely through the lens of its foreign aid practices, but also China's use of trade and FDI that China uses to fund the worldwide economic network through which it hopes to achieve its aims abroad. Though not all-encompassing, China's foreign aid is the most widely used form of its economic diplomacy. It also speaks directly to China's economic policies towards other states. Trade and FDI are also essential aspects, as trade represents the most significant economic interaction not only between states but also their corporations. FDI, though quite small relative to the first two, also telegraphs the motives behind Chinese corporations. Furthermore, when considering even Chinese commercial efforts, such as those carried out by corporations and not the state, the nature of the relationship between China's SOE and the Chinese Government makes any distinction largely a moot point. As a result, one may view actions taken by China's SOEs as actions on behalf of the state.

The second delimitation focuses this research on the economic instrument of national power from the "DIME" construct—diplomacy, information, military, and economical. The reason for this delimitation is that this research is inherently exploring the relationships between China's economic diplomacy initiatives in Africa and its effects on Africa's development challenges. This decision is not to say that this research looks to ignore military and informational factors where they meaningfully overlap with this research. China's military and informational initiatives undoubtedly contribute to the economic and diplomatic benefits of both China and Africa. However, detailing those

activities would be more contextual and not provide any meaningful addition to understanding the research question at hand.

Significance of Study

This research is relevant because China is the United States' most significant strategic competitor for the foreseeable future. The 2017 National Security Strategy outlined China as a "revisionist power . . . actively competing against the United States and our allies and partners."²⁵ However, this research focuses on China's economic policies because the threat posed by China to US' interests is primarily economical, not military. General Stephen J. Townsend echoed this sentiment during his testimony before the Senate Armed Services Committee for his appointment to take command of US Africa Command. He stated that "our nation will compete diplomatically and economically probably on a greater scale than militarily."²⁶ Speaking to the nature of China's threat, the National Security Strategy goes on to talk about the need for the US to protect itself from the "threats from state-led economies."²⁷ If competition with China is primarily economic, then a higher and more accurate understanding of the effects of China's policies must be understood. This study explores China's economic policies in Africa because China's actions across the continent provide a unique glimpse into how China is waging its global economic competition with the US.

Therefore, this text seeks to use its findings to understand better China's actions in Africa, as well as its strategic motives on a global scale. With a greater understanding of China's actions and motivation in Africa, policymakers can formulate more refined policies that can cooperate and, when necessary, compete with Chinese policies to the betterment of both US foreign policy as well as Africa's future vitality. Though the

results of this study are specific to those states analyzed within and China's policies may not be wholly identical the world over, this study may provide insights into how China's economic policies affect other developing regions. Therefore, this research could serve as a template for understanding the effects of China's policies on state development worldwide.

There is much literature exploring how China uses economic diplomacy to achieve its aims. There is an almost equal prevalence in research covering the roots of Africa's development challenges. There is, however, relatively little detailing the effect that China's policies have on Africa solving its development challenges. This text seeks to fill those gaps by analyzing the effects of China's economic policies in Africa to determine if China, in pursuit of its aims, is genuinely advancing policies that also help African states meet their challenges of rural isolation.

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²⁴ BusinessDictionary, “What Is State-Owned Enterprise (SOE)? Definition and Meaning,” BusinessDictionary.com, accessed 20 April 2020, <http://www.businessdictionary.com/definition/state-owned-enterprise-SOE.html>; Corporate Finance Institute, “State Owned Enterprise (SOE) - Overview, Purpose, and Examples,” CFI, accessed 20 April 2020, <https://corporatefinanceinstitute.com/resources/careers/companies/state-owned-enterprise-soe/>.

²⁵ President of the United States, *National Security Strategy of the United States of America* (Washington, DC: Government Printing Office, December 2017), 25, accessed 28 April 2020, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

²⁶ United States Senate Armed Services, “Nominations -- Wolters – Townsend,” United States Committee on Armed Services, 2 April 2019, accessed 17 November 2019, https://www.armed-services.senate.gov/hearings/19-04-02-nominations_--wolters---townsend.

²⁷ President of the United States, *National Security Strategy of the United States of America*, 34.

CHAPTER 2

LITERATURE REVIEW

This research explores the implications for US foreign policy and Africa's development challenges as a result of China's potentially exploitative policies in Africa. This research seeks to understand if China's economic policies, as primarily seen through the BRI, are as mutually beneficial as China claims to both China and Africa, or if any benefits provided to African states are largely incidental. This text concludes by exploring what these results could mean for US foreign policy, as well as exploring areas for cooperation and competition between the US and China that results in a more prosperous African continent.

Several sections make up this chapter, each designed to inform the reader of both past and current Sino-African relations, as well as the theoretical foundation to this research. The first section provides a brief history that orients the reader to the evolution of Asian and then specifically Sino-African relations beginning with communist China. The second section covers China's overall strategic aims and why Africa matters to those aims. The third section first provides various qualifications to terms used in this text. Second, this section provides the reader with an understanding of the relationship between the Chinese Government and its SOEs, as well as the consequences. The fourth section addresses why rural isolation serves as the chosen variable to represent the effects of China's economic policies on Africa's development challenges.

History of Sino-African Relations

Asian-African Ties: Post-Colonial Regions Working Together

Modern Asian-African relations largely began with the establishment of the Afro-Asian group at the United Nations (UN) and the 1955 Bandung Conference.¹ Both regions, having achieved newfound independence from colonization, sought to use these initiatives to achieve closer economic, political, and cultural ties, and China was no exception.² For China, specifically, Africa also holds a particularly important role in China's recent history as Egypt was the first to give formal diplomatic recognition to China's statehood at the UN in 1956.³

These first ties between the two developing regions served as a foundation for additional economic and diplomatic initiatives, forming over the next several decades, which provided mutual support between the two regions. South-South Cooperation (SSC) was one such initiative. SSC was named to distinguish between the developing world, mainly in the Southern hemisphere, and the developed world, whose states tended to be from the Northern hemisphere. SSC also includes, however, Caribbean, African, Central and South American, and Asian states in both hemispheres.⁴ Though SSC was in practice since the 1950s, the term arose in the 1970s. It came to symbolize a "collaboration and partnership among countries from the South, interested in sharing, learning, and exploring their complementary strengths and to go beyond their traditional role as aid recipients."⁵ The underlying economic policies of SSC were primarily associated with and driven by the formation of the New International Economic Order.⁶ New International Economic Order advocated achieving more self-reliant economies across the developing world, as well as establishing more equitable economic relations with

developed states by limiting their exposure to the disadvantages posed by the global economy that was dominated by the developed world.⁷

Despite these mutually supportive initiatives and organizations, for several reasons developing states showed little economic improvement over the next several decades. First, the solutions advanced by SSC were too simplistic, attempting to apply broad, uniformed solutions across a developing world that suffered from diverse economic issues.⁸ Second, many developing states found themselves still tethered to their former colonial rulers. A cycle of dependency prevented economic independence and further prevented them from standing on their own.⁹ Third, it became apparent in the 1970s and 1980s that those states that subscribed to New International Economic Order economic policies found themselves trailing behind that of other developing states who chose global economic integration, such as Brazil, Korea, and India.¹⁰ Jeffrey Sachs points to issues over the next two decades where the International Monetary Fund and World Bank advanced “draconian budget policies” that held “little scientific merit,” leaving Africa poorer at the beginning of the 21st century than it was in the late 1960s.¹¹ Sachs goes on to argue that Western policymakers not only failed to institute a Marshall Plan-like investment strategy for Africa but used Africa as a “pawn” between the cold war powers, turning over governments and reinstalling more amenable leadership.¹² Among countless other factors, Africa continued to struggle, ensuring trade between SSC states still only accounted for a small percentage of global trade into the mid-1990s.¹³ Though developing states began to pursue more liberal and globalized economic policies

in the wake of others' successes,¹⁴ these conditions would not meaningfully change until the aftermath of the 2008 Great Recession.*¹⁵

As the developing world adjusted to more liberal economic policies and states such as Brazil, India, and China rising to relatively great economic prominence, SSC took on a new form now commonly known as South-South Developmental Cooperation.¹⁶ The apparent distinction between the two is a greater focus on development, implying “the unidirectional provision of public funds from one developing country to another.”¹⁷ It also ushered in a new way of thinking about those challenges facing the developing world with greater exploration of more nuanced solutions.¹⁸ This shift implies that developing states rising to potential great power status are taking increasing stewardship of those that are not.¹⁹

These developments hold endless possible consequences for regional and international development. First, many hail these developments as a positive sign that the developing world is indeed emerging and is taking on ever-greater roles as responsible stewards of a healthy international community.²⁰ One may also see this change as the success of the neoliberal globalization as states are becoming tied increasingly together economically.²¹ Second, and in contrast, many see the rise of some developing states to great power status as an opportunity to advance an alternative to economic neoliberalism.

* In 1995 developing state exports went from 12 percent of total global exports at an increased rate of 8 percent per year to 23 percent of total global exports at a growth rate of 30 percent per years in 2010.: UNOSSC, *Changing Roles of South-South Cooperation in the Global Development System: Towards 2030* (Hong Kong: Finance Center for South-South Cooperation, 2017), 2, accessed 2 December 2019, <https://www.unsouthsouth.org/2017/10/10/changing-roles-of-south-south-cooperation-in-the-global-development-system-towards-2030-fcssc-2017/>.

Such a change would serve as evidence of waning Western dominance and the reemergence of a global multi-polarity.²² The third is the increased flow of funds between developing states that tend to be less transparent with the financial flows.²³ Many criticize this last dynamic as “just another form of international cooperation that suffers from asymmetric power relations,” leaving much of the developing world exposed to potential neocolonialism.²⁴

More dominant South-South Developmental Cooperation states may use this power imbalance to fund foreign policy initiatives that may or may not have any association with traditional forms of developmental aid.²⁵ For China specifically, this is particularly true when considering its use of SOEs to advance its global economic and political aims. Since China’s SOEs are not state agencies, they can operate outside the traditional bounds of state practices while still pursuing state aims. As well, the profit-driven nature of SOEs tends to select “development” opportunities based on “market principles and profit.”²⁶ These are only a few of the possible consequences that these changes portend, each foretelling potential future challenges for policymakers.

Sino-African Relations: China’s Support for the Developing World

As much as recent colonial history shaped Asian-African relations, so did history shape Sino-African relations.²⁷ As African nations sought independence from colonial rule in the 1950s and 1960s, China offered material support to anti-colonial movements for independence,²⁸ as well as limited aid to fund infrastructure projects designed to counter both US and Soviet influences.²⁹ African states, in turn, supported China’s

efforts for recognition in the UN.³⁰ In this context, Sino-African relations formed mostly under an ideological foundation lasting through the first four decades of their relations.³¹

Despite sharing a similar communist ideology in matters of politics, tensions between China and the Soviet Union arose as China chose to deviate from Soviet economic doctrine.³² Consequently, diplomatic relations between China and the Soviet Union deteriorated in the 1960s and 70s, resulting in fierce competition with China supporting forces for independence and Maoist communist movements in African states where the Soviets had no presence.³³

However, competition between China and the Soviet Union ended in the 1980s when the two states mostly resolved their differences.³⁴ At the same time, Sino-African relations saw a short hiatus as China focused on internal modernization primarily driven by China's President Deng Xiaoping's opening-up policy. China at once shifted their policies from ideological idealism and internationalism to pragmatic idealism and national interests.³⁵ These years marked an essential beginning in China's becoming the industrial power it is today.³⁶

China's renewed interests in Africa in the 1990s came at a fortuitous time. The Cold War between the US and the Soviet Union was finally at an end, along with each superpower's overall interests in Africa.³⁷ At the same time, China's interests in Africa grew. With rapidly accelerating economic growth, China saw Africa's seemingly endless resources as a means to fuel that growth just as Africa sought additional foreign investment.³⁸ As a result, China's relations with Africa became robust once again, focusing primarily on economic opportunities with dramatic increases in investment and trade.³⁹ Further demonstrating Africa's newfound importance to China's economic

vitality, every new Chinese Foreign Minister since 1991 makes his first overseas trip to an African state.⁴⁰

Since the renewal of Sino-African relations in the 1990s, China's trade with Africa increased exponentially, growing over ten-fold between 1995 to 2005,⁴¹ and finally surpassing the US as Africa's top trading partner in 2009.⁴² Additionally, China's FDI in Africa grew from \$100 million in 2003 to over \$12 billion in 2011. It is not unreasonable to believe that Africa is increasingly a cornerstone of China's economic vitality.

