Introduction – The Strategic Challenge

While an increasing number of people agree that the major challenge facing humanity today is global warming, the defining geo-political challenge is who will dominate the planet economically, politically and militarily in the decades to come? Will it remain a unipolar world with the United States the sole superpower, as it has been since the fall of the Soviet Union? Or will it be displaced by a rapidly emerging China seeking to dominate its closest neighbors, while replacing the West as the dominant rule-setter globally, including within multilateral institutions. Will it move from following the rules to making the rules? This is the question that scholars, policy makers and the business community are asking themselves today.

In seeking to answer the question, we need to recognize at the outset that one of this century’s defining characteristics is the unprecedented growth of the global middle class, in 2017 estimated at 3.2 billion people or 42% of the world’s population (Kharas, Brookings 2018). Nowhere has this growth been more impressive than in China where levels of absolute poverty have fallen dramatically and per capita incomes have increased at unprecedented rates. The middle class in 2002 was estimated at 4% of China’s population while in 2012 at 31% or 420 million people becoming 780 million by 2025. This will result in a growing demand for natural resources, new technologies, and the human capital needed to sustain high levels of economic growth and satisfy the expectations of an increasingly educated and interconnected population.

Failure to meet those expectations is what the Government and the Communist Party of China seek to avoid at all costs. They recognize that for their survival as the governing party, economic development, the creation of jobs, and political stability are critical. With 43% of China’s population still living in rural areas and 20% of the urban population having “hukou” status (that is, no permanent residency rights in cities), hundreds of millions find themselves in a permanent caste-like system with income inequality higher than in the USA. As “The Economist” has recently noted, the emergence of Marxist thought and protest among young people, students seeking to align themselves with China’s constitution and with the plight of workers and the indigent (“The Economist”, Feb 16, 2019), is disconcerting to the Government and underlines how vital it is for China’s economic growth to satisfy both the expectations of its growing middle class and the disenchantment of those aspiring to be part of it.

Moreover, the Party is all too familiar with the transition of their neighbor, South Korea, from a repressive dictatorship under General Park Chung-Hee during the 1960s and 70s – a regime deploying Confucian values and state-directed industrialization to ward off western-style democracy (as is the Xi Government today). This ultimately resulted in the assassination of General Park, and the replacement of his “Korean-style democracy” with a multi-party system that over time replaced central planning with a market-based economy (Halm Chaibong, “China’s future is South Korea’s present”, Foreign Affairs, Sept/Oct. 2018) that has helped to catapult South Korea into the position of one of the world’s leading economies and most robust democracies.
2 | China’s Response

It should come as no surprise, therefore, to read the decision of the “Rule of Law 4th Plenum” from the 2012 China Communist Party Congress presided over by Hu Jintao that China will “vigorously participate in the formulation of international norms … strengthen our country’s discourse, power and influence in international legal affairs, use legal methods to safeguard our country’s sovereignty, security, and development interests.” (CCP Central Committee Decision concerning some major questions … Oct 23, 2014, China Copyright and Media (Oct 30, 2014).

From this preoccupation with its “sovereignty, security” and a selective adaptation of international standards, we see in Xi Jinping’s speech to the 19th Party Congress in Oct. 2017 a more assertive policy of changing, rather than adapting to, existing western-inspired legal norms and institutional arrangements. He stated, “China champions the development of a community with a shared future for mankind and has encouraged the evolution of a global governance system. With this, we have seen a further rise in China’s international influence, ability to inspire, and shape a China that has made great new contributions to global peace and development”(Xi Jinping’s Report at the 19th CPC National Congress, China Daily, Nov. 4, 2017). Speaking in 2014 Xi asserted that China should be capable of “constructing international playgrounds and creating the rules” of the games played on them (Elizabeth Economy, “China’s New Revolution, Foreign Affairs, May/June, 2018).

