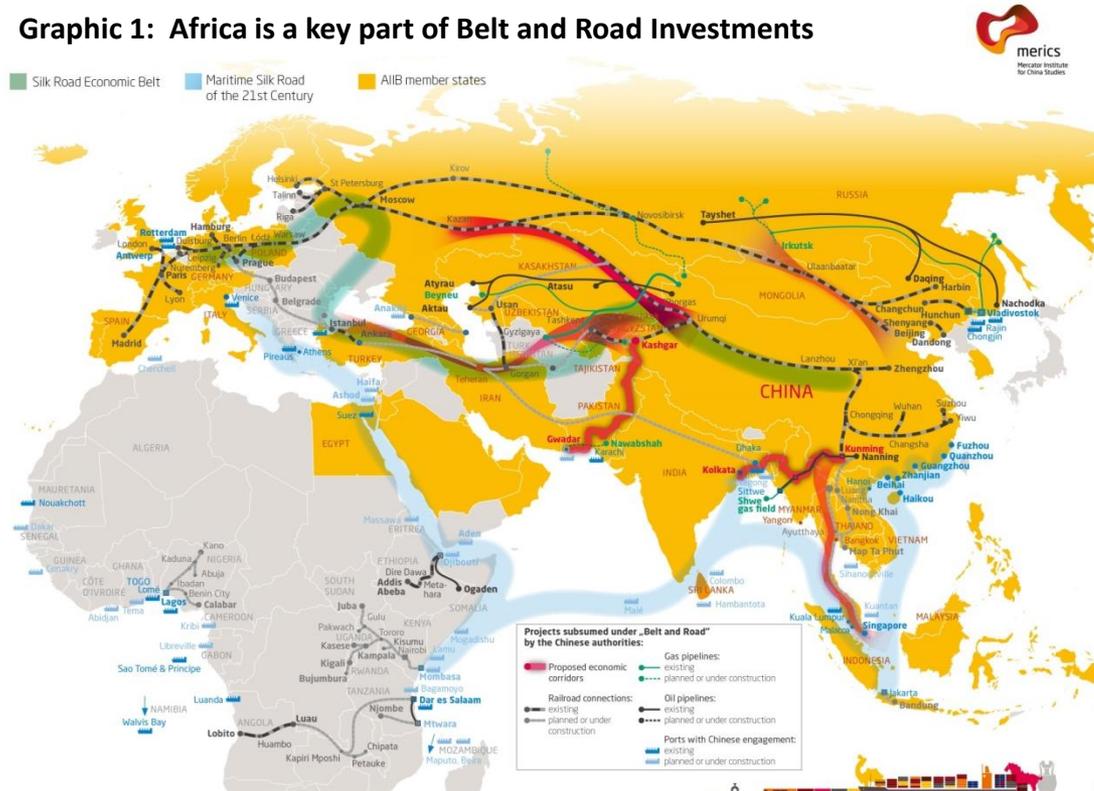


# Africa and China: Still Geographically Distant, Yet Increasingly Linked through the Belt and Road Initiative

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



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

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# 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>
<b>1</b>	Third World offered China an arena in which to achieve its political/ideological objectives.	
<b>2</b>	International recognition of China [then, as the sole government by eclipsing Taiwan]	International recognition as top Developing Nation political leader.
<b>3</b>	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

