Is the Belt and Road Initiative in Africa Sustainable?

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Abstract

In 2000, the China-Africa relationship was further strengthened with the establishment of the Forum on China-Africa Cooperation (FOCAC). The FOCAC offers a platform for consultation and cooperation mechanisms aimed at deepening diplomatic, security, trade and investment relations between China and African countries. Later came the Belt and Road Initiative (BRI) in 2013, an international trade network initiated by China that connects the three continents of Asia, Europe and Africa. The BRI focuses on the following key areas: cultural exchange; policy coordination; facilities connectivity; trade and investment; and financial integration. The BRI shares development objectives similar to those of the United Nations' Sustainable Development Goals (SDGs). In fact, the BRI implements part of the SDGs and provides a practical mechanism to strengthen the Sino-Africa relationship, which Africa can leverage to meet its Sustainable Goals. Africa is linked through the "Road" of the BRI plan and has received infrastructural projects funded by China to facilitate trade and integration of the national economies along the trading route. Through the establishment of Economic and Trade Zones which attracts investments from Chinese companies, and building infrastructures such as sea ports and railways, China through the BRI framework is helping Africa meet UN SGD Goal 9 concerning industry, innovation and infrastructure. A practical effect is that the BRI is helping African countries overcome the

infrastructure gap, create jobs, acquire skills and promote integration between countries.

Is the Belt and Road Initiative in Africa Sustainable?

In 2013, China announced the Belt and Road Initiative (BRI) development strategy and in the same year, the United Nations announced its Sustainable Development Goals (SDGs) (Shah, 2016). The BRI encompasses two corridors – the Silk Road Economic Belt (referred to as "Belt") and the 21st-century Maritime Silk Road (referred as "Road"). There are about 60 countries linked to the BRI trading route reaching about 63 percent of the global population and amounting to 29 percent of global GDP (Solmecke, 2016). China aims to build a trade network that connects three continents - Asia, Europe, and Africa - while building land and maritime infrastructures that integrate the economies of the countries on the trading routes (Shah, 2016; Solmecke, 2016). In Africa, beyond the massive BRI projects that capture most attention are the growing investments from Chinese entrepreneurs. According to Feng and Pilling (2019), the volume of Chinese investments in Africa was 2 percent of the US level in 2000, rose to 55 percent of that level in 2014, and now is on track within a decade to surpass the US levels. There is increasing Chinese presence in Africa, which is evidence of growing Sino-Africa relations. Africa's inclusion in BRI opens opportunities for development projects and investments from China which may enable Africa to meet its 2030 Agenda for a socially fair, prosperous and secure environment.