3 | Projecting China’s Standards Internationally

Although the Government's past activism had been targeted primarily at China’s political and civil rights - under President Xi the activism has been extended to challenge the very political, economic and legal norms that inform international human rights rules and standards. Though China’s constitution explicitly includes the protection of human rights, and it was a signatory to the Universal Declaration of Human Rights and both the International Covenant on Economic, Social, and Cultural Rights, and the International Covenant on Political and Civil Rights in 1966, the Government has not ratified the latter and has made clear in the pursuit of “Socialism with Chinese Characteristics” that individual rights are subordinate to the collective rights embedded in economic, social and cultural rights both within China, but more ominously, in countries benefiting from a Chinese presence through aid, investment, trade and security support. Indeed, in 2012 President Xi, while giving supremacy to the constitution, stressed the supremacy of Article 1 of that same document asserting that, “Disruption of the socialist system by any organisation or individual, is prohibited.” In 2018, the constitution was amended to allow Xi to remain President for life.

With the “America First” policies of Donald Trump and his instinctive sympathy for autocrats over liberal democracies and multilateral institutions, established principles of the rule of law and the pursuit of a normative consensus on individual rights (political and civil) and on trade and commerce, are being increasingly challenged by authoritarian models of governance. China’s model – because of the country’s economic might and military potential – poses the greatest challenge. Last year’s PEW global poll in which a substantial majority of those surveyed express a preference for China’s economic model of development over the US model is an illustration. Under such conditions of increasing US unilateralism, the new-found policy assertiveness of an emboldened China has until now faced little concerted pushback from democratic states. And perhaps nowhere does this US unilateralism, combined with China’s insatiable demand for resources, have greater consequence than in Africa.

4 | Africa’s Development Needs

From the first years of this millennium, when Africa was considered by many to be a lost cause, the perspective has evolved and economists and development specialists began referring to “Africa Emerging” (Radelet, 2010) and “Africa Rising” (The Economist, 2011). Per capita economic growth rates of around 0% between 1975 and 1995 rose to 3.5% between 1996 and 2018. Last year, growth in East Africa was estimated at 5.7%, in North Africa at 4.9%, West Africa at 3.3%, Central Africa at 2.2% and Southern Africa at 1.2%. In the short term, growth in Africa’s GDP is expected to rise to 4.1% in 2020. East Africa is expected to grow at 5.9% in 2019 and 6.1 % in 2020 (African Development Bank, Economic Outlook 2019, January 2019).

Researchers have identified five principal drivers of this growth (Ingram in Besada, Managing Natural Resources for Africa’s Development, Routledge, 2017). The first was the increase in the number of democratic and accountable governments in Africa – from 1989 to 2010 there was an increase from three to twenty-three (almost half the continent). A caveat, however, is that studies suggest that in resource rich states, democracy often leads to increased corruption (Collier et al., 2010) – and African states haven’t been immune.

A second factor has been the implementation of more sensible structural and economic reform policies initiated in the 1980s and supported by the multilateral financial institutions.

A third factor consisted of the debt reduction programs begun in the 1990s, led by the World Bank and the IMF (Heavily Indebted Poor Countries Initiative – HIPC) which eased budgetary burdens on Africa’s low-income states that were able to demonstrate improved governance.

The fourth was the revolutionary spread of information technology, creating new economic opportunities for millions.

Finally, a more educated and experienced generation of leaders emerged in both the public and the private sectors (ACBF Report for 2016).

Yet this improved growth notwithstanding, Sub-Saharan Africa remains the world’s most impoverished area.
According to World Bank data, as of 2017, 21 of the 25 poorest countries on the planet were in Africa and the region remains furthest from achieving the UN Sustainable Development Goals (SDGs). Some 400 million Africans continue to live in extreme poverty and one in four is undernourished while income inequality continues to widen.

