研究ノート

The Belt and Road Initiative of China and Infrastructure Development in Africa

Takehiko Ochiai*

Introduction

China's 'Belt and Road Initiative (BRI)' has recently been attracting international attention. The BRI is an ambitious strategy to develop an economic sphere with China at its core, which is said to have been proposed by Xi Jinping, President of the People's Republic of China. Its origin can be traced back to President Xi's speeches: In September 2013, President Xi proposed the 'Silk Road Economic Belt (絲綢之路経済帯)' in his speech at a university in Kazakhstan and in October of the same year, he proposed the '21st Century Maritime Silk Road (21世紀海上絲綢之路)' in his speech delivered at the

---

This article is the revised English version of the author's following Japanese essay: Ochiai, Takehiko (2018) "Chugoku no 'ittai ichiro' koso to afurika no infurasutorakucha: Deta kara yomitoku", in Reserch Institute for Peace and Security (ed.) *Nenpo asia no anzenhosho 2018-2019*, Asagumoshinbunsha, pp. 24-31. The author would like to thank the Editorial Board of *Ryukoku Law Review* for allowing the English version of the essay to be published in the journal.

* Professor in International Relations and African Politics, and Dean of the Faculty of Law, Ryukoku University, Kyoto, Japan.
E-mail: ochiai@law.ryukoku.ac.jp

Indonesian parliament. After these speeches, the idea of 'One Belt, One Road' was formed by combining the land-based 'Silk Road Economic Belt' ('One Belt'), which connects China to Europe via Central Asia and Russia, and the 'Maritime Silk Road' ('One Road'), which connects China to Europe via the South China Sea, Southeast Asia, the Indian Ocean, and Africa. In English language media, 'One Belt, One Road (OBOR)' is often used but the Chinese government's official English translation is the Belt and Road Initiative (BRI).

According to the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road*, a foundational document published by the Chinese government in March 2015, the aim of the BRI is to promote trade, investment, and industry among member states that are located alongside the land-based and maritime Silk Roads by collaboratively promoting infrastructure development and strengthening multilateral relations under the effective initiative of the Chinese government, enjoying the regional prosperity and development brought by this [The National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China 2015]. In October 2017, the 19th National Congress of the Communist Party of China officially included the BRI in the party's constitution. It is extremely rare that a specific diplomatic policy is clearly written in the Constitution of the Communist Party of China, and this suggests that China will energetically promote the BRI as a national policy in the near future.

Initially, Africa was not given much prominence in the BRI. For example, although Africa is mentioned six times in the abovementioned '*Vision and Actions*', these references are all superficial. Moreover, while the document lists many multilateral frameworks like the Asia-Pacific Economic Cooperation (APEC) and the China-Arab Cooperation Forum as examples of cooperation mechanisms to realise the initiative, there is no mention of multilateral groupings related to Africa, such as the African Union (AU) and the Forum on China-Africa Cooperation (FOCAC). Furthermore, according to a governmental research institute in China, initially, at least 64 countries were identified as the subjects of the BRI, but no African countries were included in them except Egypt.

Nevertheless, China has been paying significant attention to Africa since prior to the launch of the BRI and has been actively involved in infrastructure development in Africa by granting aid and obtaining contracts for construction work. In this regard, for the so-called 'China in Africa', China's initiatives and presence in Africa, which have seen a remarkable rise since the 2000s, have a strong affinity with the BRI, which centres on infrastructure development led by China. In fact, many of the infrastructure development projects with which China is engaged in African countries today are already promoted through their active link to the BRI, and this tendency will continue to be strengthened.

Mainly using statistical data, the current article examines three points that are related to China's BRI and infrastructure development in Africa: 1) the extent of China's presence in infrastructure development in Africa, 2) the positive perception of China among Africans, and 3) the rapid increase of African countries' external debts and their relation to infrastructure development.

1. Infrastructure development by China in Africa

The Africa Construction Trends Report, published annually by Deloitte, is a useful source of data for understanding trends in large-scale construction projects, including public works, in Africa. The Report's 2017 edition analyses 303 construction projects amounting to over 50 million US dollars that were initiated within a one-year period ending on 1 June 2017 [Deloitte 2017]. While these projects included private ones, such as real estate development, the majority were public works, such as infrastructure development in transport including roads, railways, ports, bridges, and airports, as well as infrastructure development for maintaining power plants, dams, etc. in the energy/power sector.

Table 1 provides an overview of the Report's 2017 edition. As the table shows, in terms of the number of projects, 93 out of 303 large-scale construction projects (30.7 per cent of the total) are taking place in Southern Africa, mainly in South Africa. However, in terms of the value of the contract, the largest amount of resources is being invested in West Africa — primarily in Nigeria — at 98.3 billion US dollars, accounting for 32 per cent of the total.

