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Debt-trap Diplomacy: Chinese Influence in Africa

David Milam

Abstract

China has grown exponentially in recent years, from the formation of the People's Republic of China in 1949-struggling to pick up the pieces of a broken empire, to the world's manufacturing capital and the second largest economy today. This newfound power has enabled China to focus its attention beyond its borders. The CCP is expanding Chinese influence worldwide with a focus on the developing world using programs like the Belt and Road Initiative. Africa has taken center stage with 39 African countries involved in this initiative. These African projects are debt-financed with China providing the funds. The results have been high levels of debt, defaults and instances of Chinese attempts to seize infrastructure as settlement. This study focuses on how China is using the Belt and Road Initiative to spread its influence through debt-traps, asking the question; "Is China using the Belt and Road Initiative to trap African countries into debt to increase its sphere of influence?" For this study I used the Mills Method to focus on four cases of China's investments and relationships in Africa. This study aims to contribute as a solution by analyzing these cases to identify how China is using debt-trap diplomacy to increase its sphere of influence as well as identify strategies used by the Chinese Communist Party (CCP) to accomplish this goal.

The Belt and Road Initiative has delivered desperately needed infrastructure and development across Africa. Launching in 2013, the Belt and Road Initiative is an ambitious development program to expand ports, railroads and other infrastructure across Asia, Africa, the Middle East and Europe. In essence, China wants to recreate the famous Silk Road. President Xi Jinping claims the project is a goodwill development initiative to increase China's economic integration with the world. To date, the project includes over 70 countries (World Bank Group, 2018) and China has touted success through the investment of over $200 billion in various infrastructure projects (Chang, 2019). Despite this, the program has been heavily criticized for having other intentions. Most notably, China has been accused of using debt-trap diplomacy to spread its global sphere of influence. Debt-trap diplomacy is created through loans and asset based lending with the infrastructure assets usually serving as collateral for the loans. If a country is unable to repay the infrastructure is acquired by China as settlement of the debt. In a worrisome trend external debt payments by African governments have doubled in the last two years with 20% of that external debt owed to China (Jubilee Debt Campaign, 2018).

Case Selection and Mills Method

This study looks at four cases across Africa representing countries with both high and low levels of Chinese debt and both high and low levels of Chinese presence in the country as a result of said debt. For the purposes of this analysis, "Chinese presence" means countries with a high level of involvement in theBelt and Road Initiative, including actively developing projects or significant Chinese investment into the country. The four cases for this study are Djibouti, Zambia, Egypt and South Africa. These cases were chosen because all have had or currently have active involvement with China and provided the most data in comparison to other possible cases. Through these cases I expect to find the key factors that create a debt-trap and to what extent debt-trap diplomacy has become a feature of China's Belt and Road Initiative. As China continues to modernize and grow its sphere of influence it is becoming increasingly more important to analyze and critique its methods. Specifically looking at China's increasing presence in Africa we see an attempt to exert influence over the region in hopes of creating future dependence on China. The most important finding of this project is to determine the impact of debt acquired from China's Belt and Road Initiative and how China's growing presence in the region is in turn having an effect on Africa's economic and political development.

Djibouti

Djibouti serves as the primary case of this study because it is a country with both high external debt to China and with a large Chinese presence in-country. As of 2018, Djibouti owes 68% of its external debt to China, the highest of any country in Africa (Jubilee Debt Campaign, 2018). In 2017 China opened in Djibouti its first foreign military base, greatly expanding China's power projection capabilities and providing a

Figure 1

Mills Method Chart

Active Chinese Presence[2]	High Debt to China[1]: Yes	High Debt to China[1]: No
Yes	Djibouti	South Africa
No	Zambia	Egypt

1. Countries with >25% of external debt owed to China
2. Countries with projects actively being developed/acquired by China

key strategic location to oversee trade routes developed by the Belt and Road Initiative.

Zambia

Zambia is a country with high debt to China but also a country that is resisting a large Chinese presence in the country. After defaulting on a loan to finance the country's electrical company ZESCO, China stepped in with the intent to take over the company. The Zambian government objected and is currently seeking other options to repay the loan and resolve the dispute.(Chutel, 2018). Zambia has also seen an increase in resistance to Chinese presence from its citizens, and politicians have begun running on an "anti-China" platform (Jalloh, 2019).

Egypt

Egypt has recently seen a significant investment of $4.5 billion from China to help construct the country's new capital "New Cairo", (Lewis & Abdellah, 2019) despite this Egypt isn't experiencing high debt risk to China and has no major Chinese presence making it a perfect case of a country with low Chinese presence and little debt (Santander Trade Markets, 2020). However, Egypt has put construction of its new capital on hold as the country faces trouble financing the ambitious build as well as fears they would be unable to repay China's loans (Youness, 2020). Egypt is currently looking for new options to finance the project, looking to proactively avoid falling into significant debt to China.

South Africa

South Africa does not have a significant debt-load owed to China but it does have a larger Chinese presence than other African countries. This larger Chinese presence is mostly due to South Africa's involvement in the BRICS economic grouping (Brazil, Russia, India, China and South Africa) combined with Belt and Road Initiative projects. Also, China is currently South Africa's largest trading partner with over $60 billion in annual trade between the two countries (Santander Trade Markets, 2020). Over 140 Chinese companies operate in South Africa (Yansong, 2016).

Case Discussion and Conclusion

China is using debt-trap diplomacy to leverage and increase its sphere of influence in Africa. The construction of the People's Liberation Army Support Base in Djibouti near the mouth of the Red Sea is a clear example of China's increasing influence over key trade routes. Some countries have seen control of key elements of national infrastructure threatened. In Zambia's example its increasing debt has called into question the ownership of the countries electrical company. Chinese-funded projects are a double-edged sword and in some cases may represent a threat to the many African nations partnering with China. Many countries China has loaned money to are now in debt-distress and are making strategic concessions by handing over control of projects or by allowing a direct Chinese presence through government and military. In cases like Egypt and Zambia, they are actively trying to find any way out of previous deals with China to avoid the sovereign compromises made by countries like Djibouti. Worryingly, Chinese investment in Africa continues to grow exponentially and most of it is debt-financed. It should be noted that a majority of this analysis comes from unofficial figures. Chinese development activity in Africa is a relatively new phenomenon and the secretive Chinese government makes obtaining official and verifiable figures nearly impossible. If figures could be obtained from the Chinese government it is unlikely such figures would be accurate. Despite this, unofficial figures used in this study were obtained from recognized and accredited international institutions, journals and local African publications and provide the most accurate data available on Chinese investment and related activities in Africa. China's increasing influence in Africa is still nascent but as China's strategy in Africa becomes more clear, it is concerning that many African countries joining the Belt and Road Initiative risk becoming indentured to China for a long-term. The coming decade will test the strength of China's new trade and investment strategies in Africa. It will be up to the rest of the world to respond.

Author Note

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