Africa’s working age population today is estimated at 705 million and is projected to be at 1 billion by 2030, therefore needing to generate 12 million new jobs annually just to contain today’s levels of unemployment. It is also estimated that GDP growth will need to reach a minimum of 6.9% annually in order to absorb this number of new entrants into the labor force. With the planet’s fastest growing youth cohort, and the prospect of global warming having negative consequences for health, agricultural production, and the “push factors” that accelerate migration, it is clear that investment, trade and official development assistance (ODA) need to focus much more on improving the quality and composition of economic growth, rather than just the rates of growth.

A positive sign over the past five years is the decline of consumption as a contributor to Africa’s GDP – from 55% in 2015 to 48% in 2018, while investment’s contribution rose from 14% to 48% during that same period (African Development Bank, “African Economic Outlook 2019”). In addition, exports since 2014 have made a positive contribution to growth. For these trends to be sustained, however, it is critical that there be increased financing for infrastructure, education, human capital development, and job creation (Youth unemployment in Nigeria, Ethiopia, South Africa etc. remains in excess of 38%).

5 | Policy Implications for Africa

So, there is little room for complacency. Nor is there much room for the moral hazard of those who talk of “Dead Aid” and see only private sector investment and free trade as the panaceas for the continent’s development challenges – a mind-set that has seemingly come to dominate much government thinking in the west and is reflected in reduced ODA levels (US, Canada, and now the UK).

In fact, the picture is much more nuanced. While development experts acknowledge the vital importance of foreign direct investment (FDI) and trade, the bulk of FDI and private investment in Africa had been concentrated in a handful of resource-rich countries, and as pointed out by the African Development Bank in 2011, “a large share of FDI goes to extractive industries in a limited group of countries, and attracting investment into diversified and higher value-added sectors remains a challenge for Africa.” Though since 2012, there has been a significant increase in investments going to non-mineral-dependent countries – especially into agricultural investments (Senegal, Rwanda and Ivory Coast). As Paul Collier has noted, “Africa is distinctive in being more dependent upon commodity exports than other regions, aside from the Middle East.”

As the African Development Bank’s recently released African Economic Prospects 2019 paper concluded, though total financial flows to Africa increased from $170 billion in 2016 to $193 billion in 2017, $69 billion were in the form of remittances – much of which is spent on consumption – while FDI shrank from its 2008 peak of $58 billion to $42 billion in 2017. The result has been a deterioration in current account balances and an increase in the number of countries – some 16 – that are considered to be in high risk of debt distress. Six are already classified as such (Cape Verde, Congo, Egypt, Eritrea, Mozambique, and Sudan).

Critical in this situation is the extent to which those debts are for investments that produce “rising capital formation …an increased share of manufacturing and tradeable industries in value-added, an improved position in global value chains, and a gradual repayment of external liabilities.” (African Economic Outlook 2019). Policy interventions by government – encouraged by international donors – should seek to increase the share of capital/intermediate goods in imports, thereby setting the stage for increased value-added exports and justifying any deterioration in the current account balance.

6 | China’s Presence In Africa

China is primarily a mercantilist state and Africa’s resource wealth is critical to sustaining China’s GDP growth which needs to be at least 8% annually if the economy is to employ its growing urban population (Ncube and Fairbanks, 2013) and maintain social and political stability. This will prove increasingly difficult as the country’s population ages and the tax base shrinks demographically (by 2030 it is estimated that 25% of the population will be over the age of 60 and by 2050 spending on education and social benefits will be at 32% of GDP).

Since the establishment in 2000 of “The Forum on China-Africa Cooperation” (FOCAC), Chinese-African trade has risen from $2 billion to $170 billion in 2017 (including a 14% increase from 2016) making China Africa’s largest trading partner for the ninth consecutive year (though the EU as a whole is larger). FDI from China has stabilized at about $3 billion annually over the past three years (China Daily, Aug. 29, 2018). Although China is only the fourth largest investor on the continent (behind the US, the UK and France), its investments are growing much faster than others. Over the 2003-2017 period, the stock of Chinese FDI increased from $491 million to $440 billion, with flows peaking at $5.5 billion in 2008 (Brookings, Africa in Focus, 2019/07/25).

