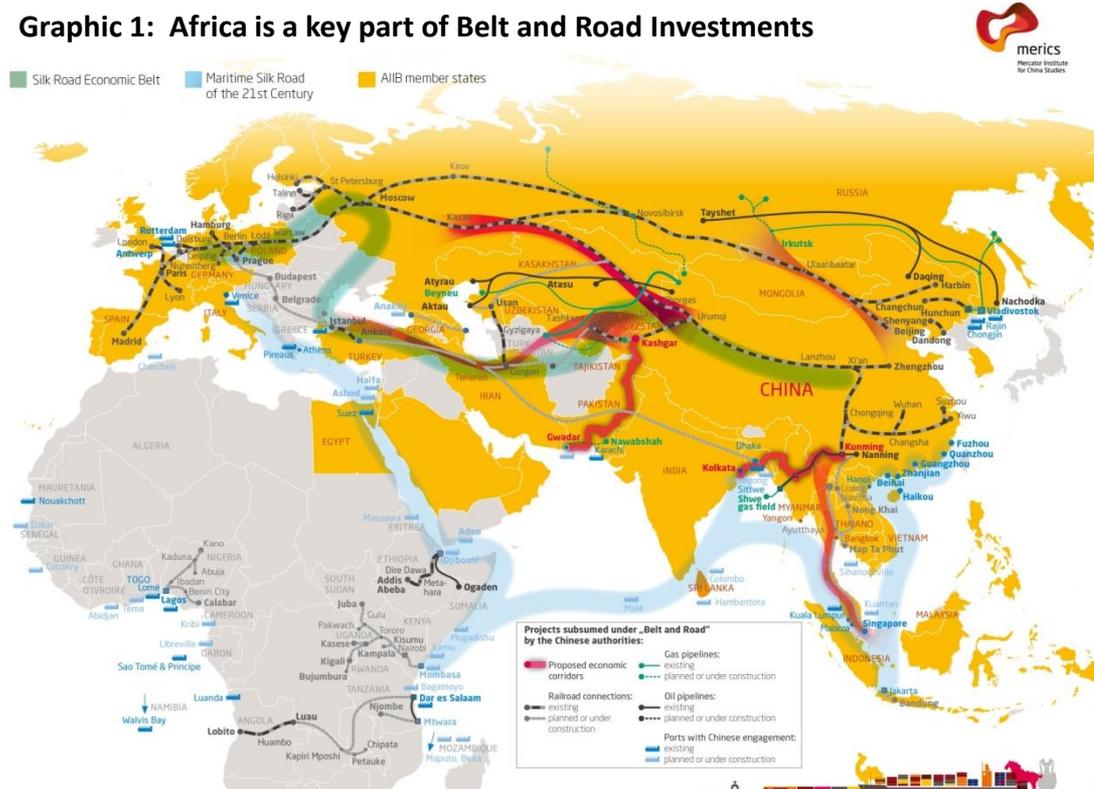


Africa and China: Still Geographically Distant, Yet Increasingly Linked through the Belt and Road Initiative

Graphic 1: Africa is a key part of Belt and Road Investments



Past, Present and Future of African-Asian Relations
University of Neuchâtel,
Switzerland

April 26, 2019

W. Travis Selmier II
Indiana University

Tel: (812) 369-4246

wselmier@indiana.edu

Overview

“Looking at space, the West (especially European countries) is only separated from Africa by the Mediterranean Sea. European scholars of Africa I am acquainted with make casual remarks about going to conduct research in Africa as if doing so were as easy as taking a stroll through your backyard.

In contrast, a vast distance separates China and Africa. “ Wenping He (2010)

This paper integrates:

- historical perspectives,
- Sub-Saharan [SSA] financial flow data, and
- four country cases from West, Southern, Eastern and Northeastern SSA [*Guinea, Angola, Tanzania, Ethiopia*]
- to consider political economy of inward Chinese investments into SSA... in particular the effects of the Belt and Road Initiative [BRI].



Sino-African Historical Context *[in 1 slide]*

... it is scarcely an exaggeration to say that the Chinese viewed the far southwestern fringe of their oecumene through Arabo-Persian spectacles...

Wheatley, 1975

Chinese ...are a continental people, not a maritime one.

Wang, 2013

- Three historical parallels in Sino-African relationships:
 1. each side suffered from exploitive colonization;
 2. each side tended to look toward the land rather than to extensive seagoing.
 3. each side sought out development paths with a minimum of foreign, asymmetric influence – each has concerns about imperial domination.

