Uplifting Africa Brief
Africa's Restricted Development
One Belt One Road Initiative

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Local discontent and violence in Africa – Will it affect Chinese Investments?

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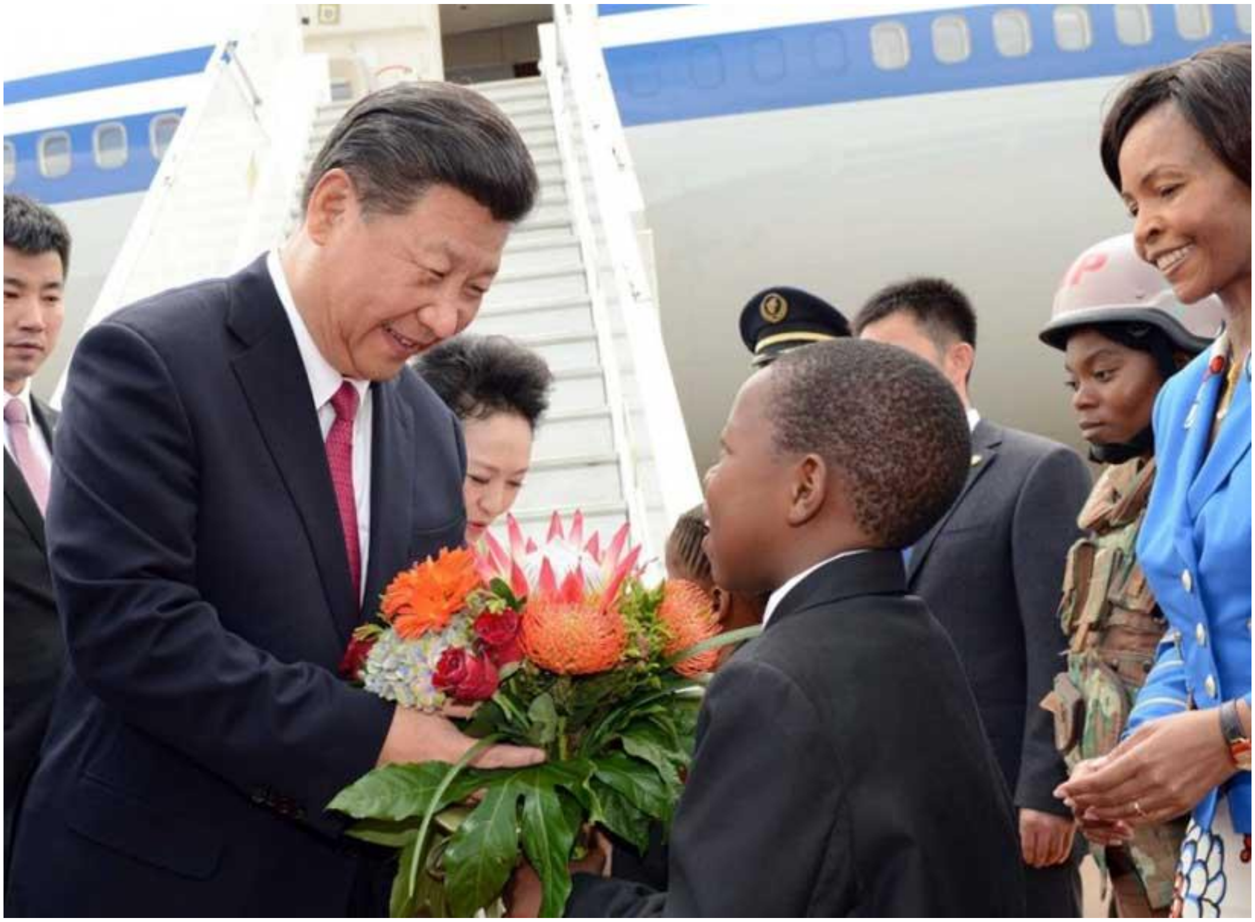


President Xi Jinping's One Belt One Road became centerpiece of Chinese foreign/economic policy in 2013. In a bid to secure Africa's natural resources, China invested heavily in Africa. Photo Credit Modern Diplomacy

Conflict, Investment, and Regionalism: Africa's Restricted Development in the One Belt One Road Initiative

Over 800 years ago, East Asia was at the center of the global economic system with the formation of the Mongolian Silk Road. This international network spread across Eurasia, connecting numerous countries by establishing trade relations through the exchange of goods, people, religion, and culture. This network arguably paved the way for the extent of modern societies' interconnectedness by introducing one of the first global systems. In 2013, China announced its plans to revive this trade network with the hope that East Asia will once again be at the center of the global economy. China's policy to achieve this goal is called the One Belt One Road initiative. It includes two encompassing projects called the Silk Road Economic Belt and the Twenty-First-Century Maritime Silk Road. Typically called One Belt One Road, its "policies represent an ambitious spatial expansion of Chinese state capitalism, driven by an excess of industrial production capacity, as well as by emerging financial capital interests" (Tsui, Wong, Chi, Tiejun, 2017, p. 36).