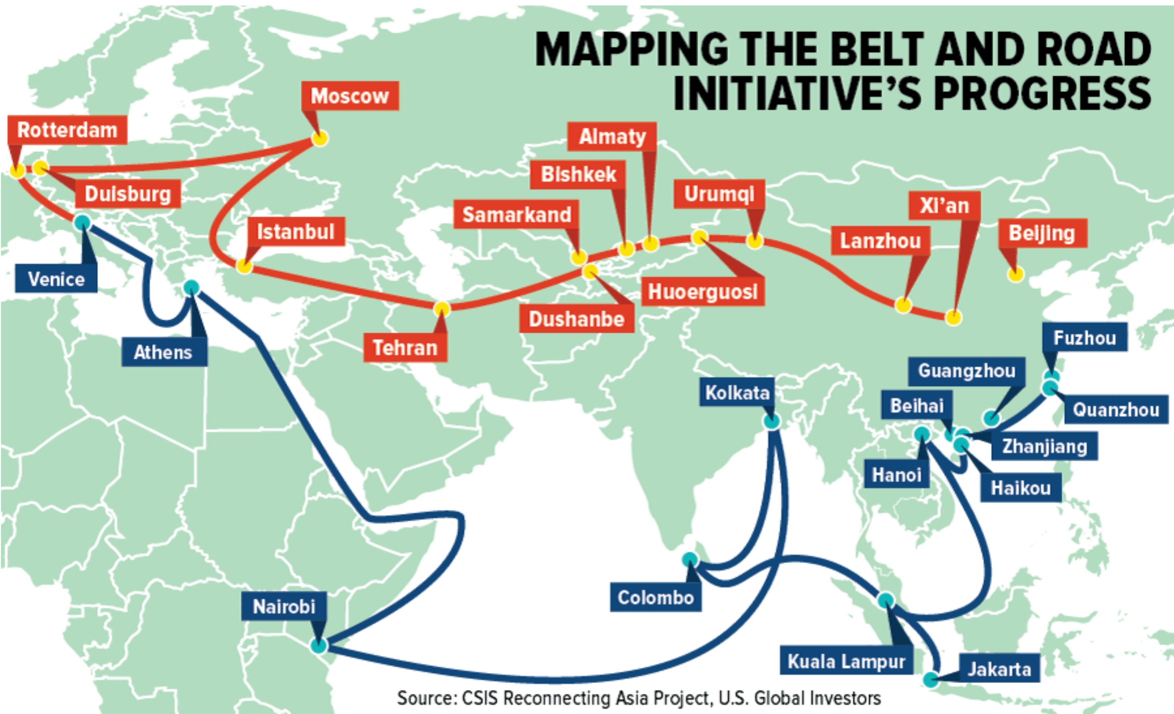

Figure 1. The Belt and Road Routes (Yamada & Palma, 2018)

The Belt and Road Initiative

The Silk Road Economic Belt was announced by the Chinese president Xi Jinping in 2013 at Nazarbayev University in Kazakhstan. A month later in October of the same year Xi announced the 21st Century Maritime Silk Road during a speech at the Indonesian parliament (Solmecke, 2016). The historic "Silk Road" which dates before the Common Era (BCE) highlights organised trade and exchange among peoples whose caravans travelled the long-range trade routes starting from the cities of the Middle Kingdom (present-day China) such as Dalian, Xiamen, Tianjin, Guangzhou, Wuhan, Shanghai and many more, through the countries of Central Asia to the ancient Persian Empire and onto Europe (Etemad, 2016). The caravans carried their goods on camels or horses and made stops at designated locations called "*Caravanserai*" to rest, re-stock food and water and set-off again till they reach a trading city where goods were exchanged through barter (Etemad, 2016). The BRI seeks to reestablish the historical Silk Road characterised by the caravan traders now using modern transportation systems, building upon new or upgraded infrastructures to support the integration of the BRI countries (Shah, 2016).