China's main African Goals

	<i>George Yu's view of 1960-70's</i>	<i>Present Day</i>
1	Third World offered China an arena in which to achieve its political/ideological objectives.	
2	International recognition of China [then, as the sole government by eclipsing Taiwan]	International recognition as top Developing Nation political leader.
3	The Sino-Soviet conflict [to be recognized as the leader of the non-US world]	In BRI projects in Central Asia, Africa & elsewhere, China is attempting to eclipse Russian.. . and US ... influence

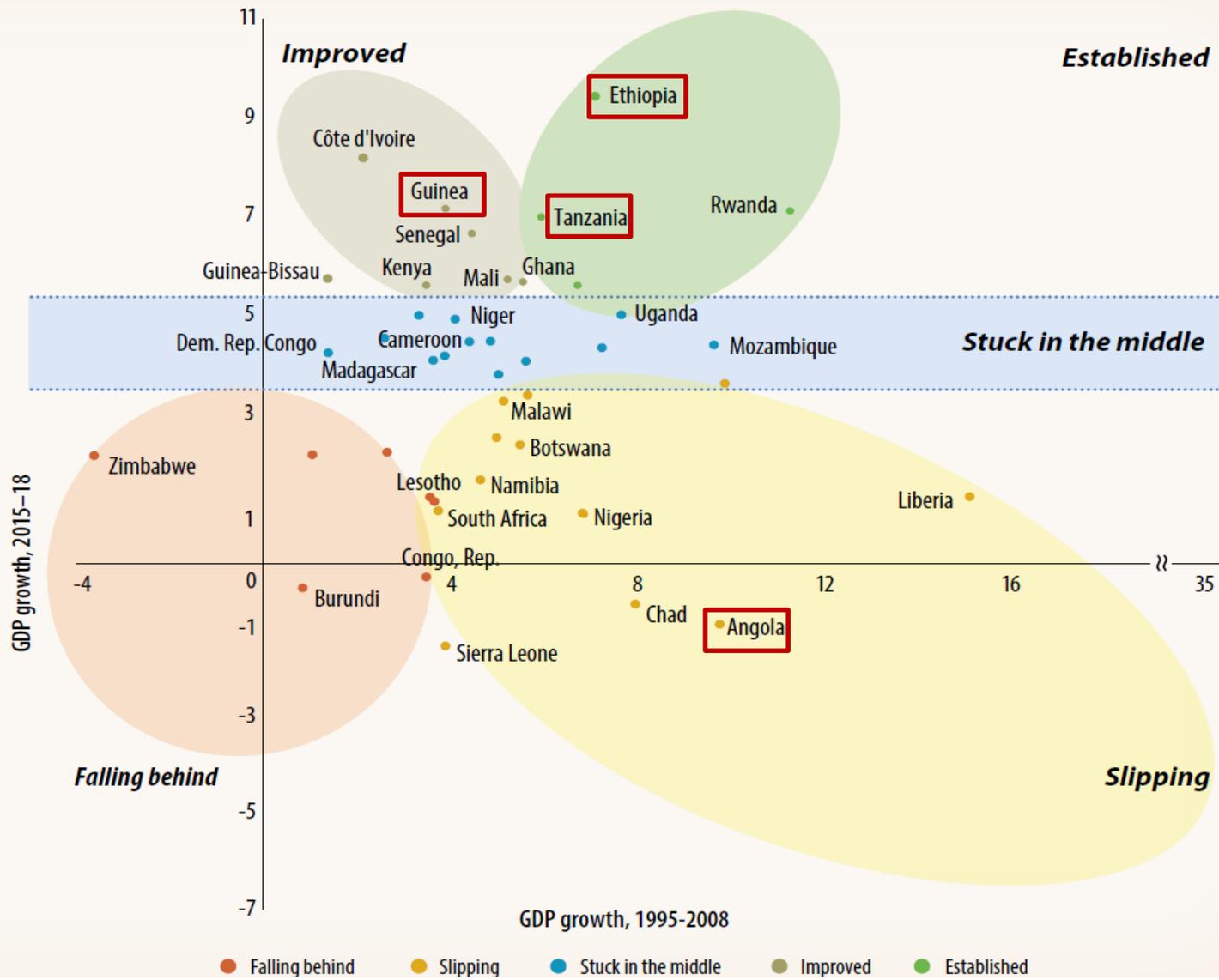
Table 1A: Global Regional Percentages of Inward FDI