China has invested between $1 trillion and $8 trillion in infrastructure, transport, and energy projects to aid in developing less advanced nations through this policy. Although "there have been major development achievements over the past 50 years, the record is geographically and socially uneven, and nowhere more so than in Africa" (Mawdsley, 2007, p. 415). Despite the rest of the world advancing as time progresses, Africa is seemingly at a standstill. In Mawdsley's 2007 article, she discusses how some of "the causes of poor development are identified as corrupt elites, poor policies, low capacity, social conflict, and even geography and resource endowment" (p. 414). Although many of these issues are present within African society that have prevented the nation from developing in the past, China's interests have still found their way into the nation through the Maritime Silk Road; however, the advancement of their interests may not lead to the development of Africa.

Research about the relationship between China and Africa related to the Belt and Road initiative is prevalent in the current disciplinary discussion, beginning in the late 20th-century when China first expanded its economic interests into Africa and continues through studies today. However, no one has connected research about the developmental possibilities of the initiative with different variables that outline and affect the Sino-African relationship. This paper examines current research across variables including foreign direct investment and domestic conflict to make a general claim that the benefits of the One Belt One Road initiative can be limited by the nation's current economic, social, and regionalized status. Additionally, this paper briefly analyzes a possible solution in the disciplinary discussion to combat the significant issue of conflict depicted in this paper. This research is relevant to today's society; by acknowledging that the possible benefits of the initiative are limited, policymakers may begin to realize that developing Africa requires more than simply incurring debt from China to pay for infrastructure projects. Through studying the relationship between underdeveloped nations, foreign direct investment, the accumulation of debt, regionalization, and domestic conflict, and by making a general claim, it is recommended that African policymakers strive to acknowledge the obstacle that their nations' conflict-torn nature poses to experiencing the benefits of the Belt and Road initiative. Additionally, it is advised that policymakers attempt to adjust current policies and projects within the One Belt One Road initiative to be centered on both the nation's economic growth and resolution of conflict, thus cultivating a primed society capable of experiencing the benefits of the investment.

Importance of Investment

The main dynamic of this paper focuses on the implications of China's foreign direct investment strategy known as the One Belt One Road Initiative. Countless studies have researched the role of foreign direct investment (FDI) in developing countries. One of the significant studies contributing to the current discussion was conducted by Padma Mallampally and Karl P. Sauvant in 1999. Their paper aims to examine how foreign investment has grown over time, its significance for many nations, and any associated trends. Mallampally and Sauvant (1999) found that "not only can FDI add to investible resources and capital formation, but, perhaps more important, it is also a means of transferring production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as of accessing international marketing networks" (p. 35). Their findings are significant because they present the extent to which the benefits of foreign direct investment can reach any developing society. Mallampally and Sauvant (1999) conclude that given the potential for accelerating growth and economic transformation, developing countries work to attract it. However, nations plagued by internal conflict and warfare tend to scare away potential investors.

Conflict in African Society

The study conducted by Nadine Ansorg in 2014 contributes to the topic of this paper through its analysis of the role regionalism plays in the cultivation of conflict in Africa. Ansorg (2014) depicts the regional conflict system that has developed throughout African society via the diffusion of violence between neighboring nations. The author's research suggests that "with this regionalization of conflict, civil wars are no longer confined to the borders of only one country" (Ansorg, 2014, p. 296). In other words, conflict tends to spread between nations who interact within one geographically limited space, thus depicting how Africa's regionalized nature contributes to the continuation of conflict, making development considerably more difficult.

