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# The Chinese Playbook: Infrastructural Revolution Gives Way to New Global Power

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At this moment, every child born in Angola owes money to the Chinese government. Angola, Africa's second-largest oil exporter owes more than \$20 billion to a number of Chinese entities as listed debt. But Angolans aren't the only ones reeling under a foreign debt, they share this crisis with many of their African comrades. Quite simply, Beijing, as we are told, coaxes underdeveloped nations into taking loan after loan to build infrastructure that they simply cannot afford otherwise, and will almost certainly not yield any proportionate economic benefits from. At the end of this dysfunctional cycle, the

ultimate objective is for China to take control of these assets. This concept has been defined as 'debt-trap-diplomacy', an overly hackneyed term introduced in 2017 and quickly oversold by the Western world, especially in the context of the much-touted *Belt and Road Initiative (BRI)*.

China has been funding infrastructure in the African continent since the 1960s, even in the thick of the Cultural Revolution, Beijing invested nearly \$500 bn for the Tazara Rail line, yet no one noticed. It was only after 2006 that the West began quivering about China's expansion, even going to the extent of calling them 'a new imperial power'. However, the question still remains whether this negative bias projected towards the Chinese is grounded in facts or just baseless political rhetoric.

## **Money and Muscle Take Over**

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Africa has now taken over as the fastest urbanizing place on this planet, however, a rapid transition like this requires good flow of investments and capital, and in this infrastructural revolution, nobody has answered the call like China has.

China's decisive role in world affairs is more or less grounded in its domestic needs. Presently, the tertiary sector of the Chinese economy comprises more than half of their GDP, they have an excess of foreign exchange, and they are the largest cement producers in the world so much so that they've now constructed empty ghost cities with high rise apartments but no people to live in. Infrastructure is what Africa needs, and infrastructure is what the Chinese can provide, in its transition from mid-level manufacturing to a price competitive one.

The BRI is not the 21st century Marshall Plan, the Chinese are not offering grants, but rather loans. They expect an equivalent repayment of this money, either economically or politically. Ostensibly, it does seem a fair idea, much of the Chinese financing is in association with a nation's natural resources. The imbalances in this investment have been asserted with the characterization of the 'Angolan Model' a resource-backed financial agreement, wherein low-interest loans are provided relying on oil or other resources, as collaterals. In this way the recipient nation, herein Angola can have its capital equipment fulfilled, whilst the Chinese state-owned enterprises (SOEs) can secure their resource-backed development rights.

## **Three Sagas and Three Lessons**

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To begin with, the cost of Chinese-funded Addis-Ababa Djibouti Railway in Ethiopia totaled \$4.5 bn, both these governments have gone into distress over this railway line. Ethiopia does not produce enough electricity or goods to power this striking but damaging railway line, and additionally even after a year of operation majority of the freight cargo is made up of imports, not exports. On an economic front, this railway project has cost the Ethiopians more than what they could afford.

Another case in point is the situation in Kenya. China has financed the Nairobi-Mombasa railway line, stretching from a port at Mombasa to Uganda. This railway inaugurated with much fanfare 18 months ahead of schedule, has proven to be a financial drain on the Kenyan economy. The railway has been losing money at an unsustainable pace of \$9.2 million a month, making it inconceivable to repay the Chinese creditors. If Kenya defaults, concerns have been raised that China may take over the port of Mombasa as collateral, although the Chinese government has categorically objected to this.

On this front, there are doubts about the financial viability of giving loans to these countries for building infrastructure. Yet despite all this, in 2015 Chinese investments in Africa's infrastructure projects were 3 times the sum of those by France, Germany, Japan, and India combined. More than a third of China's oil comes from Africa and more than 20% of their cotton, DRC possesses more than half the world's cobalt which the Chinese use to manufacture their lithium-made batteries. Therefore, China needs what Africa has for its long-term economic stability, as much as Africa needs Chinese loans.

Lastly, undeterred by the drumbeat of these alarms about Chinese funding in 2021 China has given Egypt, a long-standing US partner, funding to the tune of \$2.2 billion loans for constructing a new capital city outside Cairo. This new Sino-Egyptian partnership has grown manifold since the El-Sisi regime has been in power. Although this does seem like a typical case of bankrolling an autocratic regime, this is exactly what Washington and Europe have been doing since the 1960s. They've set the stage, and now Beijing wants to play the lead role. One of the primary reasons, why despite all these overwhelming risks, Africans still want to play by the Chinese rulebook is because they're dissatisfied with the Western one.

## **Challenging the Liberal Economic Order**

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The United States and its victorious allies set up international institutions to promote- at least speciously- democracy and free trade. The Bretton Wood institutions that set neoliberal Structural Adjustments Programmes (SAP) included 'trade liberalization, free market, privatization, currency devaluation, and other austerity measures. Due to the unrestrained focus on reduced social spending, the governments were forced to make sharp cuts in the budget for education and social security, which in turn precipitated social unrest and unemployment. Due to this, between the 1960s and 1970s, millions further slipped into poverty, especially in underdeveloped countries. The SAPs failed the poor, and thereby destructed these societies.

Another line of criticism is by Dambisa Moyo. Dambisa has argued that over the years aid has continued to be a political, economic, and humanitarian disaster for many of these countries. Studying the cause-effect relation between aid and poverty, over the last 3 decades, the most aid-dependent countries exhibited an average annual growth rate of *minus* 0.2%. This figure needs to be kept in mind considering that since the 1960s over \$1 trillion as development-related aid has been provided from the developed world to Africa. In light of these staggering figures, it can be concluded that aid as an optimum solution to Africa's economy is not credible. She has contended how the Chinese influence is 'not through the barrel of a gun, but rather using the muscle of money has had an impact in fast tracking Africa's development. Admitting that China is in Africa only for the fuel, copper, gold, and whatever can be mined, it would be wrong to say that Africa is at the least not benefitting at all. On the other hand, when we consider the Djibouti case, wherein China built a military base in 2017, it raises suspicions about Beijing's actual interests. Whether or not Djibouti is a deliberate case of debt-trap diplomacy is debatable. It has been argued that the Chinese investment came in only after a previous investment failed, and China has itself risked its funding as a Djibouti port expansion although attractive has very precarious potential.

The Chinese relation in Africa is seen in the spirit of reciprocity, in the context of South-South cooperation, and bilateral agreements that come with a hands-off approach in internal governance. Opposed to this, the relationship between the West and Africa could be frosty, given the devastation caused due to SAPs, and the legacies of colonialism and slavery.

## Conclusion

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Firstly, a study conducted in 2021 about China's lending practices calls attention to substantially greater transparency in sovereign lending, not limited to China. Transparency problems are fraught in all OECD and non-OECD lenders as disclosure of

the loan contracts are almost never done. Therefore, the African governments need to start off by presenting to their citizens their debt management strategies. Public debt should be known to the public.

Secondly, the African government must link these projects with concrete benefits for their citizens. Likewise, increasing the participation of indigenous Africans in these projects will go a long way in decreasing unemployment and social unrest.

Lastly, Africans need to play an active role in determining the narrative regarding Sino-African relations and concerns regarding lax safety standards around mining-related industries and others must be regulated by the government themselves. In conclusion, there isn't a clear answer on whether this is a tale of Chinese aggrandizement or Chinese benign assistance with brick and mortar. Although this is an oversimplified narrative, it can only be optimized by the Africans reorienting their priorities in a determinative manner for a thriving future.

#### **About the Author:**

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