However, what we need to focus on in Table 1, above all, is the data about the sources of funding and construction contractors. As mentioned above, because many of the large-scale construction projects in Africa are public works centring on infrastructure, the

Table 1. Large-scale Construction Projects in Africa (Broken ground between 2 June 2016 and 1 June 2017)

Sub-region	Number of projects	Value of projects [US$ billions]	Projects by sector	Who funds?	Who builds?
East Africa	71 (23.4%)	32.6 (10.6%)	Transport: 52% Energy & Power: 23% Real Estate: 14%	China: 25.4% International DFIs: 19.7% African DFIs: 16.9%	China: 53.5% Private Domestic: 11.3%
Southern Africa	93 (30.7%)	89.7 (29.2%)	Real Estate: 29% Energy & Power: 25% Transport: 23%	Government: 32.3% Private Domestic: 25.8% China: 8.6% International DFIs: 8.6%	Private Domestic: 30.1% China: 18.3%
Central Africa	20 (6.6%)	9.8 (3.2%)	Transport: 30% Energy & Power: 20% Real Estate: 15% Mining: 15%	China: 35% International DFIs: 20% Private Domestic: 10%	China: 50% Private Domestic: 15%
West Africa	79 (26.1%)	98.3 (32.0%)	Transport: 43% Real Estate: 19% Energy & Power: 13%	Government: 32.9% China: 16.5% African DFIs: 12.7%	China: 22.8% Private Domestic: 21.5%
North Africa	40 (13.2%)	77.1 (25.1%)	Real Estate: 33% Transport: 28% Energy & Power: 12% Oil & Gas: 12%	Government: 35% Private Domestic: 20% International DFIs: 17.5%	Private Domestic: 27.5% France, Italy, and US: 10% each China: 5%
Total	303 (100%)	307.5 (100%)	Transport: 36% Real Estate: 22.4% Energy & Power: 19.1%	Government: 27.1% China: 15.5% Private Domestic: 14.5% International DFIs: 13.2%	China: 28.1% Private Domestic: 22.1%

Source: Deloitte [2017].

largest source of funding is from governments, and 82 out of 303 projects (27.1 per cent) have African governments as the main funders. Following government, China is the second largest source of funding and provides major funding to 47 projects (15.5 per cent). This share is higher than that of international development finance institutions (DFIs) such as the World Bank (13.2 per cent). Moreover, in Central and East Africa, China is the largest source of funding, financing 35 per cent and 25.4 per cent, respectively, of the large-scale construction projects. These projects are often financed by China's policy-tool banks such as the Export-Import Bank of China (China Exim Bank) and the China Development Bank (CDB).

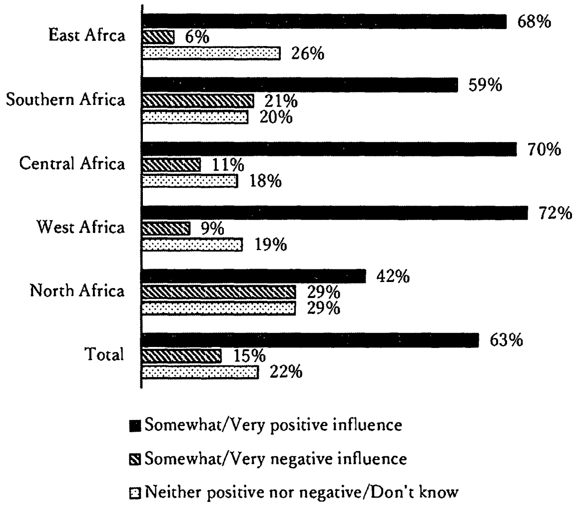
On the other hand, when we turn our attention to construction contractors, the Chinese presence becomes even stronger. Eighty-five out of 303 large-scale construction projects in all of Africa (28.1 per cent) were contracted and undertaken by Chinese companies mainly in the form of state-owned enterprises directly supervised by the State Council of the People's Republic of China and their affiliates. China today is the top builder in large-scale construction projects in Africa. Still, there is significant regional variation in construction work contracts awarded to Chinese companies. Specifically, while in East and Central Africa, Chinese companies have taken on about half of the large-scale construction projects, their share in West Africa is 22.8 per cent, while it is 18.3 per cent in Southern Africa. In North Africa, they have taken on only about 5 per cent of available contracts.