Conflict and Development

Numerous scholars have researched the relationship between conflict and development; however, Fang, Kothari, McLoughlin, and Yenice's 2020 study is one of the few articles that discuss this relationship as it relates to Sub-Saharan Africa. Africa experiences many hardships to an extreme extent because "about a third of the countries in the region have been affected by conflict in recent years" (Fang et al., 2020, p. 3). The authors describe how conflict results in "the loss of human life; destruction of infrastructure, human capital, and institutions; political instability; and greater uncertainty associated with conflicts can impede investment and economic growth—not only during conflict but also afterward, making it difficult to escape the conflict trap." (Fang et al., 2020, p. 3). Essentially, conflict's effect on African society is not limited to the typical factors associated with it; instead, there are hidden impacts–that are just as significant–that prevent the nation from developing. Arguably the two most significant effects are Africa entering the conflict trap and a decrease in investment due to the apparent instability within the nation. These effects are connected, considering nations will not invest in Africa if they fear another conflict brewing, which will always be possible with a nation under this trap. China has taken a significant risk by ignoring the conflict-torn status of Africa and investing in the nation under the One Belt One Road initiative.

Results

In a study that analyzed how conflict affects economic growth in Africa, the findings supported the following claim that the benefits of the One Belt One Road initiative are limited due to the role conflict, and an increasing national debt plays in hindering development. This section provides an in-depth analysis of conflict and debt's depicted role.

Conflict and Economic Development

In the study conducted by Fang, Kothari, McLoughlin, and Yenice in 2020, they examined Africa's economic growth as it is impacted by a conflict's severity, nature, impulse responses, and a counterfactual situation if the conflict had not occurred. The authors found that "for more intensive conflicts, the negative growth effects are significantly larger. Specifically, growth is 2 percentage points lower for conflict intensity in the third quartile relative to the non-conflict case, and about 3 percentage points lower for conflicts in the top quartile" (Fang et al., 2020, p. 14). The quartiles described in this study outline the comparative number of conflict-related deaths; therefore, the higher the quartile, the greater the number of deaths and severity of the conflict. The article states that "an increase in conflict intensity to the top quartile of the measure reduces per-capita GDP by about 4.75 percent in the first year, with the negative effect growing to about 6.5 percent over the next four years" (Fang et al., 2020, p. 17).

Fang, Kothari, McLoughlin, and Yenice continue their study to analyze the economic development between a nation under conflict and a synthetic version of that nation without conflict. The authors found that "five years into the conflict, the synthetic group saw an increase in per capita GDP of 12 percent on average" (Fang et al., 2020, p. 19). Although this data was produced using the synthetic control method, the results remain applicable to the current discussion, considering it supports the existing theory in the discipline that conflict hinders economic development.

Concerns About Debt

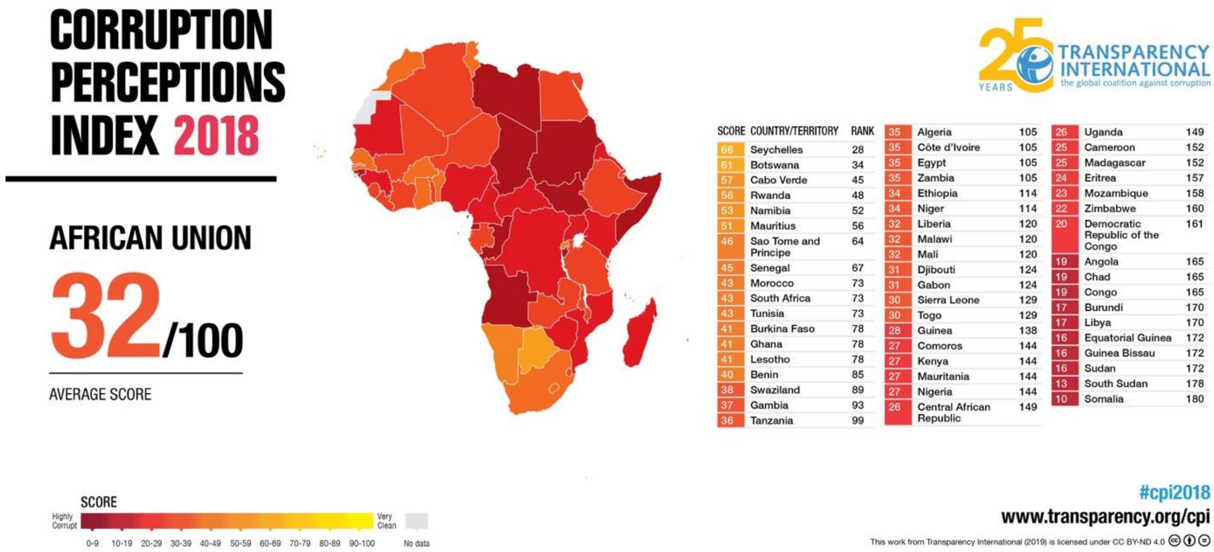
In a study conducted by Linwood T. Geiger in 1990, researching the effects of debt on a nation's economic development, the findings have substantial implications that align with the focus of this paper. When the effects of excessive debt on a nation's economy were analyzed, the results present the looming dangers for nations accumulating debt–such as Africa. Throughout his research, Geiger (1990) determined the following:

1. Large debt service requirements divert foreign exchange and capital from internal investment to principal and interest payments.
2. The inability of the developing country to service the debt promptly affects its credit, and if the problem persists, the nation will eventually have difficulty borrowing for new projects-thus the negative capital inflows in recent years.
3. The accumulation of debt reduces the countries' efficiency, inasmuch it makes it more difficult for the country to adjust efficaciously to major shocks and international financial fluctuations.

While accumulating debt to pay for domestic infrastructure projects may appear beneficial for the economy, there are also detrimental effects that can arise when too much debt is taken on.

Discussion

As previously mentioned, foreign investment has a profound impact on any society, especially when it is plagued by internal conflict. The significance of addressing this issue lies with the fact that China's investment in Africa has the potential to do more harm than good for their society. This section will discuss and illuminate the relationship between China's investments, Africa's accumulation of debt, regionalism's part in restricting development, and the resolution of conflict.



Debt Issues of One Belt One Road in Africa

The major issues with Africa's growing debt to China are identified in Anzetse Were's (2018) research. Through analyzing the effects of China's loans on Africa's economy, the author identifies the looming threat to the nation's development posed by the combination of a growing debt and the prevalence of corruption within the government. Considering Were (2018) found that Sub-Saharan Africa has an average score of 32 for its level of corruptness (where 0 is highly corrupt and 100 is not corrupt), this raises concern that money from loans to support initiative projects may be taken into private pockets instead of funding the projects. The possibility of corruption is a major issue for the economy. Although the project may still be built, the funds the companies have to work with are less than what was loaned to the nation, but the economy still has to endure the hardships of taking on the original loan. For example, if China lent a nation in Sub-Saharan Africa $100 billion to build a railroad connecting two regions, but both regions' leaders take $10 million for themselves. As a result, the economy essentially takes on a debt of $20 million higher than the original loan. This research contributes to the topic of this paper by reinforcing the concept that Africa's economic status–the growing debt and normality of corruption–curtails the possible benefits of the Belt and Road initiative.

Debt Trap Diplomacy in Sri Lanka

Not only does the corrupt nature of many African governments negatively affect the developmental possibilities from the initiative's investments, but many scholars also argue that China's lending, in general, will harm the African economy. Scholars have accused the Chinese government of strategically loaning to nations to create an enormous debt to increase their leverage over the nation. This type of policy is known as debt-trap diplomacy. Whether or not China is engaging in this type of policy is a prevalent topic in the current disciplinary discussion. Although many scholars believe Africa's debt issues have arisen due to China engaging in debt-trap diplomacy, Deborah Brautigam and Meg Rithmire's (2021) article argues that the Chinese debt trap is a complete myth. The prime example the authors use to debunk this idea is the Sri Lankan port of Hambantota. This infrastructure project is surrounded by controversy, considering it is the example scholars use on both sides of the argument about debt-trap diplomacy. While many scholars believe that the Chinese government forced Sri Lanka into borrowing money to pay for a project that had no prospect of success and eventually led to Beijing demanding the port as collateral for their inability to pay back their debt, Brautigam and Rithmire's (2021) research shows "that Chinese banks were willing to restructure the terms of existing loans and have never actually seized an asset from any country, much less the port of Hambantota" (p. 1). Although there are differing opinions across many scholars in the disciplinary discussion, the fact remains that arguably the most significant contributor to the Sri Lankan default was the social and economic status of the nation.

Conflict-Investment Trap

The terms for the construction of the port of Hambantota were agreed on in 2007, which was when the world was on the verge of a financial crisis and when the country was enduring the bloodiest phase of its long civil war. In Fang, Kothari, McLoughlin, and Yenice's (2020) article, they concluded that "conflict puts pressure on public finances by reducing revenue, shifting the composition away from capital to military spending, and increasing public debt— further jeopardizing socioeconomic stability" (p. 25). Considering the nation was incurring debt from China's investment and "the ratio of public debt to GDP increases by an average of 9 percentage points during intense conflicts [Sri Lankan civil war]" (Fang et al., 2020, p. 23), these factors made it increasingly difficult for the nation to experience the benefits of China's investment. Although foreign direct investment is typically associated with economic development, in regions affected by large-scale conflicts, it can be associated with the accumulation of extreme debt due to conflict's role in increasing debt. Therefore, investment in conflict-torn nations does not achieve the desired outcome of economic development; rather, it can lead to nations falling under what I have called the conflict-investment trap. This trap does not fault the Chinese for the nations' debt struggles; instead, this increase in national debt occurs due to the continuing foreign investment by China during Africa's ongoing conflicts.