China's Strategic Aims and Why Africa Matters

China's Overall Strategic Aims

To understand China's motives in Africa, one must understand China's background, what it hopes to achieve, and how it hopes to achieve it. This understanding provides the context for why Africa is essential to China's strategic aims, and, therefore, why US policymakers should care.

Some Western policymakers argue that China views itself as a revanchist power, trying to retrieve its standing as a great power lost during the 100 years of humiliation when Western colonialist powers stripped it of its regional influence, wealth, and sovereignty.⁴³ There is much debate as to what are China's ultimate aims. Some argue an increasingly weak US could lead to a Chinese-led world order that prioritizes domestic stability through authoritarianism. In such a scenario, even the combined power of the old coalition of democratic states would be too weak to provide any meaningful counterbalance to China's influence without US power.⁴⁴ Others point out that, though many argue that China could play a greater role as the future custodian of the current US-

led liberal world order, this assumption is misguided. In truth, China only demonstrates a desire to uphold the liberal economic order while signaling a desire to sacrifice the accompanying political integration.⁴⁵ Still, others claim China is working to become a regional hegemon, “trying to displace, rather than replace, the [US],” thus establishing a multi-polar world.⁴⁶ Along a similar vein, there are those who argue that China looks to extend its influence into regions largely absent Western influence and liberal ideals. In these areas, China has free-rein to build its hegemony defined not by “geographic or ideological lines” but by “the degree of deference that those within China’s sphere of influence are willing to offer Beijing.”⁴⁷ Such a system might appear much like the hierarchical world ordering system under the tribute system of the Qing Dynasty (1644 to 1912).^{†48}

China’s chosen path to power is unique relative to many previous states’ rise to power in that it appears to be economical, seeking to avoid the pattern of past conflicts between rising and declining states.⁴⁹ that led to a violent overturn of world order and allowed the victor to rewrite the rules.⁵⁰ The most recent example being World War II that led to the rise of both the US and Soviet Union as world powers. World War II ended

† The “tribute system” served as a hierarchical, rank-ordering system for states within China’s international governing system. This system is in contrast to the current Westphalian international order that values formal equality between states. Though economic and military power were important under the Tribute System, they did not determine a state’s standing within the hierarchy. Instead, cultural achievement and the degree to which a given state emulated China determined a state’s position in the hierarchy. The Chinese hegemon rewarded states with a higher rank-order relative to other states, and with that rank, states received economic and political benefits. In return, China received the willing consent of China’s legitimacy from subordinate states to rule the international system. Legitimacy, therefore, was of the highest value to China, not hard power, as legitimacy can only be obtained by other states willingly giving it: David C. Kang, *East Asia: Before the West* (New York: Columbia University Press, 2010).

the old colonial-based world order⁵¹ and created a bipolar ordering system led by two differing ideologies that would compete in a cold war for decades to come.⁵² Whatever China's ultimate aims are, there is little doubt that China's economic path to power serves as an opportunity for China to also contribute significantly to the rise of the entire developing world, particularly Africa.

China's Economic Engine: Its Path to Power

China's greatest challenge is retrieving its once-held great power status while avoiding a violent conflict with the West. Many theorists speak to the seemingly inevitable clash between current and rising great powers as the latter seeks to displace or replace the former. Graham Allison serves as the most notable voice in his argument the "Thucydides Trap," where he points out that in only four of the sixteen cases "when a rising power rivaled a ruling power" did the rivalry not end in bloodshed.⁵³ G. John Ikenberry provides key insights into how and under what circumstances the international community rebuilds world order in the wake of such conflicts. He convincingly argues that opportunities for great powers to completely reauthor world order tend to come after major wars, or what he terms "dramatic moments of upheaval," when the destruction of the old order allows a newly victorious power to reauthor the new system.⁵⁴ These two theorists demonstrate that though there is some encouragement that bloodshed can be avoided, the data is not generous.

It is due to these difficulties that China seeks a unique strategy, one based in economic, not military supremacy. By pursuing an economical path to great power status, China can build the economic foundation needed to extend its economic influence deeper into states worldwide, and use this increased economic access to purchase greater

political influence. This economic access and subsequent political influence allow China to achieve its strategic aims while avoiding any violent confrontation with the West.⁵⁵ The foundation of this strategy is China's BRI, a network of infrastructure projects that seeks to further integrate China's economy with that of the rest of the world.⁵⁶

China's focus on its economic strategy over that of a military strategy is not unique in China's recent history, where it has tended to prioritize domestic economic development over military development. Mao consistently prioritized building a strong economic base over that of military modernization.⁵⁷ After Mao's death, military modernization maintained its low priority under Deng Xiaoping's "Four Modernizations" reforms.⁵⁸ In the wake of the 1991 Gulf War that demonstrated how far behind China fell relative to the West, China made major modernization efforts.⁵⁹ Despite these efforts, China maintains the relatively low priority of its military's modernization to avoid confrontation with the West.⁶⁰ China's narrative that it intends a peaceful rise⁶¹ suggests that this trend will continue into the foreseeable future. All of these efforts sought to allow China to achieve a solid economic foundation without drawing any attention as a potential military threat to the US or Soviet Union (later Russia). Supporting this tendency of China's strategy was China's former president, Deng Xiaoping, when he argued, "hide your strength, bide your time."⁶² This prioritization remains today supported by China's narrative that it seeks a peacefully rise to power,⁶³ only engaging the US below the threshold of armed conflict.⁶⁴

African states, on the other hand, have largely struggled since the end of the colonial era to rise out of the developing status to greater self-sufficiency and higher standards of living for all of their constituencies.⁶⁵ Experts pinpoint the root of Africa's

challenges as being that the majority of its population is isolated in rural areas away from major economic centers of wealth. Sachs argues that “geography has conspired with economics to give Africa a particularly weak hand.”⁶⁶ He blames Africa’s poverty on the rural isolation of most of Africa’s population away from the coasts, as well as the lack of navigable rivers and access to the oceans where the world conducts the majority of trade.⁶⁷

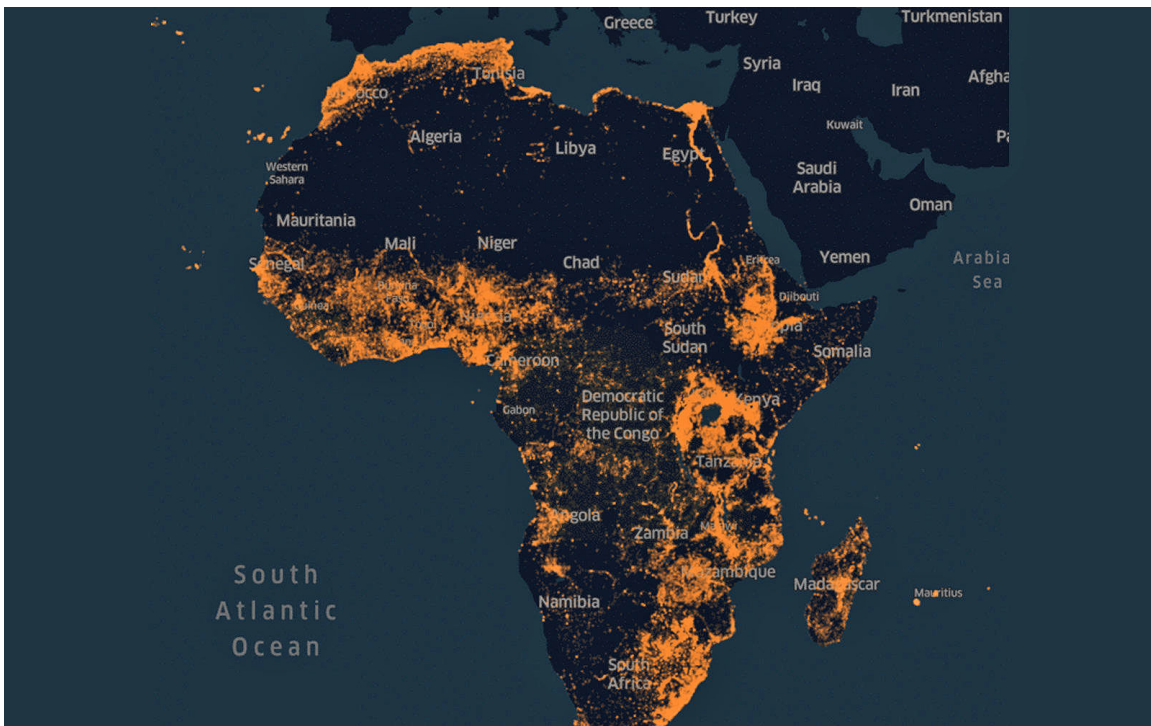


Figure 1. Population Density Map of Africa

Source: Gadget, “Facebook Uses AI to Create Density Maps of Africa,” Gadget, 14 June 2019, accessed 29 April 2020, <https://gadget.co.za/facebook-uses-ai-to-create-density-maps-of-africa/>.

If access to these economic opportunities serves as a potential solution to Africa’s rural isolation, then infrastructure would play an integral role. Unfortunately, most

African states lack the financing necessary to carry out the major infrastructure projects they so desperately desire.⁶⁸ To illustrate this fact, the top-ten African states in terms of gross domestic product (GDP) add up to around 60 percent of California’s portion of US GDP in 2017,⁶⁹ despite California representing only 3.28 percent of Africa’s population at the same time[‡]⁷⁰ or having 1.39 percent of Africa’s total landmass.[§]⁷¹ One study argues that African states would need to spend over \$93 billion a year to overcome Africa’s “infrastructure gap.”⁷² Compounding these issues is the amount of debt already facing these states, with some ranging above 55 percent in their debt-to-GDP ratio.⁷³ African states must compete in the same global market place as all other states for the resources needed to overcome the challenges presented by vast areas of land to service enormous populations with relatively little funds.

Given Africa’s financial shortfalls, coupled with China’s desire to build infrastructure to ensure increased global economic interconnectivity, one could imagine there to be a natural partnership between China and African states with China’s BRI serving as the centerpiece. For China, this relationship could help extend the reach of its BRI around the world, with Africa playing a major role in that expansion. For Africa and its rural communities, this partnership could finally provide the needed infrastructure that would allow more meaningful access to the global economy and raise Africa’s standards of living. Undoubtedly both China and Africa have recognized the potential for this

[‡] Africa’s 2017 population was a little over 1.2 trillion, with California’s around 39.36 million.

[§] Africa’s estimated square mileage is 11,724,000 compared to California’s 163,696.

partnership. The question at hand is if this relationship is equitable and rural Africa is getting the type of access to the global economy it requires, or if China is largely exploiting this partnership to its sole gain.

