

The Political Economy of China's Infrastructure Investments in Africa

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China in Africa

This is an Old Relationship (Decolonization Process)



This is an Old Relationship (The Tazara Railway)

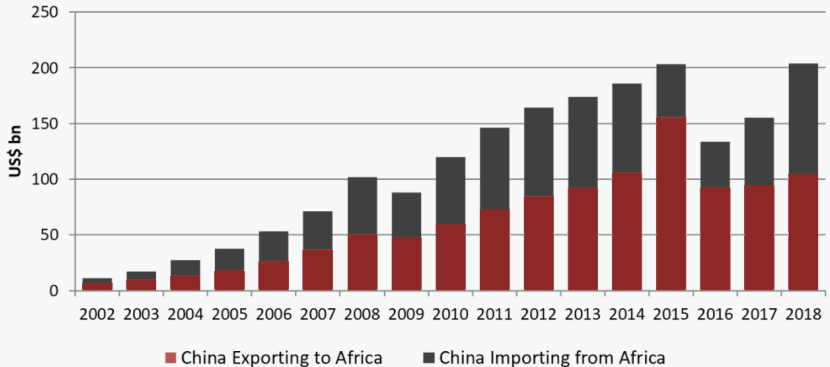


It's Also Multifaceted

- Government-to-Government
- State Owned Enterprises
- Private Companies
- Individual Privateers

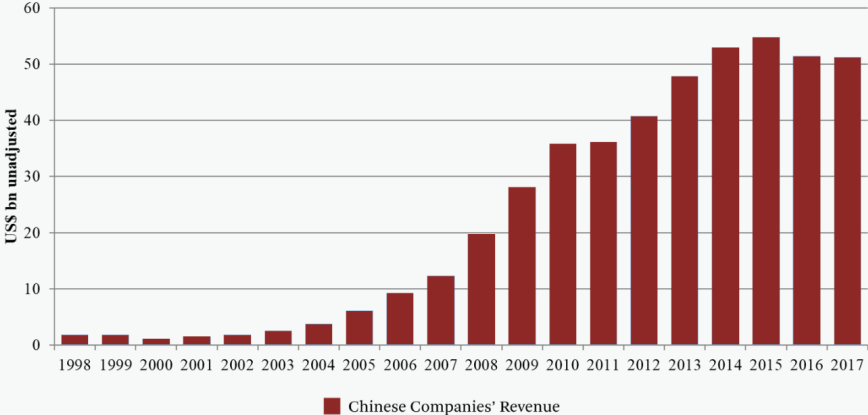
The State of Play

Rising Trade Deficit With China



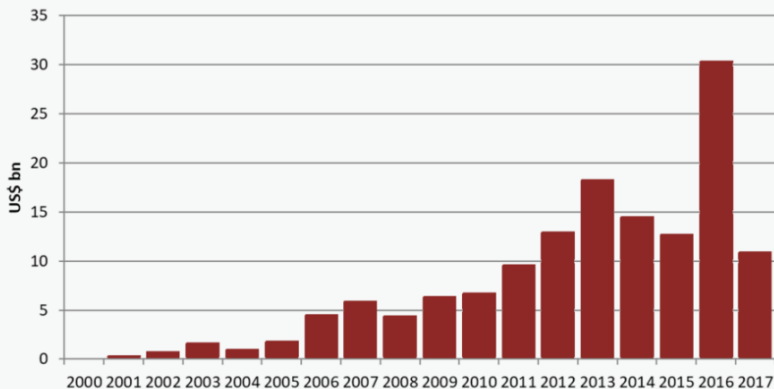
Source: UN COMTRADE 1992-2017; Chinese Customs 2018

