The Conditionalities of Loans and Development: China and its Opportunistic Approach in Africa

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Abstract: This paper endeavors to explain the consequences of Chinese economic invasion of the African continent. It seeks to answer whether Chinese loans and financial deals are purely out of goodwill or a well-orchestrated plan to establish dominance over Africa and disregard the sovereignty of African nations. The paper critically analyzes the elements involved in the financial deals involving China and aid receiving African countries to understand the true intentions of the Chinese as far as their financial aid is concerned. The paper suggests that China is taking advantage of Africa's poor leadership to establish control over the continent's unstable economy and render individual countries indebted to her for generations to come. African leaders are encouraged to analyze the terms and conditions surrounding Chinese loans and associated economic deals to determine whether it benefits Africans or gives China an unmonitored opportunity to plunder the continent of its resources.

Keywords: China, African Countries,

Loans, poor leadership, opportunity

I. INTRODUCTION

China's involvement with Africa can be traced back to the 1950s just as African countries were breaking free from western colonial dominance. During this time, China's support of African countries was motivated by their need to popularize their political ideologies beyond their Asian boundaries. In the 1980s, when China established an "open up and reform policy," its exponentially increasing political and economic power and hunger for resources intensified its relations with Africa (Lönnqvist, 2008). China's rediscovery of the African continent coincided with the barely functioning economies and mismanagement in most African countries (Berhe, & Hongwu, 2013). For a long time, African countries were frustrated with the complex donor policies from the west. They perceived the availability of Chinese loans as a long-term solution to their failing economies and dilapidated infrastructure (Taylor, 2009). Despite the infrastructural improvements that China has invested in, it is evident that African countries do not understand the scope or consequences of Chinese aid, whether in the form of loans or Memorandums of Understanding. Currently, the East African region has seen an upsurge of Chinese investment projects, most of which have long-term detrimental effects on the economies of these countries.

The paper seeks to examine the Chinese loans in Djibouti, which are currently beyond the country's GDP, an indication of potential disaster. It will also critically assess the Memorandum of Understanding signed by China and Somalia and is presently threatening marine life as well as the livelihood of Somalia fishermen. The paper demonstrates how Chinese loans and financial deals are debt-traps that should be analyzed thoroughly before acceptance.

Today, Africa is the largest recipient of Chinese aid, receiving 44% of the Chinese annual aid flow (Lönnqvist, 2008). An estimated $500 million to $1 billion is distributed across different African countries each year. The exact volume of Chinese aid remains unclear because it is administered in conjunction with investment and export promotion. Between 2000 and 2011, Chinese investment in Africa grew from $210 million to $3.17 billion (Sun, 2014). Even as these investments continue to grow, the Chinese have been criticized for their opportunistic approach. The criticism emerges from China's opportunistic approach of the African continent, which has become a niche market to China.

Consequently, China has grabbed every investment opportunity available while ignoring the state of the political environment or the economic capabilities of these countries. A worrying trend of some developing nations, "biting more than they can chew," has emerged. Such countries risk facing a period of acute economic disaster as China reaps the benefits of its investments.

II. PREDATORY LOANS IN DJIBOUTI

Djibouti is a small country near the Red Sea, with a population of approximately 958,920. Its strategic location at the crossroads of Africa and the Middle East has attracted opportunity-seeking China in an attempt to access controls to the Suez Canal and the Red Sea (York, 2019). The small country at the Horn of Africa has become a crucial element in China's Belt and Road Initiative (BRI), a multi-million trade plan aiming to build modern infrastructure to connect more than 68 countries to China's trade routes.

From warehouses, railway terminals to secretive military bases, China's influence on Djibouti can be felt everywhere within the country. A study by the Center for Global development revealed that China had invested nearly $1.4 billion in Djibouti's major infrastructural projects resulting in a significant increase in the country's external debts (York, 2019). Such investments are foundations for steep prices of rising debts, weakened sovereignty, and the possibility of significant asset losses if the loans default. An estimation by the International Monetary Fund revealed that Djibouti's guaranteed debt had risen to 104% of its GDP, and most of it is owed to Beijing (York, 2019).

Djibouti is one of the eight countries globally, whose rising debt from the Chinese BRI project is raising international concerns because of the increasing risk of debt distress. Notably, the Chinese sponsored projects in Djibouti continue to provide employment opportunities to the Chinese rather than the Djiboutians. For instance, in the railway project, the Chinese hired Chinese nationals to complete the project and manage the train terminal upon completion. As if this were not enough, Chinese projects bear overwhelming symbols of the Chinese rather than the Djiboutian culture, a clear indication that the driving force behind these development projects is geopolitical power and influence (Richardson, 2010).