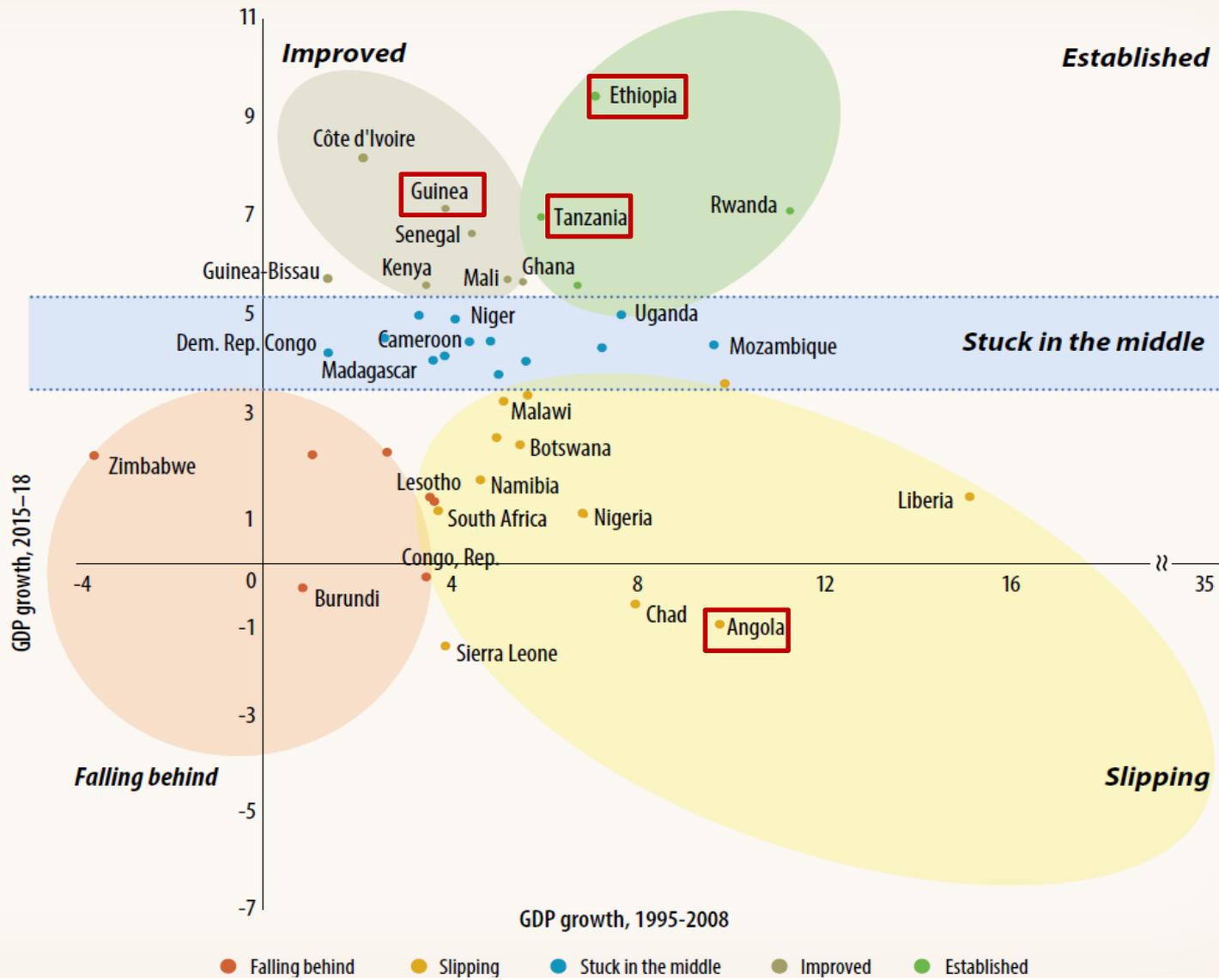
**Table 1A: Global Regional Percentages of Inward FDI**

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

	<b><i>Global Macroeconomic Shifts</i></b>	<b><i>China as an important factor</i></b>
<b>1</b>	commodity super cycle peaked and plummeted.	Chinese demand for base metals grew from 12% to 50% of global demand, 2002- 15
<b>2</b>	“Global Financial Crisis” (the <b><i>GFC</i></b> , 2007-9) & European sovereign debt crisis (2011–12)	China [initially] successfully attempts to counteract <b><i>GFC</i></b> , boosting commodity demand and providing liquidity to Chinese firms expanding into SSA
<b>3</b>	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





# 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 <sup>th</sup> ]	30.4 [45 <sup>th</sup> ]	11.9 [75 <sup>th</sup> ]	55.5 [25 <sup>th</sup> ]
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 [14<sup>th</sup> 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*<sup>3</sup>]; 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.
  - 14<sup>th</sup> 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 .