Plateauing Infrastructure Spending



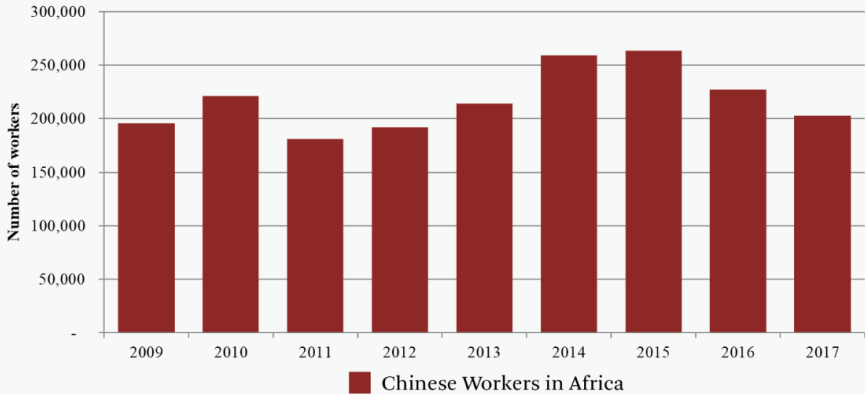
Source: National Bureau of Statistics

Plateauing Loan Commitments



Citation: Lucas Atkins, Deborah Brautigam, Yunnan Chen, and Jyhjong Hwang 2017. "China-Africa Economic Bulletin #1: Challenges of and opportunities from the commodity price slump", CARI Economic Bulletin #1. China Africa Research Initiative, Johns Hopkins University School of Advanced International Studies, Washington DC: CARI

Chinese Immigration Slightly Overblown



Sources: China Statistical Yearbooks; National Bureau of Statistics; China Annual Bulletin of Statistics of Contracted Projects, Labor Cooperation with Foreign Countries; Almanac of China's Foreign Economic Relations and Trade

Different Features of Africa-China Relations

#1 Trade partner



#1 Infrastructure financier



#1 Foreign direct investment growth



#3 Donor



10,000+

Chinese firms
in Africa



30%+

Chinese firms in
manufacturing



~90%

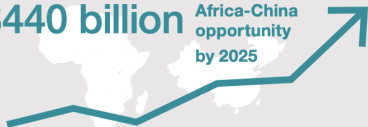
Private-owned
Chinese businesses



89% Local employees



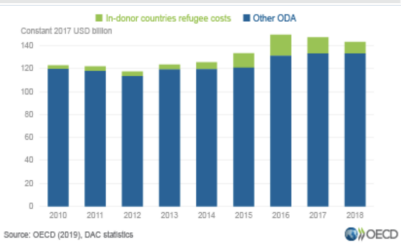
\$440 billion Africa-China
opportunity
by 2025



Chinese Aid is Relatively Miniscule



Source: China Ministry of Finance

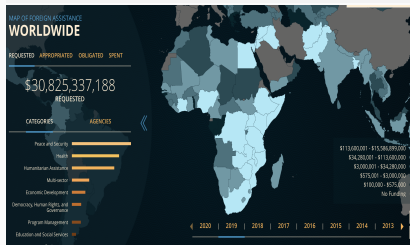
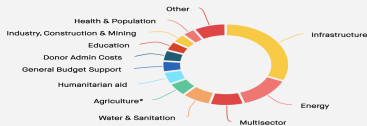