The root of this question originates from years of criticism arguing that China's economic policies towards the developing world are exploitative and only serve to fuel China's rise to great power status with little regard for the needs of other, often weaker states.⁷⁴ China not only refutes these claims but goes on to state that the Chinese Government serves as an appealing alternative model to that of Western liberalism.⁷⁵ To better understand these accusations, this chapter analyzes China's economic strategy and why Africa matters to that strategy. This knowledge will help the reader understand whether China's policies demonstrate an equitable relationship with African states by allowing China's rise to power while helping Africa solve its challenges in rural isolation, or if they only serve to achieve China's strategic aims. Towards these ends, this chapter explains how China uses its economic policies, through the lens of its tools of economic diplomacy, to pursue its four strategic aims in Africa and whether rural Africa is benefiting from how these policies are carried out.

Why the BRI?

What has been called the "Chinese Marshall Plan," the BRI represents a network of infrastructure projects that seeks to further integrate China's economy with that of the rest of world's.⁷⁶ The BRI is, in fact, the centerpiece of China's economic strategy. It also allows China to use "excess savings and construction capacity, expand trade, consolidate economic and diplomatic relations with participating countries, and diversify China's import of energy and other resources through economic corridors that circumvent

routes that are controlled by the U.S. and its allies.”⁷⁷ In short, the BRI is the physical manifestation of China’s economic strategy, a trade-loop that provides China much-needed raw materials to make the finished goods that it, in turn, sells back to states around the world.⁷⁸ Through the economic access provided by this loop, China garners greater political influence needed to achieve its strategic objectives.⁷⁹

The “Belt” refers to the land-based network between Europe and Asia via the Middle East, and the “Road” is the maritime infrastructure stretching throughout Southeast Asia, the Indian Ocean, and across most of Africa. It comprises of billions of dollars in loans, both commercial and state-provided aid, as well as investments focused on funding infrastructure building projects and purchasing major stakes in economic hubs such as ports, as well as corporations the world over.⁸⁰ Again, each of these efforts allows China to gain a firmer grip on the access necessary to acquire raw materials and sell finished goods on the export markets.

Though these efforts began under China’s “go out” strategy launched in 1999, designed to “develop the resources necessary to fuel Chinese growth,”⁸¹ these measures began accelerating exponentially starting in 2013 under Chinese President Xi Jinping when he launched the BRI.⁸² President Xi also modified China’s strategy to focus on purchasing stake in firms that would support China’s ability to compete in the modern economy in sectors such as “technology, telecommunication, real estate and hospitality, and energy.”⁸³

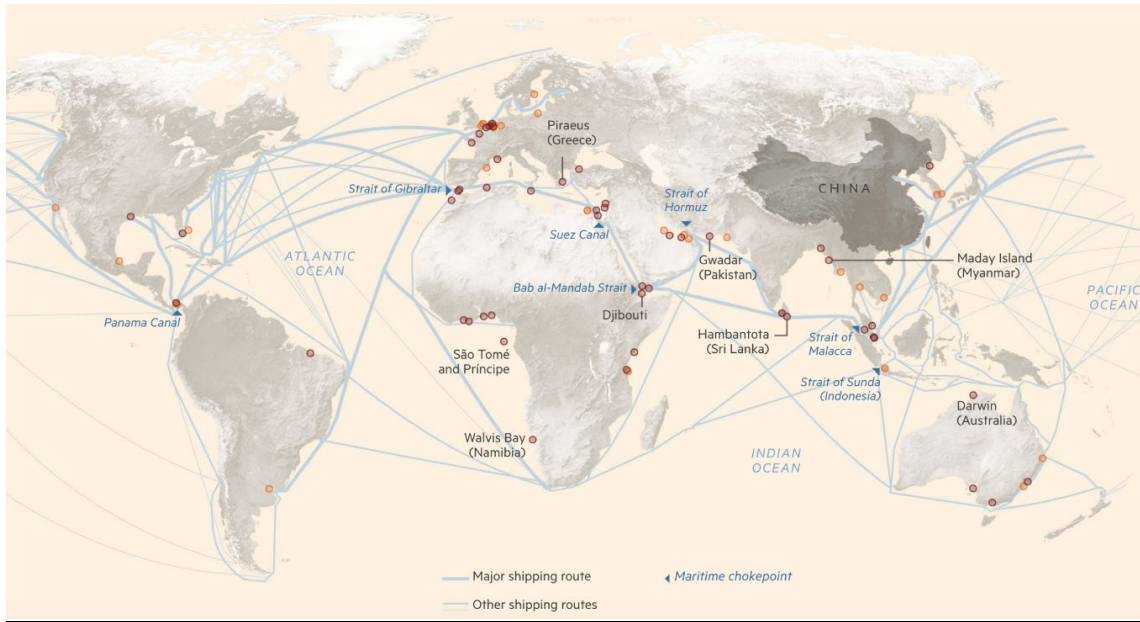


Figure 2. China's Worldwide Port Ownership

Source: James Kynge, Chris Campbell, Amy Kazmin, and Farhan Bokhari, "How China Rules the Waves," *Financial Times*, 12 January 2017, accessed 17 November 2019, <https://ig.ft.com/sites/china-ports/>.

Since former Chinese President Deng Xiaoping's reforms leading to the "opening" of China's economy to the rest of the world,⁸⁴ China has since emerged as the world's second-largest economy.⁸⁵ This magnificent rise was fueled by an industrial-based economic growth model that required raw materials to make finished products that China then sold on the export markets.⁸⁶ As a result, China is now one of the world's largest consumers of natural resources. In 2015 alone, China "consumed 54 percent of the world's aluminum, 48 percent of the world's copper, 46 percent of the world's zinc, 28 percent of global soybeans, and 12 percent of the world's oil supply."⁸⁷ With China's population lending itself to a comparative advantage in manufacturing, China adopted a more resource-intensive economic growth model.⁸⁸ As home to almost one-fifth of the

world's people, China is already resource-poor relative to its population. Africa, on the other hand, is relatively resource-rich.⁸⁹ There exists a natural opportunity for trade. Consequently, China relies on imports from Africa's vast natural resources to meet its needs, taking a commanding 25 percent of Africa's total exports, mostly from the resource-wealthy states.⁹⁰

Additionally, China is one of the world's largest exporters, further evidenced by its surpassing the US as Africa's top export destination in 2009.⁹¹ According to the World Trade Organization, between merchandise and commercial services, 2018 saw total global trade amounting to \$25.3 trillion.⁹² For two years running, China maintained its place as the world's top merchandise trader with exports at \$2.49 trillion and imports at \$2.14 trillion.⁹³ In the category of commercial services, China placed second by maintaining its place as the second-largest importer of commercial services. Though China only placed fifth in commercial service exports, it did record the highest export growth rate among the top ten states in the same category at 17 percent.⁹⁴ China's position in global trade has provided it a commanding position with all of the raw resources and access to the global export markets that it requires to fund its growth.

That China's economy rose to the second largest in the world⁹⁵ and is still growing, demonstrates that China's economic strategy works. However, this seemingly endless growth requires additional access to raw material and export markets to keep up. Such growth-rates cannot go on indefinitely without enhancing the capability of the trade network through which China is operating.

The answer to China's problem is both extensive and expensive. Most states, particularly in the developing world, often do not have the infrastructure necessary to

manage the desired throughput for which China requires in the future, nor are they growing at a similar rate to be able to finance the requisite infrastructure. If China wants to sustain its growth rate, it needs to provide the financing and expertise required to build the necessary infrastructure that will more closely connect China to the rest of the global market and enhance throughput. China's answer is the BRI.

Why Africa Matters to China's Economic Strategy

To be sure, China is not spending billions of dollars on building an infrastructure network across Africa for mere charity; no state would. Though China often claims that its rise is peaceful⁹⁶ and its financing is a source for good,⁹⁷ China's interests in Africa hold greater strategic aims that benefit China's rise. Africa represents an ideal place where China can not only fuel its economic growth strategy but also where it can translate acquired economic access into political power and influence to achieve other strategic aims. As Yun Sun, a director at the Stimson Center, stated to a congressional hearing, "China's strategic aspirations...are causally related to its economic engagement in Africa and are mutually reinforcing each other."⁹⁸ Towards these ends, China's maintains four major strategic objectives in Africa: raw materials, access to export markets, African states' compliance with the One China policy, and support for China's efforts in IOs.⁹⁹ These strategic aims drive China's relations with African states, and therefore, how it uses its tools of economic diplomacy across the continent.

In short, China spends tremendous amounts of capital and resources across Africa to finance the construction of the BRI that serves to enhance its ability to achieve its economic objectives. In turn, China uses that increased economic access to garner greater political influence to achieve its political aims. African states largely accept these

investments and the conditions they carry with a similar desire to improve their economic access to the global market. Sino-African economic goals are a natural fit, and China's checkbook diplomacy seems to be paying dividends. Though China appears to get what it wants from the deal, the BRI's effect on Africa's rural isolation challenges seems to be mixed.

Qualification of Terms

There are several qualifications to make either to provide context or clarification to the reader. The first qualification addresses how China accounts for its financial contributions abroad, the second describes China's relationship with its SOEs, and the third speaks to how this text will use financial terms such as "loan" and "aid."

To the first qualification, though China does not fall in the top-ten states that provide "foreign aid" worldwide, at least as defined by much of the world, in reality, China is one of the world's major contributors of unilateral outward financial flows to others states.¹⁰⁰ It is important to know that China, not being a member of the OECD, does not follow the standard definitions delineating different types of aid, loans, as well as FDI, making many of China's overseas financial efforts hard to distinguish.¹⁰¹ Many have accused China of treating these contributions like a "state secret" with the purpose of avoiding oversight.¹⁰² In reaction to being dubbed a "rogue donor" for "mixing commercial deals with development assistance,"¹⁰³ or even omitting certain funds from the public record, China has made some efforts towards transparency for which many are still not convinced.¹⁰⁴

Despite the opaque nature of these activities, researchers at AidData have painstakingly tracked much of China's outward financial flows to gain greater clarity of

China's actions worldwide.¹⁰⁵ Though it seems that China does not have anywhere close to the same levels of outward flow as that of the US or many other states, in reality, China defines their outward flows differently. When adding up all unilateral transfers from China to other states, including ODA, OOF, and some flows too vague to categorize, China is not far behind the US. From 2000 to 2014, China's outward flows of aid totaled \$354.3 billion, only \$40.3 billion short of the US.¹⁰⁶ As a result, this section attempts to address each separately when necessary or practical. Otherwise, many of China's efforts described in this text are, in fact, often a blend of these various investment methods. Nonetheless, they all work towards the same goal of financing China's strategic aims worldwide.

The second qualification speaks to the relationship between other Chinese actors that produce financial outflows from China and their relationship with the Chinese Government. The first are Chinese nongovernmental organizations (NGO). NGOs play perhaps the most prominent role in how the West administers foreign aid. In China, however, NGOs are not widely used. Though China understands the beneficial role played by NGOs and has expressed interest in incorporated them into its aid efforts, China also finds their incorporation at odds with China's more centrally controlled governing style. "The Chinese Government's tendency to dominate the decision-making and implementation of aid projects to ensure their political and economic 'correctness,' [ensures that] the role played by Chinese NGOs is at best minimal and marginal."¹⁰⁷ This point is essential for one to understand the level of control that Beijing desires and has overall foreign aid efforts, and provides additional context to understand the relationship between the next actor and the Chinese Government.