	1990-93	1994-97	1998-01	2002-05	2006-09	2010-13	2014-17
Europe	48.5%	38.8%	52.0%	47.4%	38.5%	32.6%	28.9%
Developed Economies <i>[less Europe]</i>	28.2%	28.9%	31.9%	18.9%	24.1%	23.1%	29.7%
East Asia <i>[less Japan]</i>	10.1%	16.0%	9.5%	14.2%	11.0%	15.8%	18.1%
SE & South Asia	8.4%	10.0%	3.2%	6.5%	6.7%	10.5%	11.4%
Transition economies	0.7%	1.6%	0.8%	3.3%	5.6%	5.3%	3.3%
North Africa & Mid East	2.0%	1.6%	0.8%	4.2%	6.6%	4.7%	2.8%
Sub-Saharan Africa	1.4%	1.6%	1.0%	2.0%	2.0%	2.6%	2.5%
LatAmerica & Caribbean	0.7%	1.6%	0.8%	3.3%	5.6%	5.3%	3.3%
Total: World	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Inward SSA investment has shifted in 3 ways over the last 15 years

	<i>Global Macroeconomic Shifts</i>	<i>China as an important factor</i>
1	commodity super cycle peaked and plummeted.	Chinese demand for base metals grew from 12% to 50% of global demand, 2002- 15
2	“Global Financial Crisis” (the GFC , 2007-9) & European sovereign debt crisis (2011–12)	China [initially] successfully attempts to counteract GFC , boosting commodity demand and providing liquidity to Chinese firms expanding into SSA
3	FDI shrank in relative terms compared with inflows from portfolio investment and “other investment” (cross-border lending)	Growth in Chinese lending into SSA [China’s share of inward-SSA financial flows constitutes ~5% of FDI, but 15% of total credit extended.

Mapping Sub-Saharan African Growth



Ethiopia, Angola, Guinea and Tanzania *in Geographic Perspective*



Sources: Google Maps; author's highlighting and additions.

Demographic and Economic Comparison of Ethiopia, Angola, Guinea and Tanzania

	Ethiopia	Angola	Guinea	Tanzania
Region of Africa	Northeast	South	West	East
Area [1000 sq-km]	1,104	1,246	246	947
Coastline [km]	0	1,600	320	1,424
Population [mill, <i>rank among 238</i>]	108.4 [12 th]	30.4 [45 th]	11.9 [75 th]	55.5 [25 th]
urban population	20.8%	65.5%	36.1%	33.8%
Literacy [total population]	49.1%*	71.1%	30.4%	77.9%*

Economic Overview (2017 estimates)

GDP (PPP, in USD billions)	\$200.6	\$193.6	\$30.0	\$162.5
GDP - real growth rate	10.9%	-2.5%	8.2%	6%
GDP - per capita (PPP)	\$2,200	\$6,800	\$2,200	\$3,200
GINI Index	33 (2011)	42.7 (2008)	39.4 (2007)	37.6 (2007)
Freedom ranking [0-100, <i>ascending</i>]	12	26	41	52
Colonial Relationships	none	Portugal	France	Germany, England

Sources: from CIA Handbook (2018) except Freedom ranking from Freedom House. All figures are 2018 estimates unless noted. Notes: * 2015 estimate

Guinea : “FoC”;
heavily resource-oriented; history of corruption; very poor

Angola: long civil war;
heavily resource-oriented [14th in global oil production]; history of corruption



Ethiopia: “the hub”; mixed economy; resource-poor; populous, connected; land-locked; tense inter-tribal relations

Tanzania: “FoC”; mixed economy; resource-oriented; prime location; well-governed

Ethiopia: “the hub”

- hub of African political and economic discussion - African Union, UNDP-Africa and United Nations Economic Commission for Africa.
- Shares many similarities with China:
 - regional powers for millennia, never colonized [completely], monarchies ultimately fell to left-wing, military parties; “desperately poor until recent spurts of economic growth” (*Kaplan, 2018*).
 - hinterlands far from ocean access;
 - complex ethnographic makeup [common to other African states],
 - modern emphasis on agricultural development, and
 - re-emergence of their status as hubs of political and economic activity.
- Significant inward Chinese investment from entrepreneurs, SOEs and Government-linked entities across range of industries.
- Massive political & airport hub [*location*³]; rapid, sustainable growth; good human capital [*note large diaspora*] but...
 - “high risk of debt distress”;
 - increasing business competition across a range of service and manufacturing industries, including air transportation;
 - domestic & regional security issues.

