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Charting the Future of China's Infrastructure Projects in Africa After a Decade of Lending

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SAN FRANCISCO, CALIFORNIA —

China is financing the construction of four coal-fired power plants in southern Africa, despite its climate pledge in September to quit supporting such infrastructure overseas. But the new facilities taking shape in South Africa and Zimbabwe are just a few of Beijing's massive investments in airports, railway lines and other national infrastructure on the African continent.

Many countries have been eager for the investment, but mounting levels of debt over the past five years are raising doubts about the long-term prospects for more expensive infrastructure projects.

FILE - Motorists drive on Mombasa road, next to the ongoing construction site of the Nairobi Expressway, undertaken by the Chinese contractor China Road and Bridge Corporation (CRBC), in Nairobi on July 12, 2021.

China committed to lending African countries $153 billion from 2000-2019, but that pace of lending may be slowing down. Chinese loan commitments dropped by 30% in 2019 when compared with the previous year, according to the China-Africa Research Initiative at the Johns Hopkins University School of Advanced

International Studies. The research looks at loan commitments which get “disbursed to borrowers as projects are implemented.”

In Zambia for example, Chinese financiers committed $10.3 billion in loans from 2000-2010.Since 2000, Zambia has only repaid some $1.2 billion to Chinese lenders.

Uganda now owes China $200 million for its only international airport, fanning fears that China could seize it. Both countries have rejected speculation in African media outlets of a Chinese takeover.

Loan repayment measures

Neighboring Kenya had received a $4.5 billion loan to build a railway from Nairobi to the port city of Mombasa, and China indicates it will redo the terms after a committee of the African country’s parliament found that operating losses and debt to Chinese banks were straining taxpayers.

Some analysts have warned that opaque lending terms means China could eventually seize infrastructure should countries struggle to meet repayments

U.S. and British officials say, “debt traps,” where countries cannot raise enough money to repay China’s loans, are structured to give Beijing leverage over time. Last month, the head of Britain’s Secret Intelligence Service, Richard Moore, in an interview with BBC Radio 4 said Beijing can acquire ″significant ports which have the potential to become naval facilities etcetera.″

Sri Lanka earlier this year passed legislation that critics say will give China control over a key deep-water port that Beijing financed.

But that has not happened so far in Africa, where Chinese diplomats reject seizures are a part of Beijing’s strategy.

"Not a single project in Africa has ever been "confiscated" by China because of failing to pay Chinese loans. On the contrary, China firmly supports and is willing to continue our efforts to improve Africa's capacity for home-driven development," stated the Chinese Embassy in Uganda.

A picture taken on June 23, 2018 shows piers for a railway bridge at the construction site of Standard Gauge Railway (SGR) in Nairobi National Park.

Instead of seizing assets, Beijing will likely extend deadlines for loan repayment or rework payback terms such as interest rates, analysts told VOA. Those measures would avert takeovers of the infrastructure itself and in turn preserve China's reputation in Africa where trade and lending have bested its superpower rival in dollar terms.

China will probably "keep kicking the can down the road" until creditors find the means to settle the loans, Bulelani Jili, an African studies Ph.D. candidate at Harvard University, told VOA.

To confiscate any assets, including minerals, would "confirm people's initial biases of China as a neocolonial actor," Jili said, and risk upsetting diplomatic ties with "some of the few friends that China has on the global stage."

"From the China side, it's about getting access to new possible markets and expanding both economic activity — also the diplomatic relation," he said.

Chinese loan concerns

China encourages lending to Africa in search of high returns on investments and a global reputation as a supporter of poor countries, said Edward Miguel, Oxfam professor in Environmental Resource Economics at the University of California, Berkeley. It is trying to ″equal the U.S.″ as a donor country, he said.

However, China differs from other international lenders and donors mainly for its relative lack of transparency that raises questions in Africa as well as in the West, Miguel believes.

Unlike loans from western governments or international lending bodies like the World Bank, which require labor and environmental safeguards on financed projects, China's aid and loans to Africa have been described as "no strings attached," which has been attractive for many countries.

But African nations, especially with economies slipping because of the impacts of COVID-19, face increasing trouble paying back loans, said Hannah Ryder, senior associate with the Africa Program at the U.S. think tank Center for Strategic and International Studies.

″China and other countries are becoming more sophisticated in bargaining with one another,″ wrote Deborah Brautigam of the School of Advanced International Studies at Johns Hopkins University and Harvard Business School′s Meg Rithmire in a joint article.

Senegalese delegates enter the conference hall during the China-Africa Cooperation (FOCAC) meeting at the Diamniadio in Dakar, Senegal, Nov. 29, 2021.

Residents in Dakar, Senegal, where the 500-person Forum on China-Africa

Cooperation meeting took place on November 29-30, want more Chinese-funded infrastructure but without debt levels like those of the 1990s, Ryder noted.

Chinese creditors are expected to lend less money to Africa going forward and more carefully analyze the projects those loans support, experts say. Loans have already “sobered down” [tapered off] from a peak in 2014, Jili said.

Commitments for loans and other investments made at the China-Africa Cooperation meeting came to $40 billion, one-third less than the $60 billion made at the same conference in 2018.

Lenders may calibrate loans based on predictions of a post-pandemic future when African countries have more cash, said Yun Sun, co-director of the East Asia program at the Stimson Center in Washington. Another option, she said, is to ensure Chinese equity from future projects as repayment for older loans, she said in a VOA interview.

“It’s politically risky, because although it’s not an equity-asset swap, it smells a lot like some sort of swap, and [that] China is exploiting Africa’s weak position, so I don’t think it will happen in the immediate future and in fact this debt restructuring is also taking quite a while,” Sun said.

China is becoming more confident all the while in setting up international public-private partnerships, though many African countries still worry about a repeat of the debt crisis in the 1980s and 1990s when nations could not pay off debt, Ryder says in an *African Business* commentary. International organizations ultimately wrote off that wave of unaffordable debt with conditions including opening ″their economies to international trade, liberalize their currencies and drastically cut costs in exchange for loans,″ wrote Peter Fabricius in the Institute for Security Studies.

Fast forward to the present, with loans from China, African countries, Miguel said, often end up asking "what did we agree to do" and "how much do we owe" China.

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