The second actor is the state-owned enterprise. China is home to hundreds of corporations whose relationship with the government is much closer than in most states. SOEs are, as the name implies, enterprises or corporations owned in whole or part by a nation's government to execute commercial functions.¹⁰⁸ SOEs are not unusual as most, if not all, states have them. Chinese SOEs, however, hold a more prominent role, which is more easily understood when considering China's recent communist history with a centrally controlled economy. Of the world's top five-hundred largest multi-national corporations in 2019, China maintains ninety-eight, second only to the US. Of those ninety-eight, the top twelve are state-owned, and only twenty-two are private.¹⁰⁹ Anyone familiar with the Chinese SOEs involved in the BRI will recognize the majority of those in the top-twelve list as significant players in its funding and implementation.

Due to these enterprises' state ownership, many accuse China of using SOEs to act as an extension of the government in advancing China's economic—and political—aims abroad. China's SOEs “increasingly signal political, not commercial, goals and are directed by the Communist Party of China (CPC), which rules China's one-party state.”¹¹⁰ These efforts are most notable in areas advanced by a so-called “public class” of SOEs designed to place political aims ahead of profit¹¹¹ and tend to benefit China's strategic positions in telecommunications, defense, or with the BRI.¹¹² Additional criticism points out that SOEs are often financially supported by the Chinese Government. Many argue that this advantage enables many SOEs to undercut their privately-owned competition worldwide, outbidding with what some have dubbed the “China price.”¹¹³ Xiao Yaqing, the chairman of China's chairman of the State-owned Assets Supervision and Administration Commission, refutes these accusations stating that

“State-owned enterprises are independent market players. They are self-operated, self-financed, self-sustained, self-disciplined and self-developed.”¹¹⁴ Recent research found that there may be some validity to these claims, finding that China’s oversight of SOEs’ actions abroad amounts to little more than “weak oversight.”¹¹⁵ Though this oversight dynamic might have some kernels of truth, it is also difficult to reconcile the often political nature of SOEs’ actions abroad when coupled with the Chinese Government’s requests that these SOEs “go out” and accomplish aims beneficial to the Chinese state. Other experts express skepticism that the “most centrally controlled society in the world” would not have the ability to reign in these SOEs and that any failure to do so is because “China’s corporations operating overseas are enormously profitable.”¹¹⁶

This debate is not only essential to gain a greater sense of how China operates, but for this text, it informs the language used within. For two reasons, this text will often refer to “loans” to describe both “soft,” low-interest aid loans from the state, as well as commercial loans from China’s SOEs when generally speaking about financial lending when no distinction is necessary. The first reason is that this text assumes that China’s SOEs often operate on behalf of the Chinese Government to achieve its strategic aims. Second, what is of interest to this text is the profit-driven motives of China’s economic policies and how the use of loans as foreign aid is an indicator of that dynamic, not the distinction between which type of loan. Furthermore, loans from the government or private industry matter less when one assumes, as does this text, that Chinese SOEs operate in some capacity on behalf of the Chinese Government.

Similarly, the use of the term “aid” will continue to comport with the OECD’s definition of both “soft” loans and grants minus the non-financial elements of the

exchange of expertise and know-how. Again, because of the muddled distinction between SOE and government actions. It is the effect that aid brings that is of concern more than the attempt to parse out China's complex financial dealings.

Variables Indicating African States' Development

The variables contributing to a state's degree of development are beyond counting and stem from several factors that each contribute to varying degrees unique to each state. Contributing factors range across a multitude of disciplines from cultural, political, economic, geographic, and others. The observations of these relationships between variables often present a murky picture, at best. In some cases, variables can be the cause, while in others, they are merely the effect. Often one can argue that they can be both, where one variable works in concert with others to produce a negative feedback loop, exponentially exacerbating each other's effect in turn.

To provide greater clarity, this research attempts to avoid more debatable variables such as corruption and focuses instead on Africa's rural isolation resulting from poor infrastructure. Not only is this considered by many experts to be the root of Africa's developmental challenges, China's president, Xi Jinping, seems to agree.¹¹⁷ As a result, analyzing Africa's rural isolation fits well when comparing it to China's infrastructure-based BRI.

Sachs takes issue with corruption or Western meddling as the root cause of Africa's poverty. He compares the highest-scoring Asian and African states of Transparency International's "corruption perception" rankings to demonstrate that many Asian states with higher corruption perception ranking also have higher average GDP per capita.¹¹⁸ Sachs points instead to many other factors that plague what he calls Africa's

“poverty trap,” such as poor basic infrastructure, disease, chronic hunger, and environmental degradation.¹¹⁹ In sum, he states that “geography has conspired with economics to give Africa a particularly weak hand.”¹²⁰ He blames Africa’s poverty on the rural isolation of most of Africa’s population away from the coasts, as well as the lack of navigable rivers and access to the oceans where the world conducts the majority of trade.¹²¹ President Xi Jinping seems to agree with Sachs, noting that “inadequate infrastructure is believed to be the biggest bottleneck to Africa’s development.”¹²²

The scope of this research cannot explore the effects of China’s economic policies on each of Sachs’ variables. Therefore, for two reasons, it will concentrate on Africa’s inadequate infrastructure and the subsequent rural isolation challenges that deprive much of Africa’s population of access to the global marketplace. First, this text assumes that improved infrastructure development would inherently help curtail the other challenges facing Africans by providing greater mobility, economic access, and the exchange of ideas, expertise, and medicines needed to curb disease and hunger. Second, because building critical infrastructure is at the very heart of China’s BRI and that China often claims that these efforts do much to reduce Africa’s development challenges. Therefore, exploring the BRI’s impact on Africa’s rural isolation is a natural comparison.¹²³

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CHAPTER 3

METHODOLOGY

This research explores the implications for US foreign policy and Africa's development challenges as a result of China's potentially exploitative policies in Africa. This research seeks to understand if China's economic policies, as primarily seen through the BRI, are as mutually beneficial as China claims to both China and Africa, or if any benefits provided to African states are largely incidental. This text concludes by exploring what these results could mean for US foreign policy, as well as exploring areas for cooperation and competition between the US and China that result in a more prosperous African continent.

This chapter covers the overall methodology employed by this research. It begins by recapitulating the primary and secondary research questions. Next, it describes the research methods used, beginning by detailing the origin of the research data. It then covers the criteria used for choosing sources as well as judging their relevance and credibility. This chapter ends by addressing the methods used to structure the analysis of the research, along with their strengths, weaknesses, and mitigations.

Research Questions and Relevant Research

The research question is, "what are the implications for US foreign policy and the development of African states as a result of China's potentially exploitative economic and diplomatic policies in Africa?" Two secondary questions drive this research.

1. How does China use its economic diplomacy to achieve its aims in Africa?

2. What are the effects of those policies on Africa's ability to address its lingering development challenges?

This research seeks to shed light on two areas of the primary research question, the first being the implications to US foreign policy, and the second is the implications for Africa's development challenges. To understand how China's economic policies in Africa impact US foreign policy in Africa, one must first understand the environment confronting US foreign policy in Africa. Therefore, the secondary research questions look to explain that environment by first understanding how Chinese policies operate and second what impact those policies have on Africa's development challenges. With a greater understanding of the environment confronting US foreign policy in Africa, this text can then explore the implication to US foreign policy in chapter 5 by discussing specific areas where the US could either compete or cooperate with China to achieve the US' broader aims.

Information Acquisition

Researching China poses numerous difficulties in ensuring a balanced approach. On the one hand, there is a plethora of information available in Western sources, yet they tend to extol the ill-deeds of China's actions. On the other hand, Chinese sources tend to advance the narrative advanced by Beijing, touting the services they provide the world to demonstrate that they are a great power acting responsibly. The secretive nature of both the Chinese Government and its SOE further hinders the pursuit of clarity.¹ There are notable but relatively few exceptions on either side that attempt a balanced approach. Additionally, even the most even-handed sources, both Western and Chinese, come with inherent biases that color their perspectives and conclusions. Finally, it is difficult to find

good data from low-income states, of which most of Africa comprises.² These factors frustrate one's ability to provide a well-rounded perspective.

To mitigate research bias, reputation for objectivity guides the source selection process of this research from the perspective of both the publishing institution as well as the author. This research attempts to rely most heavily on institutions and researchers who are clearly well and often published, and demonstrate some level of peer-review, such as universities and think tanks. These sources serve as a foundation for this research.

News sources also provide much information in this text. However, the quality of objectivity with news sources varies as they can run the spectrum from objective reporting to opinion pieces, neither of which are required to go through the rigorous peer-reviewed processes that one might find in academic institutions. Additionally, the authors may hold varying degrees of expertise, from objective journalists, an expert in their subject after years of coverage, to top academics providing well-informed, yet subjective opinion pieces. Though opinion often reigns, much of the information within the argument is still accurate. Therefore, these sources are primarily, but not exclusively, used to provide contextual or anecdotal information to support the reader's understanding. In such cases, cross-referencing these sources with others is essential. When used anecdotally, the research uses numerous examples from several sources to show that such claims are not merely an isolated event.

Methodology

This study employs a mixed methodological approach using various qualitative methods. A cross-case comparative method serves for analysis between cases,³ and process tracing for within-case comparison.⁴

Speaking first to the process tracing method, this research is deductive in nature, and therefore uses the theory-testing variant of process-tracing.⁵ The theory-testing variant enables this research to analyze the first secondary research question regarding how China uses economic diplomacy to achieve its aims in Africa and how that use informs who are China's intended beneficiaries. The cases under analysis under the process tracing methodology are China's tools of economic diplomacy, as seen through the lens of its financial outflows of aid, loans, and FDI. This text explores each in turn, describing how China uses them to achieve its aims. As there is already much literature addressing China's employment of these tools, it is for this research to demonstrate to the reader how each are used through the theory-testing variant of process tracing.

Answering the second secondary research question, the cross-case comparative method compares the how well China's economic policies enable each to achieve their aims and who actually benefits. The cases for comparison are China's strategic objectives and African states' ability to address their rural isolation challenges. In short, this comparison will determine if Sino-African relations are as equitable as China claims by analyzing if these policies help African states address their development challenges while China pursues its aims.

As with any chosen research method, there are numerous benefits and shortcomings.⁶ Cross-case comparison weights more heavily on external validity relative to internal validity. This method also tends to accommodate a broader scope of research resulting in findings that explain more readily the effects observed rather than the causal mechanism responsible for the impact. For these reasons, this method works best, as the primary focus of this research is to understand the effects of those policies on Africa's

development, thus “testing the theory” of China’s claims that they provide the services that African states need.

It is important to note that chapter 4 does not break the two secondary research questions into separate sections. Instead, it weaves each together, analyzing first how China employs a particular tool of its economic diplomacy, then showing how each party does or does not benefit from that employment.

¹ David Dollar, *China’s Engagement with Africa From Natural Resources to Human Resources* (Washington, DC: Brookings Institute, 2016), ix, accessed 11 April 2020, <https://www.brookings.edu/research/chinas-engagement-with-africa-from-natural-resources-to-human-resources/>.

² Ibid.

³ John Gerring, *Case Study Research: Principles and Practices* (Cambridge: Cambridge University Press, 2016), 28.

⁴ Derek Beach and Rasmus Brun Pedersen, *Process-Tracing Methods: Foundations and Guidelines* (Ann Arbor: The University of Michigan Press, 2016).

⁵ Ibid., 13.

⁶ Gerring, *Case Study Research*, 38.

CHAPTER 4

ANALYSIS

This research explores the implications for US foreign policy and Africa's development challenges as a result of China's potentially exploitative policies in Africa. This research seeks to understand if China's economic policies, as seen through BRI, are as mutually beneficial as China claims to both China and Africa. This text concludes by exploring what these results could mean for US foreign policy, as well as exploring areas for cooperation and competition between the US and China that result in a more prosperous African continent.