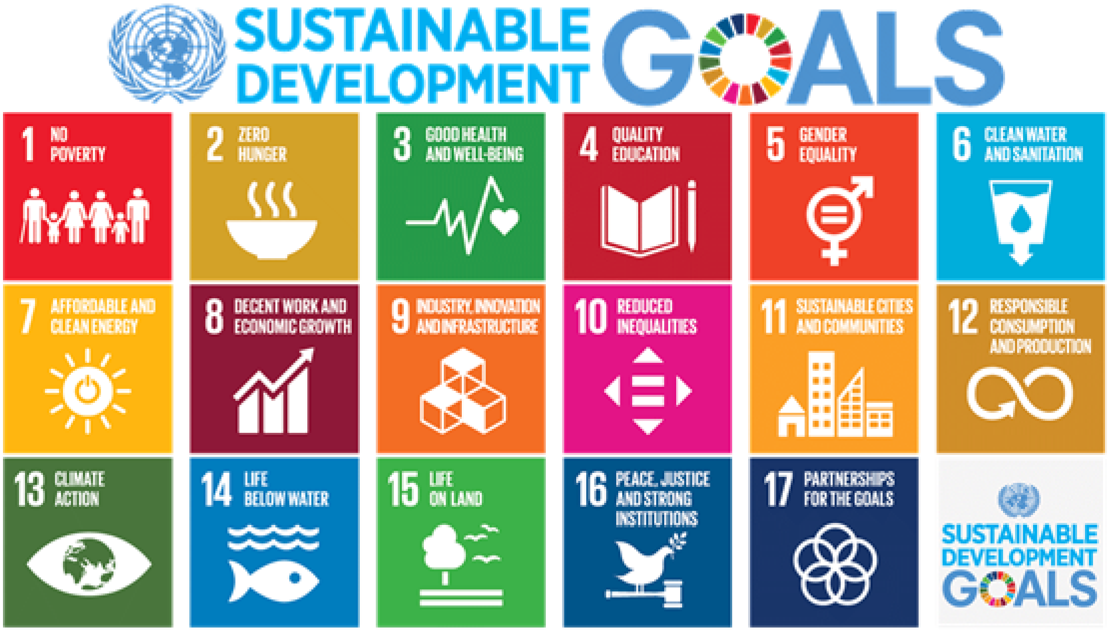

Figure 2. UN 17 Sustainable Development Goals

The 21st-century Maritime Silk Road corridor is a maritime route that links China with South and Southeast Asia, with connections to East and North Africa and Europe. The "Road" encompasses seas and oceans such as the South China Sea, Indian Ocean, Arabian Sea, Strait of Malacca, Red Sea, Persian Gulf and Gulf of Bengal. Although the "Belt" offers new possibilities, the volume of transport and the costs of overland travel makes the maritime "Road" an indispensable component to China's foreign trade. China's geostrategic objective is to reduce dependence on the Malacca Strait, which carries over 90 percent of China's sea borne trade, and to guarantee an uninterrupted supply of raw materials (Koboević, Kurtela, & Vujičić, 2018). Referred as the "Malacca Dilemma," China considers it risky to rely exclusively on the Straits of Malacca, and is addressing this risk by building ports in the Indian Ocean Region (IOR), as in Sri Lanka, Pakistan, Bangladesh and Myanmar (Koboević et al., 2018). China is also building transport infrastructures essential to enhance maximum use of these port facilities. The BRI projects will facilitate China's international trade cooperation, and aims to create the world's largest platform promoting trade, financial collaboration, social and cultural cooperation among countries

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Sustainability of Belt and Road in Africa

The 2030 Agenda for the United Nations' Sustainable Development Goals (SDGs) was adopted by world leaders at the UN Summit in September 2015, and came into effect on January 1, 2016 (United Nations, n.d.). The 17 SDGs aim globally to achieve economic growth, social inclusion and environmental sustainability. For African countries, achieving the UN SDGs requires a rethinking of economic policies and new partnerships with development agencies and the private sector. Africa's heretofore insignificant contribution to global trade stems from inadequate infrastructure, skills and lack of capacity for production. To reduce poverty and enhance Africa's competitiveness in global trade would require Africans to adopt a local development model that maximises their national resources. The abundance of human and natural resources when properly harnessed, will support Africa's sustainable development. To this end Africa is in need of a cooperative development model that is supportive of the UN's SDGs. China has the potential to help Africa fulfill its needs. The BRI provides a framework to enhance a strategic partnership between China and Africa that fosters socio-economic cooperation. During a visit to South Africa by President Xi, the Forum of China-Africa Cooperation pledged "(to) actively explore the linkages between China's initiatives of building the Silk Road Economic Belt and 21st Century Maritime Silk Road and Africa's economic integration and sustainable development agenda" (Chen, 2018). Given China's interest in promoting the BRI, Africa should leverage the opportunities to meet its strategic needs.