Angola: “the reconstruction project”

- Oil economy with all the problems.
 - 14th ranked in world exports; half exported to China, unrefined; half of GDP.
 - Civil war ended in kleptocratic government of José Eduardo dos Santos [*daughter is the richest woman in Africa*]
 - Oil-for-loans-for-weapons deals shifted toward oil-for-loans-for-development arrangements – but many deals overpriced, corrupt
 - Angola’s debts rocketed to USD 44 bill, half of this to China.
- “Angola now faces a reverse democratization process: the comeback of a de facto one-party system that emulates the Chinese model but without the basic human development that China provides to its own.” Marques de Morais (in 2011)
- Enter Sam Pa [*shadowy arms merchant, ties to China’s security forces, long-time Africa hand*]
 - China International Fund & related companies have complex and purposefully-convoluted corporate structures, HK-based. Lets call them the “Queensway Syndicate”;
 - Formed China Sonangol International with the President of the Angolan state oil company Sonangol to lend money & take oil in payment for immediate sale onto Chinese oil SOEs → **huge spreads**
 - Took this model [lend to fragile SSA countries , repaid in resources] on the road .

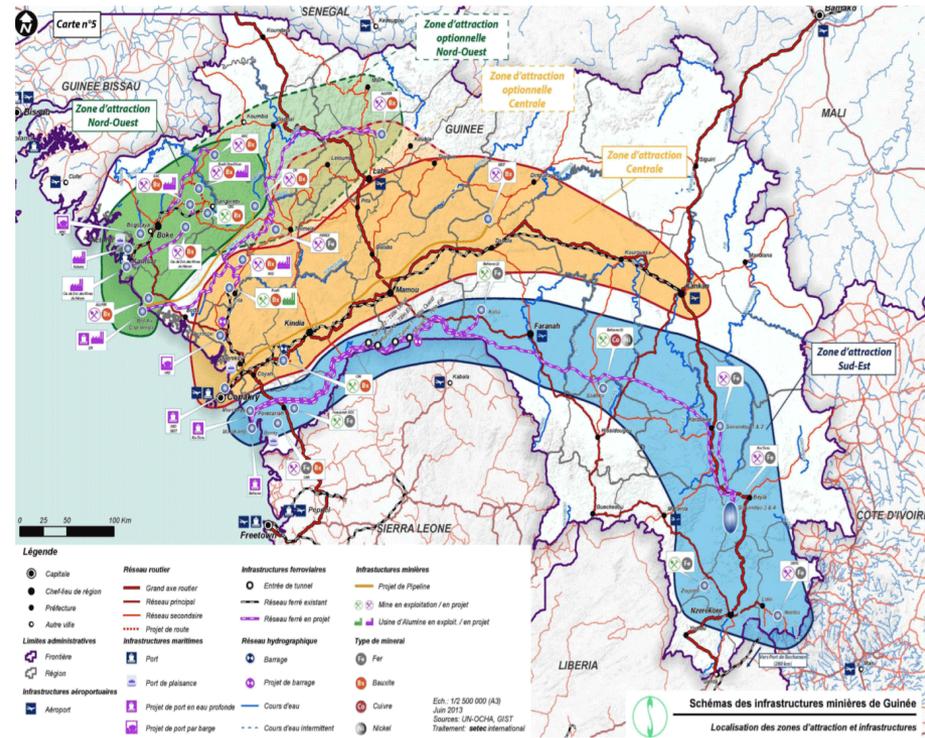
Brent Crude Price and Angolan Crude Production



Source: EIA

Guinea: “the problem child”

- A sad history of exploitation and unfulfilled promises to its people, Guinea, long-time friend of China, was seen as China’s gateway to West Africa.
- Incredible Resources:
 - One-third of world bauxite reserves [green corridor]; perhaps the richest iron resource in the world [blue corridor];
 - But there a history of exploitation and access-for-sale



Source: Symposium Mines Guinea-2017

- Enter Sam Pa [again]
 - death of corrupt President Conté in late 2009 led within hours to a coup d'état.
 - Ostracized from international lenders, the junta turned to Sam Pa
 - The Queensway Syndicate wrote a contract giving them exclusive rights to most of the Guinean formal economy.
- Shortly after President Condé was elected in December, 2010, the deal unraveled.

Tanzania: “the old friend”

Tanzania developed one of the closest and most consistent relationships of all African countries with the PRC Shinn & Eisenman, 2012: 259

- Tanzanian-Chinese connections Past:
 - TANZARA railway;
 - Training ground for liberation groups; tight ties between PLA & TZ military;
 - Similarities between *ujamaa* – socialism applied in African contexts – and MLD thought [*But how do Xi Jinping Thought and TZ Thought jive?*].
- And Connections Present:
 - History of co-development extends to industry, mining and construction;
 - Decoupling of BRI, BRI financing & construction projects [i.e., Mtwara Port]

TZ stands on its own...

- Showed Sam Pa the door in quick time;
- President John Magufuli refusing to do international travel [*“build hospitals”*];
- Pushback on the \$3 billion joint venture to develop the Mchuchuma coal and Liganga iron ore fields [*Sichuan Hongda Group*].