Significantly, in 2014, 50% of China’s FDI stock was invested in only 6 countries all of which were mineral resource rich (South Africa, Algeria, Nigeria, Zambia, DRC and Sudan). South Africa had the largest share at 18%. Today there is a much more equitable distribution amongst the top 20 of the 45 recipients of China’s FDI. This is partly due to the diminishing share of Chinese State Owned Enterprises (SOEs) that traditionally focus on petroleum and non-ferrous
metals, and a growing number of privately-owned Chinese companies (in a 2017 study, McKinsey estimates that more than 10,000 privately owned Chinese firms were operating in Africa), many of which have diversified China’s presence by investing in infrastructure, renewable energy, services, tourism, agro-processing and light manufacturing – in other words into more local-value added, more jobs, and linkages to global value chains (Hille and Jacob, 2012).

Using the provisions of the European Union’s Cotonou Agreement, Chinese investors are increasingly establishing joint ventures with local African investors and in the process helping to build local capacity, boosting technology transfers and raising export levels for many of the countries in which they invest. During the 2003-2012 period, 65% of China’s investments in Africa went to more diversified medium growth economies rather than those that are oil and single commodity-dependent, which suggests that in addition to wanting to access Africa’s mineral and agricultural riches, China is interested in gaining long-term access to larger markets for its products and gaining experience in establishing and managing what has at times proved to be a tarnished brand (Classen et al, 2012). A study of the CEOs of 25 major Chinese companies conducted in 2009, then suggested that they are acutely cognizant of China’s brand being put at risk through poor corporate behavior and a single-minded focus on extractives, and that it could be damaging to their long-term competitiveness in Africa (Zadek et al., 2009).

7 | FOCAC’s Role
(Forum on China-Africa Cooperation)

With those risks very much in mind, and the wisdom of China’s more assertive foreign and trade policies being increasingly questioned, including within China, the 2018 FOCAC meeting held in Beijing saw 53 of 54 African heads of government in attendance and witnessed a Chinese commitment to provide $60 billion in development financing for the 2018–2021 period (the same nominal level committed in 2015). This substantial funding is to support eight action areas: industrial promotion, infrastructure connectivity, trade facilitation, green development, capacity building, health, people-to-people exchanges, and peace and security.

Although in theory these areas suggest a responsiveness to Africa’s structural needs, the composition of the $60 billion also reflects the growing economic pressures on China’s own public finances. Of the total committed, $50 billion is to come from the Chinese Government - $10 billion less than was pledged in 2015 – with $20 billion in new loans, $15 billion in two “special funds”, one of which is to finance private projects going to Chinese companies, and $15 billion in foreign aid, of which $5 billion will be in the form of grants, interest-free, and concessional loans intended to support African exports to China, and the highest level of this type of aid ever offered to Africa. The additional special fund would be channeled through China’s newly created development banks to leverage equity investments from Chinese companies - including private investors - in Africa.

In summary, the level of concessionality in the $60 billion package is decreasing with the value of such loans falling from $40 billion in 2015 to $35 billion in 2018. This new package focuses more on the commercial viability of equity investments, to be made increasingly by a more diverse group of investors supported by China’s state development banks. Sensitive perhaps to the growing criticism of China’s mercantilist and strategic opportunism, the Government also announced that it would exempt Africa’s least-developed and heavily indebted countries (landlocked and small island states) from their debt obligations for “connectivity projects” (According to the 2019 Foresight Africa Report, Beijing is Africa’s largest creditor with 14% of the continent’s total debt stock and 20% of bilateral debt).

8 | The Belt And Road Initiative (BRI)

The most impactful vehicle for building such connectivity is the Belt and Road Initiative (BRI), which in tandem with its support for the UN’s Sustainable Development Goals (SDGs) and the African Union’s “Agenda 2063” (that established growth targets for Africa’s countries), constitutes the strategic core of China’s engagement with the rest of the world. As noted recently by the Breugel Institute’s Michael Baltensperger and Uri Dadush, “the BRI has become the touchstone of China’s bilateral economic diplomacy and central to its foreign policy. It is Xi’s signature initiative and China’s Communist Party formally adopted the BRI under its party constitution at the party’s congress in 2017.”