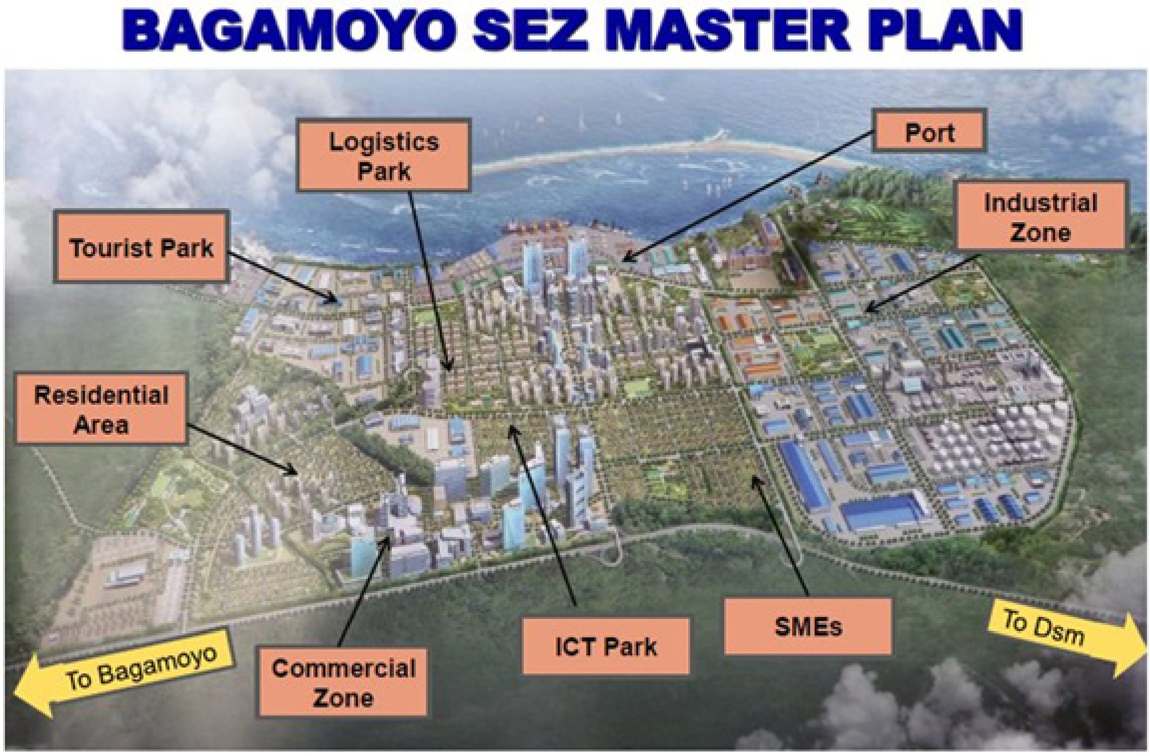

Figure 3. Bagamoyo Special Economic Zone (Barnes, 2014)

Africa is in dire need of infrastructural development (Leke, Chironga, & Desvaux, 2018). China is funding infrastructure projects and investments that have long-term economic impact and this is crucial for Africa's sustainable development. Some of the existing infrastructure in Africa was built during the colonial era and is mostly dilapidated with little or no maintenance or modernisation, making continued operation increasingly difficult. Issues that affect Africa's infrastructural development stem from a lack of political will to initiate modern projects to keep up with needs arising from urbanisation, compounded by forms of corruption which leaves projects either with bloated costs or in some cases abandoned. The consequence is that Africa has not performed well in either intra-African trade or trade with the world, due to difficulties encountered in transporting goods and services. (Ubi, 2018).

Here are some examples of BRI related projects in Africa:

The BRI linked projects in Table 1 have helped East African countries achieve UN SDG Goal 9 which targets investments in infrastructures and Goal 11 which targets provision of transport and basic services to all. The Ethiopia - Djibouti electrified railway provides both passenger and freight services connecting landlocked Ethiopia to the port of Djibouti. The Kenyan Madaraka Express, a standard gauge rail connecting the capital Nairobi to Mombasa cut the travel time by more than half, offering an alternative to a bumpy bus ride on potholed highways that have caused fatal accidents (Sow, 2017). These projects are financed by loans and, with mounting debt issues, there are risks of debt sustainability and an inability by governments to address other social needs due to limited funding. Nevertheless, the projects do have positive social impact, especially in the area of transport and trade.

Table 1
BRI projects in East Africa (Chen, 2018; Sow, 2017; Xinhua, 2018)

Ethiopia	Addis-Djibouti SGR	US$4 billion loan financed by China Exim bank
Kenya	Nairobi- Mombasa Madaraka Express	US$3.2 billion loan financed by China Exim bank (with rail network plans to Uganda, Democratic Republic of Congo, Rwanda, Burundi, South Sudan and Ethiopia)
Djibouti	Doraleh Multipurpose port	US$294 million loan financed by China Exim bank
Djibouti	Damerjog Livestock Port	US$51 million loan financed by China Exim bank
Djibouti	Multipurpose Free Trade Zone	US$150 million credit from China Merchants

The BRI ushers in a different form of China's engagement with Africa in which a core objective is to promote trade through investments and building infrastructures. Africa's urbanisation is growing rapidly and predicted to be the fastest in the world (Leke et al., 2018). Chinese backed infrastructural projects and capacity building will help Africa build and maintain infrastructure needed to meet the pressure from urbanisation.

Djibouti has attracted major infrastructure BRI linked projects as a result of its strategic location, such as a multipurpose port, Free Trade Zone, China telecoms data centre and the location for China's first-ever overseas naval base (Chen, 2018). The Chinese commercial and military interests in Djibouti provide socio-economic development benefits and counter-piracy operations in the Gulf of Aden.