The structure of this chapter begins by providing a quick review of China's strategic aims, why Africa matters to those aims, and how China and Africa can help each other achieve their respective goals. The next section goes on to explain China's BRI in Africa, including its professed goals, what it has thus far accomplished. The third section explores the equitability in Sino-African economic relations by analyzing how the execution of China's policies and their results inform who are the intended beneficiaries. In other words, this chapter explores whether China, while in pursuit of its strategic aims, genuinely looks to help Africa address its challenges of rural isolation or if any beneficial results are largely incidental.

Introduction

Chinese economic policies in Africa provide tremendous economic benefits but ultimately fail to live up to their claims that they adequately address the root developmental issues confronting African states today. The resulting positive impacts

from Chinese economic policies in Africa primarily benefit communities already relatively well off, thus exacerbating the inequalities between those who have and those that do not. The root issue is in the profit-driven motives that form the foundation of Chinese foreign aid. As a result, these motives prevent Chinese aid from realizing its potential to provide a more significant impact on the neediest African communities. These shortcomings present challenges and opportunities for US policymakers to both compete and cooperate with Chinese efforts to ensure US foreign policy needs in Africa are met and, most importantly, the increased prosperity of African states.

China's Strategic Aims and Why Africa Matters

To understand China's motives in Africa, one must understand what China hopes to achieve and how it hopes to achieve it. China is pursuing a unique path to power, desiring to avoid a violent confrontation with the West by relying on a strategy of economic rather than military supremacy.¹ China's economic strategy relies on using global trade to fuel its growth as an economic powerhouse. This trade provides China with economic access that China then turns into political capital to spend on achieving its broader strategic goals. The centerpiece of China's strategy is the BRI, a network of infrastructure projects that seeks to deeply integrate China's economy with the rest of the world.²

African states, on the other hand, have largely struggled since the end of the colonial era to rise out of their developing status.³ These challenges are because most of Africa's population is isolated in rural areas away from major economic centers of wealth, and African states have little financing to build the necessary infrastructure to overcome these challenges.⁴ If access to these economic opportunities serves as a

potential solution to Africa's rural isolation, then China's BRI infrastructure projects and financing could play an integral role in that solution.

These circumstances allow for a natural partnership between China and African states to help each other overcome their respective challenges. Africa provides raw material and a destination for Chinese finished goods, as well as support on the One China policy and potential voting allies in IOs.⁵ China provides Africa the financing and expertise necessary to build infrastructure cheaply and quickly. However, China suffers continued criticism that it exploits weaker states in pursuit of its goals.⁶ The roots of this criticism come, in larger part, from the profit-driven motives of Chinese aid and assistance to African states, which "takes place within the parameters of mainstream economics, operating on the basis of market principles and profit."⁷ The question is if this relationship where China, in pursuit of its goals, also lives up to its claims that it provides the resources necessary for Africa to overcome its developmental "bottlenecks," as the Chinese view them,⁸ to address critical issues such as rural isolation. The answer is an often murky and complex picture, one with benefits and drawbacks to all parties.

China' BRI in Africa

The BRI is popular in the developing world where the promise of Chinese loans, investment, and project assistance proves tempting to states that have infrastructure gaps yet lack the necessary capital and resources to fill those gaps themselves.⁹ Infrastructure shortfalls are particularly critical issues in Africa where states suffer from such deficiencies as a "lack of reliable power, poor roads and highways, and inefficient ports."¹⁰ Chinese President Xi Jinping also notes that "inadequate infrastructure is believed to be the biggest bottleneck to Africa's development,"¹¹ an opinion shared by

experts such as development economist Sachs.¹² For these reasons, African states represent a logical customer base for China's BRI.

If the number of participating African states stands as proof of the enthusiasm for the opportunities provided by the BRI, forty out of fifty-five African states, as well as the African Union, have signed on to various projects.¹³ To further highlight the breadth of China's financial relations in Africa, in 2015, China claimed to have completed its promise to provide an impressive \$60 billion in aid to Africa, consisting of \$55 billion in aid loans and \$5 billion in grants and no-interest loans.¹⁴



Figure 3. African States with a BRI Memorandum of Understanding

Source: Silk Road Briefing, "US\$ 1 Billion Belt & Road Africa Fund Launched," Silk Road Briefing, 4 July 2019, accessed 26 April 2020, <https://www.silkroadbriefing.com/news/2019/07/04/us-1-billion-belt-road-africa-fund-launched/>.

Outside of government-provided aid, Chinese FDI amounted to a little over \$3 billion each year for 2016 and 2017.¹⁵ These numbers are small in comparison to other financial flows from China, yet investment numbers like these accumulate over decades. Without considering Hong Kong, in 2016, China represented Africa's fourth-largest investor at \$40 billion in stock.¹⁶ The top three African recipients of Chinese FDI from 2005 to 2017 were South Africa, Nigeria, and Zambia, with totals at \$48.4 billion, \$19.6 billion, and a little over \$18.9 billion, respectively.¹⁷ The top-seven of the world's top-ten recipients of Chinese aid between 2000 and 2014 were African states with the resource-rich states of Cote d'Ivoire, Ethiopia, and Cameroon taking the top spots, receiving \$4 billion, \$3.7 billion, \$3.6 billion, respectively.¹⁸ Despite a few states still holding out for various reasons,¹⁹ as of late 2019 the BRI covers approximately 72 percent of Africa's population with East Africa taking the lion's share of total BRI construction efforts in Africa at 54.7 percent.²⁰ Comparing China's efforts to the rest of the world, Africa has received approximately \$30 billion from around the world for infrastructure development every year for the last several years, with China alone supplying about one-sixth of that total with a particular emphasis on "transportation and power."²¹ In short, the Chinese are making incredible strides towards building infrastructure to enhance Africa's access to the global marketplace.

Equitability of China's Economic Policies in Africa

This immense level of financing leads some experts to suppose that "China's engagement in Africa has no doubt led to faster growth and poverty reduction on the continent,"²² and there is much data to support these claims. Recent research analyzing satellite-provided imagery of nighttime light data near Chinese funded projects across

Africa demonstrated “that China’s foreign aid program has both distributional and developmental consequences for Africa.”²³ The results found that “a 10 percent increase in Chinese development finance corresponds to an 0.6-1.1 percent increase in per capita nighttime light output—and a 0.2-0.3 percent rise in regional GDP.”²⁴ In other words, the economic effects of Chinese projects do spread beyond the primary investment of the project itself to the betterment of Africans.

Chinese aid projects go beyond providing mere local economic benefits. Another study demonstrated that “Chinese development projects in general, and Chinese transportation projects in particular, reduce economic inequality within and between regions.”²⁵ Additionally, these new connections “produce positive economic spillovers that flatten the spatial distribution of economic activity.”²⁶ In other words, Chinese infrastructure projects are connecting previously separate communities with positive economic benefits.

However, there are issues with these results stemming from China’s profit-driven economic policies. Though their aid programs meaningfully connect African communities with measurably positive economic results, their chosen locations may not always focus on helping rural Africans. One study found that, while Chinese aid programs demonstrate positive economic spillover into the local community, it also finds that “when leaders hold power their birth regions receive substantially more funding from China than other subnational regions.”²⁷ It goes on to state that projects in a leader’s birth region did not produce any better results than projects anywhere else, refuting any claim that national leaders placed projects based on a more informed understanding of local economic conditions.²⁸ These findings seem to strongly support claims of profit-driven

motives aided through corruption driving project placement instead of the demands of Africa's neediest communities facing development challenges.²⁹

Compounding these concerns is the fact that the birth regions of political leaders already tend to be the wealthiest.³⁰ As a result, not only are these projects not located where they are needed most, but they bring their resulting positive economic spillover to locations that are already relatively wealthy, thus exacerbating existing inequalities between communities.³¹ A study by the World Bank supports these claims stating that “BRI transport investments favor development in larger cities near border crossings, while people in more distant regions tend to lose out.”³² The authors go on to state that more investment in these locations tends to compound, “accentuat[ing] the gains” in these areas and increasing the “spatial gaps” between populations as well as the gaps between their wages and welfare.³³ This evidence adds to the suggestion that Chinese projects are driven more by profit-based motives, and not the equitable relationship suggested. Simply put, “a lot of successfully built roads may not help national growth if they are built in areas that are politically—but not economically—important.”³⁴

It would be unfair to criticize China's profit-based motives in a world dominated by capitalism if China was not touting the vast majority of this funding as foreign aid. China claims to have fulfilled its impressive promise, made in 2015, to provide \$60 billion aid to Africa. However, most of this aid is comprised of loans that African states must pay back with interest. Only \$5 billion came in the form of grants and no-interest loans.³⁵ To provide context, the US largely “shifted from loan aid to grant aid in the early 1980s.”³⁶ In comparison, one can see the difference in motives behind each state's aid policies.

Despite the US providing more cost-free aid than China, China is still able to market its aid program across Africa for three reasons. First, Chinese firms can complete projects quicker and cheaper than others, Western and African firms alike.³⁷ Second, for various political and environmental concerns, Western aid no longer focuses on the large-scale infrastructure projects that China does and African states so desperately need. Instead, they shifted to “social sectors or to infrastructure sectors such as water supply and sanitation that have direct effects on household health.”³⁸ Consequently, China is the only serious provider when it comes to major infrastructure projects. Finally, Chinese aid does not come with the conditionality typical of Western aid.³⁹

This final point is critical to understanding China’s motives. Unlike loans from the International Monetary Fund and the World Bank, China’s loans come with no domestic political strings attached. Though aid from the West tends to have less long-term cost, it also tends to require developing states to demonstrate meaningful efforts towards enhanced human rights protections, stronger democratization, or economic reforms designed to ensure the long-term viability of the state’s economy.⁴⁰ Instead, China asks for compliance with issues that tend to be much more agreeable to African states’ local politics, such as the One China Policy,⁴¹ or providing greater support to China’s objectives in IOs.⁴² Mamoudou Gazibo and Olivier Mbabia speak to this lack of conditionality as one of several potential reasons why China is so successful in Africa. Chinese aid, relative to Western aid, is that much more tempting to African governments who find Western demands both intrusive and often politically difficult to implement domestically.⁴³ When considering the generous terms of Chinese aid coupled with the

sheer size and weight of its global economic presence, there is little wonder why states would find China's offers compelling.

The popularity of Chinese financing seems to bear out in the numbers. At the time of writing, all but fourteen states around the globe have agreed to end their official recognition of Taiwan with the Kingdom of Eswatini (formerly Swaziland until 2018).⁴⁴ representing the final African holdout.⁴⁵ Consequently, Eswatini was the only African state not to attend Beijing's 2018 summit at the Forum on China Africa Cooperation.⁴⁶ Additionally, African states, more so than in the past, vote with China rather than the US on issues raised in IOs that China finds are in its direct interests. For example, in a 2007 vote at the UN General Assembly regarding North Korea's human rights record, only ten African states voted with the US, and last year forty-three Africa states sided with China to oppose the US' veto power at the World Trade Organization.⁴⁷ Research by AidData provides empirical data to this effect, as well as the benefits. The study showed that the more developing states voted with China, the more aid they tended to receive with an 86 percent bump in aid if African states voted an additional 10 percent with China.⁴⁸ All of this data proves that Chinese loans are exceedingly popular despite their cost and that China is using them to exceptional effect to achieve its political aims.