First announced in 2013, the BRI today is actively funding infrastructure and trade facilitation projects in some 66 countries, including Central Asia, South East and South Asia, the Indian coast, East and West Africa, Eastern and Southern Europe, the Middle East, Russia, and most recently Latin America. As of 2018, 9 African countries are direct beneficiaries (Egypt, Djibouti, Sudan, Ethiopia, Kenya, Tanzania, Mali, Guinea Conakry, and Senegal) with 20 others in discussion.

Given the relative ease and absence of stringent conditionality in accessing BRI financing and technical support, combined with the recent declines in aid flows and narrowing of private capital flows, it should come as no surprise that African governments, with few exceptions, view the BRI and China’s broader presence as a major boon for African connectivity on the continent itself, with China, and the rest of the world. New analytical work by the African Development Bank reveals that Africa’s infrastructure requirements run to $130–170 billion a year (African Economic Outlook 2018 https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/African_Economic_Outlook_2018-_EN.pdf).

For any visitor to the continent, the material impact in terms of infrastructure either completed or under construction is evident. However, there are significant downsides associated with China’s growing presence on the continent, which go beyond US or European geo-political concerns.

With respect to the BRI, Baltensperger and Dadush list the structural risks that include:
a) a failure to define the scope of the initiative, with a BRI “White Paper” from 2016 identifying 65 participating countries, but more recent estimates suggesting over 100;
b) the absence of a shared agenda between countries with different levels of development;
c) the major role being played by state-owned enterprises (SOEs) which, though often offering low costs and high skill levels, also benefit from subsidized financing, soft-budget constraints, monopoly or oligopoly positions at home, privileged supplier and customer relationships at home, state guarantees and other non-transport subsidies. They also tend to favor Chinese suppliers. China’s SOEs now manage 76 ports in 34 countries, several of which are being used by Chinese naval vessels (Elizabeth Economy, Foreign Affairs, May-June 2018);
d) a lack of transparency with respect to the terms and conditions of financing from the China Development Bank and the China Exim Bank - especially for non-debt generating projects - and on how costs are shared between China and their local partners, making it difficult to assess the present value of debt owed to China;
e) the widespread view that there is insufficient due diligence on BRI projects.

The BRI, although an important development tool for Africa, also represents a significant commercial opportunity for developed economies. In seeking to benefit from it, however, governments and investors need to be rigorous in assessing the economic and financial rates of return, as well as the commercial and human rights implications of the potential investment. Experience to date suggests that investors should not yet rely on their Chinese counterparts for assessing project viability and should undertake their own cost-benefit analyses and carefully consider the host government’s overall fiscal health and capacity to service debt incurred by the project itself.

9 | BRI Cooperation Priorities

These risks notwithstanding, the BRI is explicit in identifying its “Cooperation Priorities” as laid out by China’s National Development and Reform Commission. These include:

i) Policy coordination – “joint policy support for implementation of practical cooperation on large-scale projects” which suggests harmonizing development priorities of participating economies with China’s development policies (including human rights). This is a noble objective, since the investments are not part of any multi-donor conversation and ex-ante discussions of the investment options of linkages to the domestic economy, it is unlikely to be achievable under current Chinese behavior;

ii) Facilities connectivity – coordinating infrastructure development with China’s development priorities, with impact on labour relations, environmental protection and political expression. With respect to the internet, BRI is actively promoting internet governance that would privilege governments and exclude civil society and the private sector (Elizabeth Economy, Foreign Affairs, May-June 2018);

iii) Unimpeded trade – integration of trade and investment, division of labor, eliminating investment barriers with implications for deregulation and stability, again affecting labor and environmental rights, and creating a policy asymmetry by opening a one-way street for China to flood African markets with cheap imports since, at this point, Africa has little other than commodities to sell to China;

iv) People to people contacts – education and indoctrination for ensuring smooth policy implementation. In Ethiopia and Sudan, the Chinese Communist Party is training officials on how to manage public opinion and the media, offering advice on what legislation to pass and which surveillance technologies to use (Elizabeth Economy, Foreign Affairs, May-June 2018).