Regional Economic Conflict

In addition to an African nation experiencing the hardships of incurring an extreme debt due to investment during periods of conflict, Ansorg (2014) argues this contributes to the escalation of conflict. In other words, China's investment in transportation or infrastructure projects to link different regions across Africa can have the unintended impact of allowing for conflict to spread between the regions. The author's research determined that "a diffusion of war—that is, the geographical spread of armed violence—can happen when the activities of conflict actors expand to neighboring states as a result of the formation of economic networks" (Ansorg, 2014, p. 299). Not only can China's investment impede African development through furthering their debt, but it can also escalate their regional conflicts by providing the means for neighboring nations' intervention in countries in conflict. Considering the extent to which conflict can affect African society, there should be a high level of significance placed on its resolution.

Resolution of Conflict and Development

Brautigam and Rithmirein's (2021) article identifies a clear connection between economic development and conflict resolution; the authors found that in 2009 after the Sri Lankan civil war came to an end, the annual economic growth rates climbed to 6%. The experiences in Sri Lanka will be similar to the future experiences of African countries in the Belt and Road initiative, considering both region's conflict-torn nature and increasing debt. Therefore, if the conflicts that plague much of Africa are resolved, then there is a high likelihood that the nation would experience economic growth and reap the full benefits of the One Belt One Road Initiative. While the complete and immediate resolution of all ongoing conflict in Africa is a steep and unachievable task, the African government can take steps to limit the effect their nation’s conflict can have on the initiative’s benefits.

Securing Development

Natalie Herbert’s (2021) article discusses how the Chinese government has acknowledged the threat that African conflict can have on their investments by identifying China’s involvement with African security issues. The author’s research determined that “these [initiative] projects also may facilitate increased Chinese security cooperation with participating nations. [because] violence and instability can affect the longevity and profitability of these initiatives” (Herbert, 2021, p. 1). Although these infrastructure projects are incredibly significant for the nation’s development, African terrorist groups may see them as perfect targets to make a major statement. Additionally, by examining the implications of Ansorg’s (2014) research, the conclusion can be made that the One Belt One Road projects form regional economic networks, which results in the spread of violence. Considering the possibility of a terrorist attack against a

Belt and Road project and the possibility of these projects furthering regional conflict, including China's aid in their security is especially important. Herbert (2021) explains how "in Liberia, for instance, the Chinese government established a way to expand potential security cooperation through bundling it with the economic agreement" (p. 1). Other African countries in the initiative should follow the steps that Liberia has taken to ensure the security of their projects. By achieving economic and security cooperation with the Chinese in the One Belt One Road Initiative, African countries would be setting themselves up to reap the full benefits of China's investment, manage the hardships of incurring debt, and prevent the geographical spread of conflict.

Conclusions

The possible solution examined in this paper to reduce the role conflict plays in furthering debt and preventing development is not perfect; however, this paper does not intend to provide the solution to resolve all African conflicts. Instead, it is intended to portray the importance for policymakers to understand the limitations on the benefits of the One Belt One Road initiative, and in general, how Africa stands to be harmed if current trends continue. The fact remains that although the Belt and Road initiative may be economically focused, security–or lack thereof–plays a significant role in whether or not African countries will develop. Despite China bringing "a range of benefits as well as problems, [they] will undoubtedly become an ever more important factor in the continent's future" (Mawdsley, 2007, p. 417).

This paper addresses the necessity for policymakers from African nations to identify the threat conflict poses to hindering their nation's development and the economic impact of a growing debt derived from conflict and the initiative's investment projects. Furthermore, throughout this paper, the concept of conflict resolution has been identified as incredibly significant for Africa due to conflict’s status as a major restriction to the nation’s development and the possibility for its continuation and unintended escalation caused by the initiative’s establishment of regional economic networks across Africa. Nonetheless, the topic of resolving African conflict to allow for economic and societal development requires further research for a definitive theory to be accepted in the discipline and adopted by policymakers. This additional research should continue to be conducted until a distinct theory is provided to the discipline, at which point every participating nation would be able to experience the full benefits of the One Belt One Road initiative through their unrestricted development.

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