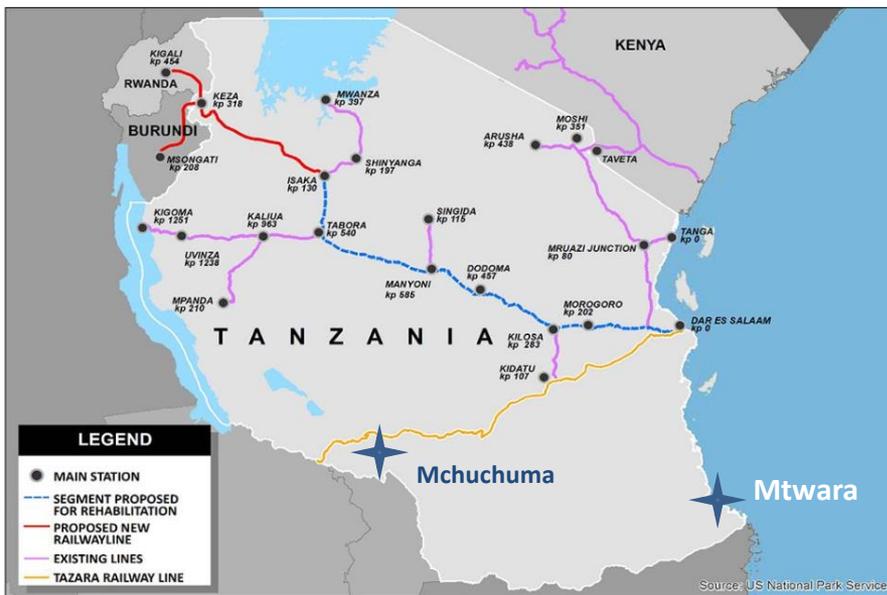


Table 4: **Cases from a Chinese Perspective**

	<i>Funded Rebels</i>	<i>Old Friends</i>	<i>Increasing population</i> <i>toward</i> <i>upper left</i>
East Coast <i>[proximity to China]</i>	Ethiopia	Tanzania	
Resource State [& West Coast]	Angola	Guinea	

Summary

- Four dimensions: geographic, demographic, economic, political [relationship with China + “stability”]
- Insufficient N to test all dimensions and the hypotheses which may result, but we can make some preliminary statements:
 - **Geography seems to matter** – closeness to China?
 - **“Stability” conditions resource curse**, but
 - **resource curse exists**, and does not seem to disappear or be ameliorated with China/Chinese participation
 - **“Friendship”** may require the active & disciplining presence of Chinese government [historical relationships?]
- What happened to Sam?
 - J.R. Mailey wrote 160-page expose, **Anatomy of the Resource Curse**, for US Defense-linked think tank in June, 2015
 - Sam Pa played a very prominent role in this report
 - Sam was arrested [by the PSB] in Beijing Hotel in October, 2015... I’ve not found any news since



- Muito obrigado
- 谢谢！
- शुक्रिया
- Большое спасибо!
- 有難う御座いました
- çok teşekkür ederim
- Merci
- Tena asante

Table 1B: Global Regional Inward FDI [*USD millions*]

	1990-93	1994-97	1998-01	2002-05	2006-09	2010-13	2014-17
Europe	337,708	511,448	1,878,833	1,243,805	2,258,135	1,787,388	1,768,372
Developed Economies <i>minus Europe</i>	196,213	381,550	1,152,193	496,315	1,413,500	1,268,184	1,815,206
East Asia [<i>less Japan</i>]	70,242	210,964	343,582	371,910	644,781	869,236	1,109,529
SE & South Asia	58,553	131,543	114,639	171,660	395,641	577,093	700,163
Transition economies	4,885	21,078	28,483	87,541	325,574	291,737	203,459
North Africa & Middle East	14,219	20,980	30,710	109,593	386,113	255,636	169,270
Sub-Saharan Africa	9,596	21,107	36,563	52,987	115,293	145,204	152,639
Latin America & Caribbean	4,885	21,078	28,483	87,541	325,574	291,737	203,459
<i>Total: World</i>	174,076	329,937	903,372	655,338	1,466,152	1,371,554	1,530,524

Source: Author's calculations based on UNCTAD data from the *World Investment Report*, June, 2018.

Notes: **Developed Economies *minus Europe*** includes Australia, Bermuda, Canada, Israel, Japan, New Zealand, and the US. Oceania not included in World Total [Oceania 0.04 - 0.2% of total FDI/year over period]. As per UNCTAD, "Totals exclude the financial centres in the Caribbean."