Key Elements and Challenges

The BRI addresses China's strategic interests such as building an extensive trade network for exporting its products. It is also in China's interest to have a diversified network of land and sea routes that guarantee an adequate supply of resources. On the African side, however, there are cases where countries embark on projects without due diligence that may result in negative consequences thereby eroding the initial benefit to the government. For example, Figure 3 shows the Bagamoyo Special Economic Zone (SEZ), a US$10 billion project in Tanzania in partnership with China and Oman signed in 2013 (Tairo, 2017). Since the Tanzanian government was unable to fulfill its own commitment to the project, valued at US$28 million, it will proceed with China Merchants Holdings International (CMHI) financing the shortfall. The consequence is that the Tanzanian government will lose its ownership stake and the benefits that accrue to this long-term project. It may not be in the national interest of Tanzania to cede to a Chinese entity the complete ownership of such a gigantic project with huge economic potential. The Bagamoyo Port when completed will be the largest in East Africa and is expected to start operation between 2020 and 2021.

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Benefits of BRI Linked Investments

The BRI is intended to increase the integration of different countries and boost economic growth. This offers China a market access opportunity to export its goods and internationalise Chinese infrastructure firms - an opportunity to offshore excess capacity (Chen, 2018). Some of the benefits include:

- Industrial capacity – Chinese companies influenced by the BRI are establishing business operations in African countries. These companies will improve the industrial capacity of African products with spillover effects on employment, capacity building and balance of trade.
- Infrastructure – Africa is in need of infrastructural development. BRI projects, such as ports and railways, will boost infrastructure. Some of these projects have been years in the planning stage of African governments while lacking the financial capacity to execute them. China through the BRI is supporting African countries with finance to execute the projects. The rail network in East Africa financed by China will integrate the countries within the region and facilitate movement of people, goods, and services.
- Economic growth - Both industrial capacity and improved infrastructure contribute to economic growth. Local manufacturing with an efficient network of transport facilities connected to the port will facilitate trade. BRI financed industrial park, railways, roads, and ports will boost economic activities.

Challenges

The BRI has also brought to Africa its own level of fears and concerns, such as:

- Trade imbalance - without a clear strategy, African countries will have little leverage to balance trade with China. Financing major infrastructure projects gives China a competitive edge during trade negotiations. African markets will continue to witness an influx of Chinese goods as opening market access may be a precondition for China to finance projects.
- Rising Debt – the majority of BRI linked projects in Africa are supported by loans or debt-based financing (see Table 1). There is a concern regarding the sustainability of these debt-based projects. Debts must be repaid and as interest mounts, money used for debt servicing could have been used for other development projects. There is also a concern regarding the consequences of default, as China takes over the projects when the loans cannot be repaid. For African nations this emerges as a national security issue for long-term infrastructure projects.
- Environment – projects such as ports, railways, and industrial parks affect local communities and may create negative environmental consequences. An awareness of climate change should be factored in while initiating these projects. Such a priority is in accordance with the UN SDG Goals, which give appropriate attention to environmental sustainability. African governments and Chinese companies should be guided by the UN Goals, to ensure projects have a positive impact on the host communities in the long run.
- Impact – there is a need to ensure that BRI projects are not only strategically aligned with Chinese economic and political interests. Proper assessment is required to ensure these projects will positively impact on the economy of the receiving countries and should not increase the potential for corruption by government officials. Africa is in great need of infrastructural development, economic transformation, and cutting-edge technologies. Projects that respond to these needs will enhance sustainable development. Adequate compensation may be negotiated fairly and effectively to minimise the problems of affected communities, including appropriate and timely resettlement schemes. Most importantly, the BRI projects should connect national economies and boost economic growth and development that are mutually beneficial to both China and African countries.

Conclusion

The Belt and Road Initiative provides an opportunity which African countries can leverage to contribute towards the 2030 Agenda for Sustainable Development Goals. The SDGs require international cooperation and collaboration with the private sector to achieve these goals. As China deepens investments and development projects in Africa, there is a need to keep abreast of the social and economic impact of these projects towards sustainable development, deepen mutual understanding through cross-cultural exchanges, ensure no corruption, ensure environmental protection and the enforcement of acceptable labour standards.

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