The Djibouti situation is an echo of the Sri Lanka-China pact which in 2017 saw Sri Lanka lease its famous Hambantota Port to China for 99 years to pay back a defaulted debt. Djibouti, just like Sri-Lanka, is slowly sinking into a debt-trap that may potentially lead to a loss of sovereignty over some of its territory. Western countries like the United States have constantly accused China of its debt trapping strategy which potentially renders aid recipients captive to Beijing's wishes. Financial experts have also warned that the country is falling into a financial trap, which might keep it economically dependent on the Chinese for a long time.

III. FISHING DEAL IN SOMALIA

Somalia has the longest coastline in Africa, covering about 3,333 km with a width of 200 nautical miles (The Federal Republic of Somalia Ministry of Fisheries and Marine Resources, 1985). In 2018, the Somalia government signed a Memorandum of Understanding with China Overseas Fisheries Association (Mumin, 2019). The MOU allowed 31 Chinese longline vessels to fish for "tuna and tuna-like species" for one year, a deal that would be automatically renewed each year. The Chinese boats would be permitted to fish 24 nautical miles from the Somali shores. The MOU had terms and conditions which were more beneficial to the Chinese than the Somali. For instance, it did not categorically highlight the need for regular monitoring of the Chinese vessels. There was also an overall lack of transparency or communication, which caused confusion over the nature of fishing practices. Since the MOU does not give provisions for monitoring the extent of Chinese fishing practices by the Ministry of Fisheries, it is a violation of Article 26 of the Somali Fisheries Law which states, "whoever is involved in fishing activities may be subjected to inspection or control whenever necessary" (The Federal Republic of Somalia Ministry of Fisheries and Marine Resources, 1985). Importantly, the fishing pact between China and Nigeria has rendered many Nigerian fishermen unemployed because of the extreme overfishing practices of the Chinese (Richardson, 2010).

IV. STANDARD GAUGE RAILWAY IN KENYA

The Chinese share of the Kenyan national debt has been escalating in the last five years. Today, the debt stands at $5 billion, a fivefold increase in just five years. China persuaded the Kenyan government to build a 485-kilometer railway between its capital Nairobi and the coastal city of Mombasa. The project was estimated to be worth $4 billion and was regarded one of the most expensive in the entire continent. Since most construction work was done by the Chinese, the project was of little economic benefit to Kenya. Today, Kenya is saddled with a $ 3.2 billion debt to China despite the railways project making more losses than profits. The railway is still run fully by the Chinese and has employed very few Kenyans in some of the lowest positions, leaving the lucrative top positions for the Chinese. The Kenyan independent media reported that defaulting the loan would mean China seizes major Kenyan assets including the Port of Mombasa, one of Kenya’s economic strongholds.

African countries with abundant natural resources like Zambia, Angola, and the Democratic Republic of Congo or those with strategically critical infrastructure are the most vulnerable and risk losing important national assets should they default on Chinese loans. Such countries must religiously commit to examining the terms and conditions surrounding Chinese aid before entering any agreement.

V. CONCLUSION

This essay contextualized the elements surrounding Chinese investment in Africa and how such investment is detrimental to the current and future economic stability of African countries. Primarily, the essay demonstrated how Chinese loans to African countries have political strings attached to them and are more beneficial to China than Africa. The main argument for the opportunistic association between China and African countries is that the Chinese are using poor governance in Africa to exert dominance through neo-colonial practices packaged as developmental aid. They are leading developing countries to economic suicide and weakening their sovereignty. The essay highlighted the current state of Djibouti's debt, which is far beyond its GDP. It also highlighted the fishing MOU signed between China and Somali, which surrendered part of Somalis waters to the Chinese without the slightest intention to monitor their fishing practices. Ultimately, these investment deals take more from recipient countries as they benefit China's already booming economy. The paper concludes that African countries need to critically analyze the terms and conditions of the financial aid available to them to determine their benefits or lack thereof

VI. RECOMMENDATIONS

- African countries should realize that China is more of an enemy than a friend. They should also accept responsibility for African problems to which they need to find a permanent solution.
- Poor leadership is the primary cause of Africa’s problems. The responsibility of selecting good leaders who can steer the continent towards the right direction rests on the shoulders of the African people.
- African countries should come together to identify and fight against the threat emanating from China.
- African countries should negotiate with the Chinese as one entity rather than individual countries. This has the potential to limit exploitative tendencies of the Chinese.
- The solution to curbing China’s opportunistic tendencies lies in a fair China-Africa Trade. By 2018 this trade was valued at $185 billion up from $155 billion recorded just one year earlier. Instead of establishing themselves as aid-recipients, African countries should establish themselves as valuable trade partner’s indispensable to the Chinese.

VII. REFERENCES

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