The consequences of Chinese loans from the perspective of African states are quite different. At a conference held by the Overseas Development Institute in 2018, the institute stated that "almost 40% of sub-Saharan African countries are in danger of slipping into a major debt crisis."⁴⁹ That same conference showed that China is Africa's leading state-based lender, maintaining an average of 20 percent of all African states' debt.⁵⁰ The US' Ambassador to Somalia illustrated the seriousness for some African

states when he said in 2018 that “we’re seeing countries at 50%, 100%, and in one case 200% of GDP debt, based on concessionary loans from China.”⁵¹ In contrast, the World Bank holds an average of 16 percent of Africa’s debt and the entire Paris Club, which is an “informal group of [twenty-two] creditor nations [including the US] who . . . provide debt relief to developing countries,”⁵² held only 10 percent of Africa’s debt.⁵³ As a single state, China is leveraging tremendous amounts of debt across the African continent.

Many accuse China of providing these loans with often unmanageable debt repayment conditions; a practice often referred to as “debt-trap diplomacy.”⁵⁴ When a state cannot pay, Chinese firms demand control or stake in the ownership of the infrastructure. This acquisition provides China significant control over the critical infrastructure that makes up the BRI, as well as additional political influence in the state where the project resides. For example, Kenya risks losing the port of Mombasa if it fails to deliver payments to a Chinese lender on its \$2.3 billion loan for a railway construction project. According to the contract, this port serves as collateral for the loan.⁵⁵ Such practices not only prove counterproductive for African states desirous of tackling issues of rural isolation, but it also goes against China’s promise that recipient states maintain greater control and ownership over these projects than they would with other aid sources.⁵⁶ Again, such practices suggest China’s economic policies are profit-driven.⁵⁷

Sri Lanka’s Hambantota Port is the oft-cited example. Sri Lanka’s inability to pay off the Chinese provided loan forced it to strike a deal, forgiving large portions of the loan in exchange for agreeing to give the Chinese a ninety-nine-year lease on the port.⁵⁸ Many often cite this example because it serves as a particularly potent illustration of how

China uses “debt-trap diplomacy” to achieve its aims. The Hambantota Port, lying along both the vital Indian Ocean trade routes that provide much of China’s access to the global market, as well as off the coast of China’s regional rival, India, allows China to simultaneously extend its economic and political influence while serving as a potential port of call from which to project naval power.⁵⁹

In contrast to these critiques, some experts point out “that not all cases of high risk of debt distress or debt distress [in Africa] are China’s ‘fault’ as some increasingly aggressive commentary would have us believe.”⁶⁰ One analyst cites research from AidData that reinforces this idea that “Chinese loans are not a major contributor to debt distress in Africa,” pointing out only six African states where Chinese lending led to heavy borrowing.⁶¹ In fact, “the positive economic spillovers of Chinese investment produced a more equal distribution of economic activity.”⁶² Furthermore, according to the conference held at the Overseas Development Institute in 2018, though China is the largest state debtor to Africa, private sector debtors, consisting mainly of “commercial debt to Western financial institutions or Eurobonds,”⁶³ outweigh China by 11 percent with a total of 31 percent of Africa’s debt.⁶⁴

Regardless of whose “fault” is the potential debt crisis, there is clearly enough blame to go around. Nonetheless, many Chinese experts and scholars have commendably acknowledged for years their role in this crisis and, consequently, the need for legislation governing aid practices and more professionals specializing in monitoring and evaluating aid projects beyond their mere completion. Other Chinese analysts, as well as China’s Foreign Ministry, argue that China should take the administration of China’s foreign aid out of the hands of the Chinese Ministry of Commerce to eliminate any accusations,

justifiable or not, that these efforts are commercially motivated.⁶⁵ However, these measures have yet to take place.

Reforms on the commercial side of these potentially predatory lending practices would also play a critical role in managing this debt, considering China's SOEs maintain 89 percent of the project contracts for the entire BRI.⁶⁶ However, research demonstrates that China's control over its SOEs' actions abroad amounts to little more than "weak oversight."⁶⁷ Others refuse to believe that the "most centrally controlled society in the world" would not have the ability to reign in these SOEs and that any failure to do so is because "China's corporations operating overseas are enormously profitable."⁶⁸ Still others claim that even if the Chinese central government maintained greater oversight of its SOEs, the problems lie with the smaller contractors through which the SOEs operate in Africa.⁶⁹ If true, then solving these practices may not occur solely through reforming government practices or how the government incentivizes its SOE's actions abroad. Instead, reforms may need to occur through the SOEs changing their practices, as well as to incentivize better practices from their contractors.

China might go on to argue that it does much good in Africa. China's President Xi Jinping, in agreeance with other Western experts, has pinpointed that Africa's greatest shortfall is a need for adequate infrastructure.⁷⁰ China is filling that need in a way that Western states are not, while China does, in fact, provide the greater degrees of control and ownership of these projects to African states as promised.⁷¹ In so doing, China takes on many states often ignored by the West due to credit issues, providing "large investment and long pay-back terms that traditional donors are reluctant to provide."⁷² As stated above, China is filling a gap left by the West, and, despite debates surrounding

project locations, Chinese projects are providing positive economic results in their local African communities. Which is more than many Western aid programs can boast, as is addressed later.

Chinese firms do not always look to control or taking ownership in place of payment, with Sri Lanka's Hambantota Port serving as the only occurrence of "outright asset seizure."⁷³ Instead, China renegotiates loans, with the most common result being "term extensions, refinancing and debt forgiveness."⁷⁴ A 2019 study found that China renegotiated thirty-eight cases of debt, amounting to around \$50 billion over the previous ten years. Fourteen of those cases resulted in debt cancellation.⁷⁵ Debt cancellation, also categorized as a grant under foreign aid, sounds precisely like what it does, it relieves a state from portions or all of its debt and any need to make future payments. Grants, like other forms of foreign aid, are another way states build rapport, curry favor and generally advance their interests abroad in a similar many as described above regarding aid loans. In the last eighteen years, China canceled almost \$10 billion in debt, with around one-half going to some of the most highly indebted countries in the world, including twenty African states.⁷⁶ The remaining cases of China's thirty-eight cases of debt renegotiation resulted in eleven debt deferments and thirteen cases ending in "refinancing and debt term changes."⁷⁷ That 2019 study also found that these results of debt renegotiation occurred more often than did asset seizures, thus challenging the debt-trap narrative surrounding China's lending practices.⁷⁸

Though renegotiations and certainly large debt cancellation are admirable, one must keep perspective relative to other lenders. China is in a position to cancel so much debt because, as stated earlier, it is the world's largest state-based lender to Africa.⁷⁹ One

will not see similar sums of debt cancelation from the US, not because the US does not provide much aid. Again, the US remains Africa's top aid provider with China as a close second at \$354.3 billion when one totals up their opaque outward flows, only \$40.3 billion short of the US.⁸⁰ As stated before, the difference is that the US largely "shifted from loan aid to grant aid in the early 1980s."⁸¹ Of the impressive \$60 billion in aid that China promised to African states, only \$5 billion were grants and no-interest loans.⁸² Comparatively, Chinese FDI only amounted to a little over \$3 billion each year for 2016 and 2017.⁸³ The makeup of the vast majority of Chinese funding to Africa is in loans, either commercial or low-interest, whereas most aid from the US is in the form of grants. When one holds this perspective, \$10 billion of canceled debt over eighteen years seems relatively small. What this data seems to demonstrate is that China is not as generous in its aid programs as are many other donors, and, relative to Western aid programs, China's development efforts in Africa are more profit-driven.

Despite proposed reforms to China's predatory practices, issues of exploitation persist, and African states are no exception. Both Sierra Leon and Tanzania canceled BRI projects due to sovereignty concerns and unmanageable costs. Sierra Leone's Mamamah International Airport, set to cost \$300 million, was found by officials to be "uneconomical to proceed with the construction," a sentiment shared by the World Bank.⁸⁴ Tanzania canceled plans for the Bagamoyo Port after China requested "a guarantee of 33 years and a lease of 99 years," threatening Tanzania's sovereignty over what would be vital national infrastructure.⁸⁵ A 2019 study by the Center for a New American Security graded ten of China's "lesser-known" BRI projects against "seven challenges" to see how well each held up against many of the political and economic

standards advanced by Western loans. The study found that a facial recognition project in Zimbabwe eroded the state's sovereignty, lacked transparency, exposed its citizen's personal data, and potentially exacerbated corruption.⁸⁶ These examples are essential to highlight that China still has a long way to go to develop a reputation for equitable practices in Africa. These cases also illustrate that African states recognize when a project is a poor investment and that they have the power to walk away. Such actions can only improve the quality of Chinese aid projects by forcing Chinese firms to use better trade practices and provide better deals that more closely serve their customer's needs.

Another method China uses to provide financing is through low-interest loans in exchange for commodities, at times referred to as the "Angola model."⁸⁷ In such cases, loan recipients tend to be resource-rich states yet suffer from low-credit ratings that restrict their access to more traditional forms of financing. Chinese firms offer loans to finance infrastructure projects in exchange for a stake in the recipient state's resources such as copper and cobalt from the Democratic Republic of Congo and oil from Angola.⁸⁸

"Resources for infrastructure"⁸⁹ is not a new or controversial practice, but China's model has a few significant differences that stand out. The first is that China takes a more robust and systematic approach to these loans than do other states.⁹⁰ The second difference goes back to the debate between the Foreign Ministry and the Ministry of Commerce regarding which should be in charge of China's foreign aid. The Ministry of Commerce uses aid packages to build business relations between China and the target state, which reinforces critiques that Chinese aid is a tool finance "infrastructure projects to prop up corrupt governments in exchange for natural resources."⁹¹ Past research

suggests that China does not target low-credit states, stating that “China’s aid allocation seems to be widely independent of recipients’ endowment with natural resources and institutional characteristics.”⁹² Such findings led the researchers to question the label of Chinese aid as “rogue aid.”⁹³ This is a positive sign that China’s investments operate independently of any focus on the political gain by targeting the economically weaker states. In fact, China has been moving away from this “resources for infrastructure” model in recent years towards a focus on using Chinese development financing to invest in the equity of Chinese companies in Africa, as well as encouraging Chinese firms to increase their investments in Africa.⁹⁴ The final difference in Chinese-provided commodity-based loans is that they often go back to fund Chinese rather than African firms to work on the given project.

This final concern raises a particularly important issue in answering if China’s motives in Africa are indeed helping to combat Africa’s rural isolation challenges. Chinese firms are taking the lion’s share of contracts, leaving African construction firms with relatively little business. There are a couple of reasons why Chinese firms outperform their competition. First, Chinese firms provide infrastructure projects cheaper and faster with competitive bids known by some as the “China price.”⁹⁵ Not only do Chinese firms have access to Chinese-based funds, but they also often outbid European firms for infrastructure projects from the World Bank and the European Investment Bank. In 2018, China walked away with 21 percent of the World Bank’s total value of infrastructure projects, an increase from 12 percent in 2014.⁹⁶ One source notes that firms from the European Union are outbid at times by more than 20 percent.⁹⁷ Much of the reason being that the skill-sets brought by Chinese firms allow them to outcompete

their African counterparts for these contracts.⁹⁸ They are also backed by Chinese banks for almost guaranteed funding, as already noted. Most importantly, China can afford low bids due to its excess construction capacity with which few can compete.⁹⁹

Another reason Chinese firms walk away with lucrative contracts is that China's government often requires that projects funded by aid loans preference Chinese firms, with typically 70 percent of these contracts going to "approved" firms consisting primarily of Chinese SOEs.¹⁰⁰ According to its website, the China-African Development Fund provides \$10 billion in loans focused on addressing the "three major bottlenecks confronting African economies, i.e. underdeveloped infrastructure and human resource and funding shortages."¹⁰¹ This fund accomplishes these goals by "facilitat[ing] independent and sustainable development in African countries" through "win-win cooperation."¹⁰² Yet the fund "mainly supports Chinese enterprises investing in Africa, and aids African projects to find Chinese partners."¹⁰³ Essentially, these Chinese loans provide business for other Chinese firms and laborers to do the required work.¹⁰⁴ The result is that African states take on large amounts of debt to China for those funds to go right back to paying Chinese firms to carry out the aid project, leaving relatively little of this aid in African hands. This practice is not unique to China, but US, European, and Japanese donors moved away from these methods finding them to be counterproductive to development.¹⁰⁵ African firms can scarcely hope to compete with such advantages supported by Chinese Government policies enabling Chinese firms to undercut even well-resourced Western firms.

