The 10th anniversary of China's $1tn Belt and Road Initiative and its Impact on Africa

By:

The African Sovereign Debt Justice Network

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Leaders and representatives from 151 countries and 41 international organisations around the globe attended a meeting organized by the Chinese government to mark the 10th anniversary of its Belt and Road Initiative (BRI) on the 10th of October 2023. The initiative, which is a signature policy of President Xi Jinping, has galvanized nearly 1 trillion U.S. dollars of investment globally, and has created more than 3,000 projects and 420,000 jobs for the participating countries. Under the initiative, Chinese companies have built ports, roads, railways, power plants and other infrastructure around the world in a bid to boost trade and economic growth.

In April 2023, the number of countries that had joined the Belt and Road Initiative (BRI) by signing a Memorandum of Understanding (MoU) with China had gone up to 148. 44 of those countries are in Sub-Saharan Africa, and 18 countries are in Middle East & North Africa. African leaders in attendance

included Kenyan President William Ruto, Ethiopian Prime Minister Abiy Ahmed, Republic of Congo President Denis Sassou Nguesso, Vice President Kashim Shettima of the Federal Republic of Nigeria, Prime Minister Mostafa Madbouly of the Arab Republic of Egypt, and Prime Minister Adriano Afonso Maleiane of the Republic of Mozambique.

From a peak of $28.4 billion in 2016, China issued loans worth $994 million to African governments in 2022 - the lowest levels of Chinese lending to Africa since 2004. This also marks two consecutive years of under $2 billion in Chinese lending to African countries. Boasting of the development borne through the initiative, a number of African developments were cited. Railways such as the Mombasa-Nairobi Railway and the Addis Ababa-Djibouti Railway were reported to be operational and as "important drivers of in-depth development" not only in East Africa but across the entire continent. The China-Egypt TEDA Suez Economic and Trade Cooperation Zone was also reported as making steady progress. On the climate change front, the low-carbon demonstration zone built with Seychelles was also cited.

In a paper titled "Global Trends in Countries' Perceptions of the Belt and Road Initiative" released in April 2023, a European think tank, Bruegel, noted that the BRI is generally positively received in the world, and in particular, Central Asia and sub-Saharan Africa exhibit strongly positive sentiment towards the BRI. True to this, Kenya is on record seeking $1 billion in loans to complete stalled infrastructure projects, and is also looking forward to an extension on loan repayment terms for a railway project that has not proven commercially viable. Ethiopia, which in August secured a temporary suspension of debt repayment for Chinese loans maturing in the 2023/2024 fiscal year, is also keen on deepening its relationship with Beijing and will be joining the grouping of Brazil, Russia, India, China, and South Africa (BRICS) coalition of countries including China from the first of January. Prior to the 10th Anniversary celebrations, Nigeria had disclosed that it would use the convening to lobby investors to back various development projects in the country. Lagos state recently unveiled its Chinese-funded metro line to much local fanfare, but there are concerns that Lagos will not go the way of Addis Ababa by ending up with nonfunctioning train stock.

Critics, such as China Africa Project's Eric Olander, have called Ruto's desire to seek Chinese assistance in resolving Kenya's challenges a "longshot." According to Olander, given the severe challenges several provinces are facing, China's domestic politics and economy will not allow for a major finance package. However, as demonstrated by its suspension of Ethiopia's debt repayments, China may consider renegotiating terms in order to ensure countries' economic stability. Despite the reduction in loans, China is still well positioned to continue strong partnerships with African countries.

China has often been criticized for its “debt trap diplomacy”, especially through the Belt and Road Initiative as a way to expand its global influence while forcing poor countries to take on debt for infrastructure development. According to one source, China has become Africa’s biggest bilateral lender, holding over $73 billion of Africa’s debt in 2020 and almost $9 billion of private debt. In the Seventy Fifth Sovereign Debt News Update, China reportedly emerged as a lender of last resort for 6 African countries under the Belt and Road Initiative; including Angola, Sudan, South Sudan, Egypt, Tanzania, and Kenya. In what seemingly appears to be a response to the BRI, in early September 2023 at the G20 summit, President Joe Biden announced an India-Middle East-Europe Economic Corridor (IMEC), which seeks to counter the inroads China has made through its Belt and Road Initiative (BRI) by linking India, the Arabian Gulf, and Europe. In Africa, a Trans-African Corridor (the Lobito Corridor) will connect Angola to the Democratic Republic of the Congo (DRC) and Zambia, eventually reaching the Indian Ocean. However, the details regarding the financing and timeline of this initiative are yet to be announced. It is the timing of the announcement of the US-led initiative that shows that, perhaps, it was intended to respond to the BRI.

A new report by the Institute of New Structural Economics at Beijing University has quantified how Chinese lending has boosted development outcomes in Africa. Among its findings, it suggests that for every 1% increase in Chinese loans to African countries there was 0.176% to 0.3% increase in the country’s GDP. Speaking at the launch of the report, Wu Peng, who is the director-general for the department of African affairs at China’s Foreign Ministry, said “*I cannot deny that the financing cooperation between China and Africa are facing some challenges or difficulties, because [of] some [countries] defaulting and the debt problem is in front of us.*”

While China has achieved its primary objective of expanding its global influence , the resultant economic viability and heavy debt burden remain questionable. As the Belt and Road Initiative begins its second decade, the AfSDJN calls on African governments to reflect objectively on the impact and trends of Chinese foreign financing on their economies in the past decade, and advocate for a cautious Belt & Road era as the initiative continues.

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