Source: OECD (2019), DAC statistics



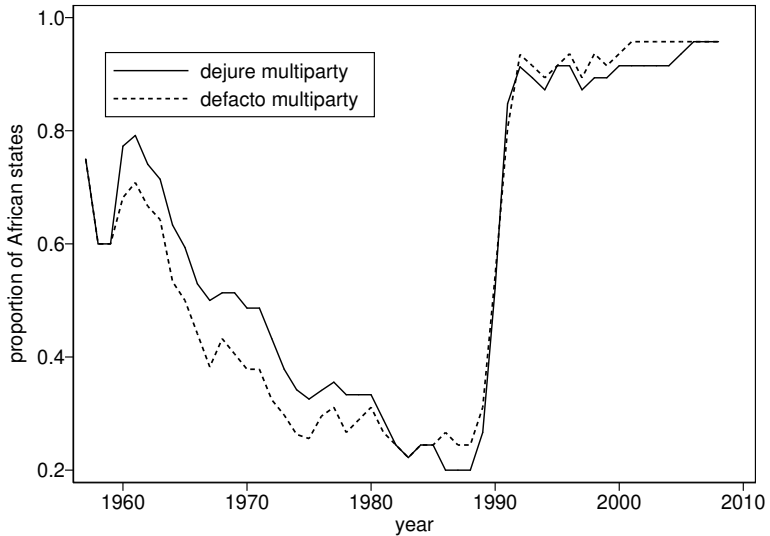
JAPAN'S BILATERAL ODA BY SECTOR, 2017

Total: US\$15,079 million



Actors, Interests, and Consequences

The Demand Side of Africa-China Economic Ties



The Demand Side of Sino-Africa Economic Ties

- Competitive elections (in all countries) and demands for visible and attributable performance
- Electoral competitiveness increased the cost of elections (projected-related corruption & campaign finance)
- Intense competition among Chinese firms & the lack of a Chinese “Foreign Corrupt Practices Act”

A Major Housing Project in Angola



Kenya's New Standard Gauge Railway



- Over-supply of expensive infrastructure projects
- Construction of economically unviable “white elephants”
- China’s challenge moving forward:
 - Ensuring that projects are economically viable
 - Managing both popular and elite incentives

How Long Will the Honeymoon Last?

Perceptions of China in Africa | 36 countries | 2014/2015

China ranks 2nd



- as a development model (after the U.S.)
- as greatest external influence (after the former colonial powers)

Top factors contributing to:

• a **positive**

image of China:
Investments in infrastructure
and business development



• a **negative**

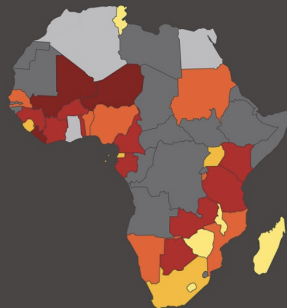
image of China:
Poor quality
of products

China is a "somewhat" or "very" positive influence in their country:

63%

(average all countries)

Key



AFROBAROMETER

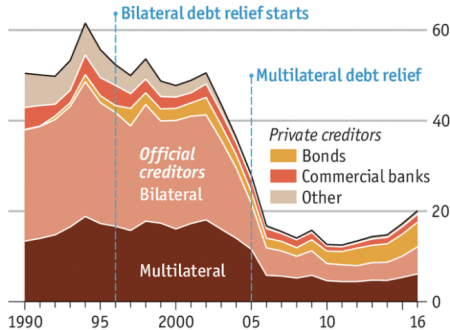
Will African Governments be Able to Service Debts?

Distressing

Sub-Saharan Africa*

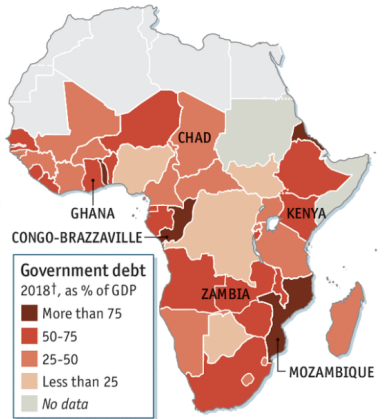
Public and publicly guaranteed external government debt

As % of gross national income



Source: IMF

Economist.com



*Excluding Mauritania and Djibouti †Forecast

Concluding Thoughts

Future Challenges and Opportunities

- African Governments:
 - Leveraging competition among different foreign actors
 - Managing local electoral dynamics, demand for projects, corruption, and debt
- China
 - Becoming more savvy about local political economies
 - Navigating competition with the U.S. for influence in the region