2. Africa's positive perception of Chinese contributions

To understand the perception of China among Africans, a publication entitled *China's Growing Presence in Africa Wins Largely Positive Popular Reviews*, published by Afrobarometer in 2016, is useful [Lekorwe et al. 2016]. This data was analysed from a large-scale social survey carried out that targeted about 54,000 people from 36 African countries from 2014 to 2015.

Figure 1 shows the responses to the question, 'In general, do you think that China's economic and political influence on the country is mostly positive, mostly negative, or you haven't heard enough to

Figure 1. Is China's Economic and Political Influence Positive or Negative?



Source: Lekorwe et al. [2016: 16].

say?'. As the figure shows, 63 per cent of the respondents from Africa as a whole evaluated China's influence as somewhat positive or very positive. The percentages of positive views were highest in West Africa (72 per cent), Central Africa (70 per cent), and East Africa (68 per cent); in contrast, Southern Africa (59 per cent) and North Africa (42 per cent) showed figures that were lower than the average. As for why the Chinese influence was seen as positive, the answer chosen by the largest number of respondents was 'China's investment in infrastructure or other development', which accounted for 32 per cent of all respondents' answers. Partly because there are few political or security concerns between Africa and China, it can be said that African people have formed a positive impression of China overall, who make visible contributions to continent by developing local infrastructure.

On the other hand, Table 2 summarises the responses to the question, 'In your opinion, which of the following countries, if any, would be the best model for the future development of your country?'. The proportion of the respondents who perceived China as the best developmental model for their country was as much as 25 per cent, which was second only to the US (30 per cent). What requires special attention, however, is the relation of socio-demographic attributes of those who chose China as the best developmental model and those who chose former colonial powers such as the UK and France. Those respondents who saw former colonial powers as the best model tended to live in rural areas rather than urban areas, had lower levels of educational achievement, and were older in age. The respondents who chose China as the best model showed opposite tendencies. Those respondents who regarded China as the best developmental model tended to be from urban areas with high levels of educational achievement and were younger, a profile similar to those who regarded the US as the best model. Recently in Africa, urbanisation is progressing rapidly, and an increasing number of young people are receiving secondary and higher education. Taking these into consideration, in the not-so-distant future, China may overtake the US as the best developmental model for people in Africa.

3. Africa's expanding external debt in recent years

Recently, as infrastructure in Africa is developed with Chinese

Table 2. Best Model for National Development

	United States	China	Former colonial power
Average	30%	25%	14%
Place of residence			
Urban	33%	26%	12%
Rural	29%	23%	15%
Education			
No formal education	26%	19%	19%
Primary	29%	23%	14%
Secondary	33%	26%	12%
Post-secondary	32%	30%	11%
Age			
18-35 years	32%	25%	13%
36-55 years	30%	25%	14%
56+ years	25%	20%	15%

Source: Lekorwe et al. [2016: 7].

funds and technology, concern has been raised about the continent's external debt problem.

In the past, financial help from the Chinese government for infrastructure development in Africa took the form of grants and interest-free loans. However, recently, the proportion of interest-bearing loans such as preferential loans in Chinese Yuan and preferential buyers' credit in US dollars by the China Exim Bank is increasing.

Malawi is a least developed country (LDC) whose debt was cancelled in 2006 as a Heavily Indebted Poor Country (HIPC). Suppose Japan is to provide a loan (in Yen) to Malawi, a set of preferential conditions — an annual interest rate of 0.01 per cent, repayment period of 40 years, and deferment period of 10 years — would be applied. However, Malawi, having severed its diplomatic relationship with Taiwan to replace it with a diplomatic relationship with China in 2007, has received loans from China to build infrastructure including an international conference centre and a hotel. The terms of financing are an annual interest rate of 2 per cent and repayment period of 20 years [Kobayashi 2014: 51]. While they are far more preferential than the commercial loans, loans from the Chinese government are not necessarily very concessional. As seen in the case in which interest-bearing loans were offered to Malawi, which had just had its debts cancelled by international financial institutions and major donors, China sometimes offers loans without fully considering the borrower's ability to repay. Consequently, Chinese loans could increase Africa's debt burden more than necessary.