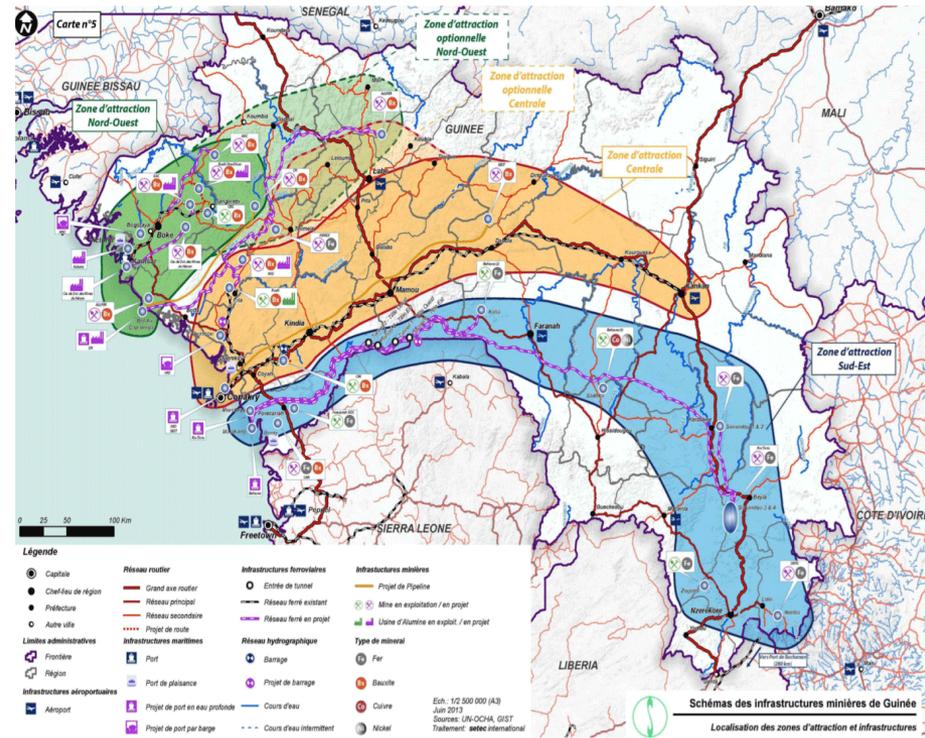
Brent Crude Price and Angolan Crude Production



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*].

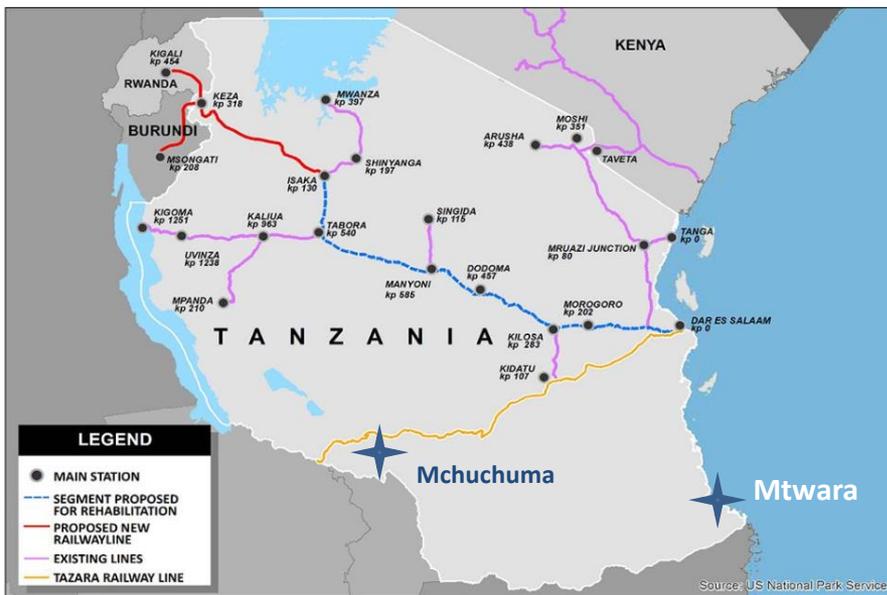


Table 4: **Cases from a Chinese Perspective**

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

# 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*]**

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

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."