Though there is no evidence that the huge numbers of Chinese migrant workers in Africa are a deliberate policy effort on the part of China, the issue is important to

consider in the context of other policies. First, it is important to note that the idea that Chinese firms only hire Chinese workers is a myth.¹⁰⁶ Nonetheless, high numbers of Chinese migrant workers living in Africa reduce the potential positive economic impact on African communities. Estimates of Chinese migrant workers in Africa range from 201,057 at the end of 2018.¹⁰⁷ to an excess of one million.¹⁰⁸ The reason for this migration is due to the historically excessive numbers of Chinese laborers in China. With a labor population exceeding available jobs, Chinese migration to Africa was seen as useful from China's point of view.¹⁰⁹

Chinese migrations to South Africa alone is believed to have cost South Africans around 75,000 jobs between 2000 and 2011.¹¹⁰ Experts believe that many are on the continent illegally, staying after the completion of projects to take advantage of local economic opportunities.¹¹¹ A couple hundred thousand to one million additional workers on the African continent may seem a small sum with a limited impact. However, Chinese laborers in Africa primarily possess high-skill talents that will only make it harder for Africans to compete for the more limited number of higher-paying, skilled-labor jobs. Additionally, Africa's working-age population is rapidly increasing.¹¹² Greater numbers of laborers and an already limited number of jobs only exacerbate African states' labor challenges.

The future holds a more positive outlook for both laborers and industry in Sino-African relations. China's fertility rate is dropping, eventually forcing the number of Chinese laborers down and creating a labor scarcity in years to come.¹¹³ Additionally, Chinese wages are rising at home, and its currency is growing in value, allowing for opportunities to shift "labor-intensive manufacturing" from China to Africa, creating new

jobs for a continent already experiencing rapid population growth.¹¹⁴ Some industries are already moving from China to Africa, with Ethiopia a notable example of an African state taking strides to become a more attractive investment destination for migrating manufacturing jobs.¹¹⁵

In the meantime, the lack of funding for African firms and the problems of Chinese migration to Africa, leave African states with difficult decisions. On the one hand, Chinese migrants benefit African economies by providing “skills and entrepreneurship,”¹¹⁶ and Chinese firms can complete projects cheaper and quicker than can others.¹¹⁷ On the other hand, this closed-loop of Chinese financing limits capital flows to Chinese banks, firms, and workers.¹¹⁸ Some have complained of the result of similar practices stating that “[p]artnerships between Chinese investors and local African companies are rare and rarer still transfer of new technology, efficiencies and management from Chinese to African companies.”¹¹⁹ These conditions undoubtedly reduce any meaningful economic or developmental impact to local Africans outside of Chinese workers spending their wages locally or the relatively few contracted African firms and laborers.

The closed financing loop suggests a deliberate policy decision on the part of China, Chinese banks, and its SOEs. Beijing’s conditions that a majority of contracts go to Chinese firms crosses a threshold from regular market competition to deliberate, policy-based manipulation, not only cutting out US and European Union firms but also local African firms and workers. African states certainly weigh their options against these Chinese conditions and, unfortunately, find a better value in the faster and cheaper construction enabled by Chinese firms and funding. The consequences of this reality may

perpetuate China's practices and stifle better terms for African states through healthy competition. Deliberate policy decisions to bypass contract competition further indicate a profit-driven motive to Chinese foreign aid and calls to question any genuine desire for Chinese aid to address Africa's developmental challenges.

No evidence suggests that the issue of Chinese migrant laborers represents a deliberate policy desire on the part of China. However, it is a problem that compounds the stifled market competition described above. As stated above, Chinese migrants are a double-edged sword to Africa's development. However, the fact that many remain illegally suggests that African states only weight the value of their presence to a point. Where they may help build infrastructure in the short-term, they do not allow Africans the long-term benefits of developing institutional knowledge within their local populations. China struggled with similar issues following its 1978 reforms that allowed foreign firms to begin working and investing in China. However, China limited the number of foreign investors allowed in the country, forcing these investors to train local Chinese to perform the necessary work.¹²⁰ One expert suggests that African states should take this page out of China's playbook and begin enforcing visa limitations on Chinese laborers.¹²¹ In the end, the sooner Africa addresses Chinese migrant workers, the sooner Chinese firms will begin investing in Africans' expertise, as well as infrastructure.

Chinese FDI also plays a small yet growing role in Africa's development. African states represent less than 3 percent of China's current total global FDI portfolio.¹²² In 2016 and 2017, Africa received the least Chinese FDI inflows of any recipient continent with a little over \$3 billion each year. For scale, these numbers represent only 2.5 percent of China's total global FDI expenditures for 2017.¹²³ Though when analyzed over time,

one sees that China's investment interests in Africa are growing. Between 2001 and 2012, Chinese inward stock in Africa rose from \$27.2 billion to around \$132.8 billion, an annual growth "rate of 53% compared with 16% for EU, 14% for the US and 29% for Japan."¹²⁴ Fifty-four percent of China's total investment stocks in Africa are in the construction sector, with manufacturing seeing greater attention in recent years with growth up to 13 percent,¹²⁵ a welcomed attraction for many African states.¹²⁶ Though a recent influx of Chinese privately-owned enterprises may account for some of these changes,¹²⁷ Chinese SOEs still account for the bulk of FDI in major infrastructure and energy sectors.¹²⁸

Evidence suggests that, at one time, significant Chinese investments focused primarily on resource-rich states with weak governance. The explanation advanced by researchers supposed that more weakly governed states provided China's SOEs greater influence over investment decisions and tended to have fewer top international competitors.¹²⁹ More recent research suggests this is no longer the case. Empirical data demonstrates that Chinese firms invest in both well and poorly governed states equally,¹³⁰ as well as those with and without significant resource wealth.¹³¹ Instead, what attracts Chinese FDI are states with property rights protections¹³² and high economic growth rates.¹³³ This change suggests a positive trend towards a less politically motivated investment strategy. However, these numbers may have changed less in part to a new focus for China's investment than through an influx in recent years of small to medium-sized Chinese privately-owned enterprise investors, which tend to be less resource-focused.¹³⁴ Therefore, this development in Chinese FDI efforts may not signal a shift in focus for China's larger SOEs or Beijing's policies.

The effects of Chinese FDI seem murky, possibly due to a potential dual personality of the investments between China's SOEs and privately-owned enterprises. On the one hand, some are hopeful that China's recent FDI practices will serve to "create jobs, supply local markets and create linkages and knowledge spillovers to local firms"¹³⁵ China has invested enough to make some meaningful but relatively small economic impact.¹³⁶ Additionally, the focus away from resource-rich, weakly governed states towards those with strong growth capacity is a positive sign that China's interests are evolving beyond resource extraction. This new dynamic further indicated positive results for Chinese investment motives when coupled with the long-term investment nature of FDI. Though still profit-driven, FDI implies that the investor takes a more significant stake in the future vitality of any recipient. FDI also shifts the focus away from extracting profit through loans and instead injects capital into the local market. Unfortunately, Chinese FDI efforts in Africa remain small.¹³⁷

On the other hand, more recent research suggests that Chinese FDI produces a "negative impact on economic growth in sub-Saharan Africa."¹³⁸ In the past, similar studies demonstrated that Chinese FDI yielded either positive economic results in Africa or none at all.¹³⁹ Marvelous Ngundu and Nicholas Ngepah refine their quantitative research to account for many past concerns and convincingly argue that Chinese FDI yields a negative economic impact in African states. With not much better results, the same study also finds that FDI from "US, EU and the rest of Asia seem to have no direct impact on growth in Africa."¹⁴⁰ Interestingly, they also find that "the negative impact of FDI from the rest of the world in Africa is more pronounced in the absence of FDI from EU and/or rest of Asia but in the presence of Chinese FDI."¹⁴¹ In short, the effects of FDI

data from the European Union and the rest of Asia (excluding China), reduced the negative impacts indicated by Chinese FDI. Accounting for these differences, they suggest that an investor's motives play a role in the different impacts observed from each investor-nation.¹⁴²

Chapter Summary

Chinese economic policies in Africa are a double-edged sword. Whereas they do provide measurably positive economic results for recipient African communities, they are not the solution to Africa's development challenges, such as rural isolation, that China wants many to believe. Empirical data does not support China's narrative, nor do the seemingly profit-driven motives of its economic policies. To be sure, Chinese aid provides measurably positive results for the economic welfare of many African communities and their neighboring regions. They also enhance the capacity of African states to participate in the global economy. Unfortunately, these aid programs also tend to provide these benefits to already wealthy communities with existing access to the broader global market. The result is often an increase in inequality in both geographic and economic access. African states, mired in debt, also suffer an increased inequality relative to China's power to leverage that debt for strategic purposes. Furthermore, Chinese projects in Africa tend to leave out Africans. The closed-loop of Chinese funding to Chinese firms demonstrates a deliberate effort to keep capital in Chinese hands. Consequently, African firms and their workers lose potentially lucrative opportunities that would garner additional local expertise. The multitude of illegal Chinese migrants in Africa only exacerbates these concerns.

In the end, China walks away from any aid program with the project contracts, funding, debt-leverage over a foreign state, and the infrastructure needed for China to enhance its acquisition of raw materials and the ability to export finished goods. While African states often, but not always, end up with control over the finished infrastructure, while saddled with potentially enormous amounts of debt owed to a wealthy and powerful China. In short, though Chinese aid provides many positive impacts, there are few suggestions that the neediest African communities are, or are meant to be, the recipients. The profit-driven nature of Chinese economic policies is explicit and prevents Chinese aid from realizing its potential to provide a more meaningful impact on the neediest African communities.

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CHAPTER 5

CONCLUSION AND RECOMMENDATIONS

This research explores the implications for US foreign policy and Africa's development challenges as a result of China's potentially exploitative policies in Africa. This research seeks to understand if China's economic policies, as seen through BRI, are as mutually beneficial to both China and Africa as China claims. This text concludes by exploring what these findings could mean for US foreign policy, as well as exploring areas for cooperation and competition between the US and China that result in a more prosperous African continent.

This chapter begins by briefly summarizing the significant findings of this research. The chapter goes on to explore what these results could mean for US foreign policy along with a few potential solutions advanced by policymakers. This chapter concludes by addressing recommendations for further study as well as how this research could be approached differently in the future.

Summary of Findings

Chinese economic policies in Africa provide both tremendous economic benefits but ultimately fail to live up to their claims that they adequately address the root developmental issues confronting African states today. The resulting positive impacts from Chinese economic policies in Africa primarily benefit communities already relatively well off, thus exacerbating the inequalities between those who have and those that do not. The root issue is in the profit-driven motives that form the foundation of

Chinese foreign aid. As a result, these motives prevent Chinese aid from realizing its potential to provide a more significant impact on the neediest African communities.