More explicit in its intentions, however, was the inauguration in 2018 of China’s “International Commercial Courts” (CICC) to hear cases arising from BRI projects. As standing adjudicative organs of China’s Supreme People’s Court, no non-Chinese jurists can serve on them, and they therefore could be interpreted as an attempt to internationalize China’s HR standards. They also reflect a dissatisfaction with international tribunals (as seen in China’s opposition to the arbitration of the South China Sea dispute), their refusal to accept the jurisdiction of the International Court of Justice and their discontent with the WTO appellate body and dispute settlement mechanism (China is not the only government unhappy with present WTO arrangements). Some interpret the creation of these new commercial tribunals as a Chinese effort to export its HR and justice norms into its expanding commercial activities. Similarly, the articles and policies of the newly created Asian Infrastructure Bank (AIIB) exclude HR considerations, deferring to local conditions for development as legitimate restrictions on HRs (the World Bank takes a similar position).

In the case of the ongoing discussions between China and Canada on a possible trade agreement, China refuses to consider meaningful commitments on a progressive trade policy that would protect labour, the environment, gender, or indigenous rights. Nor have they been willing to consider commitments to a dispute settlement system in these areas. And in the reaction of the Chinese Government to the arrest of Huawei’s CFO, Meng Wanzhou, it appears that the Chinese Government is unwilling to appreciate the fact that Canadian courts are not subject to political direction from government. This in itself can force democratic governments into ethical dilemmas, since they cannot respond in kind without undermining their own political/judicial systems.

10 | Conclusion

There is, however, a more general answer to the question of whether China’s presence is a net negative or a net positive – and not just for Africa but for the international community as a whole. Indeed, through President Xi’s official statements at Party Congresses China’s deeper motives and strategic objectives can be discerned.
Africa’s much needed fixed capital formation, infrastructure

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the subordination of first generation political and civil rights that is, individual rights, to the collective rights inherent in economic and social development.

Today, China, Russia and newly emerging illiberal governments constitute a major challenge to achieving normative consensus internationally on HRs, trade and other matters. And in Africa in particular, where democratic traditions of governance and HR norms (especially individual rights) are relatively young, China’s efforts at embedding its HR norms and authoritarian model of governance into institutions and administrative practices, can be especially consequential.

The irony is that while China’s presence in supporting Africa’s much needed fixed capital formation, infrastructure and human capital needs contributes significantly to one critical component of the development process (economic infrastructure), its governance model and support for norms that effectively violate both the 1993 Vienna Declaration on HRs and the International Covenant on Political and Civil Rights, serve to undermine the other critical development component – namely the prospect of achieving sustainable conditions of effective governance. Indeed, China itself is not immune from the reactionary forces that authoritarian governance generates (Economy, Foreign Affairs, May-June 2019) and the Party hierarchy is acutely aware of it (even more so after recent events in Hong Kong).

And yet despite the apparent pitfalls inherent in the BRI initiative, and in the Governments approach to human rights as Baltensperger and Dadush conclude, Western concerns are to some extent disingenuous. From the Marshall Plan, to the Trans Pacific Partnership, initiatives such as the BRI have been motivated as much by security concerns as by economic concerns. It is important, therefore, to accept that China’s presence in Africa - including the BRI - is making a major contribution to economic and social development while, at the same time, being aware, not only of China’s global strategic and economic objectives, but also of the constraints their presence creates for sustaining a broader development agenda, including good governance, democratic institutions, international competition, and the provision of both collective, and individual rights.


https://www.economist.com/leaders/2011/12/03/africa-rising


The Economist (2011), Africa Rising: *The hopeful continent*.