Kenya and Ethiopia, both in East Africa, are two countries that recently borrowed a large sum of money from China for large-scale infrastructure development projects such as building railways. Table 3 summarises the changes in the debt-related indices of Kenya and Ethiopia based on data from the World Bank's *International Debt Statistics* [World Bank Group 2018]. As the table shows, compared to the 2008 figures, the external debt stocks of 2016 have expanded 2.9 times in the case of Kenya and 7.9 times in the case of Ethiopia. The external debt stock to exports (balance of external debt divided by annual exports) shows that in 2016, the figure for sub-Saharan Africa was 137.1 per cent, whereas Kenya was 212.2 per cent and Ethiopia was 389.6 per cent. It is held that when the external debt stock to exports, an index that shows how much of an external debt can be repaid by exports, exceeds 250 per

Table 3. Debt Statistics of Kenya and Ethiopia

US$ millions, unless otherwise indicated	2008	2016
Sub-Saharan Africa (excluding high income)		
External debt stocks	227,519.2	453,950.2
Foreign direct investment (FDI)	31,565.1	27,171.1
Gross National Income (GNI)	964,244.6	1,422,503.8
External debt stock to exports	56.0%	137.1%
Debt service to exports	4.6%	11.6%
Kenya		
External debt stocks	7,659.4	22,325.0
Foreign direct investment (FDI)	22.8	394.0
Gross National Income (GNI)	35,863.5	69,845.1
External debt stock to exports	90.5%	212.2%
Debt service to exports	4.9%	10.6%
Ethiopia		
External debt stocks	2,904.3	23,063.0
Foreign direct investment (FDI)	108.5	3,196.4
Gross National Income (GNI)	27,086.9	72,120.8
External debt stock to exports	82.2%	389.6%
Debt service to exports	3.1%	21%

Source: World Bank Group [2018].

cent, debt repayment becomes difficult. The Kenyan figure is approaching this threshold and that of Ethiopian has already exceeded it. Furthermore, the debt service to exports (repaid external debt divided by exports), is 21 per cent for Ethiopia, which is high. This means that Ethiopia must spend about one-fifth of its total annual export income to repay its debt.

Nevertheless, this does not mean that the debt problems will soon become serious in Kenya and Ethiopia or that both countries are already in a debt crisis. As it is clear when comparing other economic indices from 2008 and 2016, foreign direct investment (FDI) in Kenya and Ethiopia has seen exponential growth — by 17.3 times in the case of Kenya and 29.5 times in Ethiopia — and their respective gross national income (GNI) has also increased by 1.9 times and by 2.7 times, respectively. Ethiopia has seen remarkable economic growth as of late, overtaking Kenya in 2015 to become the largest regional economy in East Africa. However, some African countries, including Kenya and Ethiopia, have, in order to secure the necessary financial resources to build such infrastructure for economic development, have not only borrowed a lot of money from China, but have also been issuing their own bonds in foreign currencies, which is increasing concern over an increase in their external debt risks.

Conclusion

In April 2018, the Chinese government set up a new governmental agency called the State International Development Cooperation Agency (SIDCA), which centrally manages external aid policies. Chinese external aid policies have been conventionally drafted and implemented by the Department of Aid to Foreign Countries of the Ministry of Commerce (MOFCOM) in collaboration with related governmental departments and ministries including the Ministry of Foreign Affairs (MFA). It appears that the Chinese government is trying to put in place a unified management structure for aid policy-making and to increase its efficiency by setting up the SIDCA by merging various sections and departments involved in external aid in several governmental ministries. The most urgent task placed in front of the newly established SIDCA is none other than the promotion of the BRI.

On the other hand, it is estimated that about one half of Chinese external aid goes to Africa. This means that from now on, putting the Communist Party's intentions aside, at least as far as the State Council is concerned, support for infrastructure development in Africa will be pursued in a closer relationship with the BRI by the new aid policy-making institution of SIDCA, and not by MOFCOM, as has formerly been the case. We need to keep paying close attention to changes in Chinese commitment to infrastructure development in Africa, as well as the risk of increasing external debt among African countries, a phenomenon that may accompany the former.

Funding

This work was supported by the Japan Society for the Promotion of Science (JSPS) under the KAKENHI Grant Numbers 16H06318, 16H06548 and 16K21736.

References

Deloitte (2017) *A Shift to More but Less: Africa Construction Trends Report 2017* (https://www2.deloitte.com/).

Kobayashi, Shigenobu (2014) "Chugoku no tai afurika enjo (marawi no jirei)", *Gaimusho chosa geppo*, No. 2 (FY2014), pp. 37-72 (https://www.mofa.go.jp/) (in Japanese).

Lekorwe, Mogpodi, Anyway Chingwete, Mina Okuru, and Romaric Samson (2016) *China's Growing Presence in Africa Wins Largely Positive*

Popular Reviews, Afrobarometer Dispatch No.122 (http://afrobarometer.org/).

The National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China (2015) *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* (http://worldjpn.grips.ac.jp/).

World Bank Group (2018) *International Debt Statistics 2018* (http://databank.worldbank.org/).