The roots of these profit-driven motives tie back to China's economic path to great power status. China employs an economic growth model designed to acquire raw materials from resource-rich locations, such as Africa, to make finished goods that it then sells on the export markets at a premium. The economic access and power China garners from this trade loop goes to purchasing increased political influence, particularly in the developing world. The engine powering China's rise is its BRI, designed to enhance this trade loop and, thus, China's economic access and political influence. The design of the BRI is to continue funding China's rise to great power status, and profit is the fuel for China's engine.

African states suffer from a severe shortage of the critical infrastructure needed to ensure their connectivity to the world market. The root of Africa's developmental challenges, however, is that the majority of Africans live in rural Africa, away from the continent's major economic centers. African states have, therefore, looked to the promises of China's BRI, believing that the associated aid programs will provide the funding and expertise needed to fill Africa's infrastructure gap. In many ways, African states are not disappointed with the results, as BRI programs often demonstrate positive economic impacts on African communities and neighboring regions. These programs also connect communities that held no meaningful interactions before.

Unfortunately, these programs seldom address the rural communities at the root of Africa's developmental challenges. Many of these projects allow politics to guide their locations, such as state leader's home regions, demonstrating little concern for making

the most significant impact on the neediest communities. Furthermore, state leader's home regions tend already to be some of the wealthiest regions in any state. Even outside of a leaders' home region, these projects are also often located in areas that are already economic centers, thus enhancing economic access to already easily accessible locations. Finally, the funding for most of the projects comes in the form of loans from Chinese banks with often dubious stipulations for repayment and conditions requiring preferential hiring for Chinese contractors over that of even African firms. The risk to African states that fail to pay is the loss of their critical infrastructure held as collateral for these loans. In short, China's economic policies are designed to enhance China's economic access to profitable ventures and increase its political influence across Africa. At the same time, these policies themselves also serve to profit on repayments and foreclosures.

Implication to US Foreign Policy

China's BRI is not inherently bad for US interests. Instead, it presents numerous benefits for the US and the world. What is at issue is that the profit-driven nature of Chinese economic policies prevents the BRI from addressing the most pressing challenges of African states' development. This shortcoming in China's economic policies in Africa poses many long-term risks and opportunities to both US interests and Africa's future. This section will cover only a few challenges and ends with the opportunity presented to policymakers based on these challenges.

The first challenge is for Western lenders and aid donors to look to address their shortcomings. Only then can the West begin to help African states solve their development issues. Second, the absence of any major aid donor providing meaningful resources and expertise to address Africa's rural isolation only continues to postpone

African states' development. This absence also indicates a failure to recognize mutually beneficial opportunities between the US and African states. Third, China's increasing economic hold in Africa threatens an increasing realignment of African states away from the US and towards China. Certainly, those states that value democracy, individual human rights, and other shared values with the US will always tend towards the US, and the same for like states with China.¹ However, times change, and policymakers should not take African partners for granted when considering reports from Freedom House and others warning of the retreat of democracy.² Fourth, China's policies potentially stifle the development of African states by further leveraging enormous debt over already poor states, with possibly detrimental consequences in any future worldwide economic crisis.

The first challenge is to address some of the same concerns that plague Western aid efforts in Africa. One could commend the US and other aid donors that largely transitioned away from similar Chinese practices such as loan-based aid. However, the US and other allied states have also, for the most part, walked away from the type of large-scale infrastructure projects that might address Africa's rural isolation challenges. Critics can question the choice of African states to accept Chinese loans, but China is not just the lender of last resort but often the only lender. In 2008 then president of Senegal, Abdoulaye Wade, summed up the issue when he lashed out at Western critics of Chinese economic policies and aid programs. He stated that "China has helped African nations build infrastructure projects in record time—bridges, roads, schools, hospitals, dams, legislative buildings, stadiums and airports . . . a contract that would take five years to discuss, negotiate and sign with the World Bank takes three months when we have dealt with the Chinese authorities."³ Additionally, the West largely walked away from the type

of infrastructure projects that many African states desperately desire. The reason is that most lenders and aid donors became “significantly more risk averse about bankrolling large-scale infrastructure projects because of the environmental, social, and financial risks that they pose.”⁴ Unfortunately, these conditions leave many Chinese firms, with fewer scruples, to commit the same issues that Western lenders and donors were attempting to avoid.⁵ Additionally, researchers find that the projects that many non-Chinese donor institutions do advance also concentrate aid projects in already wealthy areas.⁶ Chapter 4 demonstrates the innumerable critics against Chinese policies, but these fail to advance any meaningful alternative for African states.

This final point leads to the second challenge, the absence of any major lenders and aid donors providing meaningful amounts of resources and expertise to address Africa’s rural isolation. The most immediate and impactful solution is for lenders and aid donors to get back to addressing Africa’s most critical needs. US corporations, used to acting alone, could begin working more closely together to provide a broader range of services for cheaper, enabling greater competition with Chinese firms and better terms for African states. The US Government could incentivize such partnerships through special financing provided by the US Export-Import Bank. The US could also leverage its alliance network, as well as work with China to coordinate aid programs that address the gaps in China’s current efforts.

Addressing the second challenge of potential realignment away from US partnerships, the US must increase its engagement with African states and demonstrate that the US is an active and committed partner. The US Department of State (DoS) potentially plays the most critical role. The DoS is generally understaffed in missions the

world over, with the coverage in many African states suffering the worst. There are always calls for increasing the DoS's funding to meet these manning issues, and policymakers should heed these arguments. The DoS also provides solutions through programs that are relatively cheap and could work towards filling the infrastructure gap as well as the skills gap in the expertise of many African firms looking to do major infrastructure projects. The DoS already serves to advance the interests of US corporations abroad, a service often unknown or unused by many American companies. Enabling the DoS to reach out to many of the US' major international construction firms to demonstrate DoS's capabilities and opportunities in African states may go a long way.

In the past, the DoS sought cheaper solutions by advancing scholarship and visa programs to promising young Africans looking to enter relevant career fields, bringing them to the US for state-of-the-art training. These programs build additional soft power capital with Africa's next generation, as well as provide Africans the skills necessary to do the jobs that currently only China can do. However, these programs require reform because they can act as another form of resource extraction through brain drain. Many of these most talented people find opportunities in the US instead of taking their skills back home, as is the program's intention.

Another similar alternative is to leverage the US Army Corps of Engineers, invited by host nations through the local US embassy to provide training within host countries. These readily-available and exportable skills already exist in the US Government's arsenal of capabilities. These solutions may not halt any future concerns of realignment away from the US. However, programs like these are the critical building

blocks that foster critical relationships that can often change world affairs. Right now, China is building those relationships with the US mostly on the sideline.

The final challenge is the high debt held by many African states and is immensely more complicated. One particular concern is to institute solutions without significantly leveraging the already high debt and potentially contributing to more destructive future economic crises. As briefly addressed in chapter 4, much of Africa's debt consisting of "commercial debt to Western financial institutions or Eurobonds."⁷ Major state lenders and IOs such as the International Monetary Fund have, in the past, forgiven much debt with a purpose to enable Africa's unburdened development.⁸ In the wake of the current COVID 19 pandemic, many lenders are exploring similar options today.⁹ However, many of the solutions are already listed above. Western lenders and aid donors can get back to addressing Africa's most critical needs and force China to compete with better terms for their contracts. The sooner Africa meets its economic development challenges, the sooner these states can build the economic capacity needed to move beyond immense levels borrowing. Helping African states build their expertise from within while competing and cooperating with China to ensure better terms, will do much to address current and future concerns.

The primary opportunity is for the US to work within its alliance network to reform Western aid and lending strategy to tackle Africa's true infrastructure gap that perpetuates the isolation of so many rural Africans. Where the BRI enhances the economic capacity of African states in the most profitable locations and economic sectors, US and Western aid, lacking profit motive, could focus on filling those infrastructure gaps between rural Africans and China's BRI. This focus would afford

additional opportunities to both compete and cooperate with China. The differing motives of Chinese and Western policies would force less interaction where more rural and less profitable projects are addressed. However, where Western programs address those critical gaps between rural populations and states' economic centers, one would find both increased competition and cooperation. Competition would come in the form of more competitive pricing and better business practices. One would see cooperation where the mutual interests of both Chinese and Western policies overlap. Most importantly, the competition and cooperation between these two policies drive each to become better and more fully address Africa's long-term rural isolation challenges.

Recommendations for Future Research

Much research covers China's actions in exhaustive detail. What is relatively unexplored is what these actions tell US policymakers about China's grand strategy and how the US should seek to compete or cooperate with China's aims to preserve US interests. This text tries to address this shortfall in some very modest way. One method for approaching this is by exploring the evolution of Chinese policies over time. Much of the policy history is common knowledge to experts already in the field of study. However, most research focuses on the results of single incidents, policies, or programs and fails to explore how these data points line up to signal China's changing policies over time and provide a clearer understanding of China's trajectory.

Additionally, this text focused primarily on China's economic instrument of national power. However, there is much to explore regarding China's diplomatic, informational, and military efforts across the African continent to see if China's rise is one that seeks mutual gain for all nations or one of imbalance. Diplomatically, the US

maintains fewer consulates and embassies across Africa than in the past. This fact is particularly true in the wake of the end of the Cold War. In contrast, China continues to increase its diplomatic missions, filling a void left by the US. This dynamic is worth exploring to inform policymakers of the potential consequences to US national security if the US continues its diplomatic retreat.

These developments are particularly alarming when one remembers Graham Allison's empirics on the likelihood of conflict between rising and ruling powers.¹⁰ Though the strength of a state's military does much to prevent conflict, it does so by compelling rival states to remain at the negotiating table. Therefore, the prevention of conflict throughout history has always required a healthy dialogue between the diplomats of all involved actors. When states primarily dialogue through military posturing, diplomatic misunderstandings can lead to potentially catastrophic miscalculations.¹¹ Additionally, to be a leader, one must have followers.¹² The US must keep this in mind if it wants to maintain its leadership position in the world. When one considers China's alternative governing model, losing America's diplomatic voice in Africa fails to ensure that states continue to find value in US leadership or US-led IOs.

At the heart of China's diplomatic efforts is its growing informational capabilities. China is currently building much of Africa's communications infrastructure, posing significant risks to secure communications between the US and its allies' embassies and military personnel across the continent, as well as with African states.¹³ Chinese firms also maintain a stake in many of Africa's major news outlets, putting many African states at risk of similar, albeit subtler, censorship efforts that one might find in China.¹⁴ These

are challenges the US must address to ensure the sovereignty of all states. Future research could explore the depth of these issues and provide meaningful options to policymakers.

Militarily, China's involvement is limited relative to the US. However, this dynamic is beginning to change. China's military efforts in Africa are usually part of more diplomatic efforts, such as serving as a force to train peacekeepers. This reason is one of the many why China recently established its first overseas base in Djibouti,¹⁵ a practice that, up until now, China largely avoided.¹⁶ China has always maintained a desire to avoid involvement in such expensive endeavors as they are not only expensive, but any leverage a state achieves by having a military base in another state comes at the cost of giving leverage to the host state. One could imagine that China prefers its current economic strategy because it not only avoids confrontation with the West, but it also provides leverage over other states without the need to share that leverage with the recipient state. Nonetheless, these developments provide valuable insights into China's strategic aims and the role it hopes to play in world affairs. These topics are worth exploring to determine if China's growing military presence signals a potential desire for future military expansion or a misstep not soon repeated.

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