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HOW CAN CHINA'S BELT AND ROAD INITIATIVE SUPPORT DEVELOPMENTAL REGIONALISM IN AFRICA?

Faizel Ismail

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Trade & Industrial Policy Strategies (TIPS) is a research organisation that facilitates policy development and dialogue across three focus areas: trade and industrial policy, inequality and economic inclusion, and sustainable growth

Dr Faizel Ismail is Director of the Nelson Mandela School of Public Governance at the University of Cape Town School of Economics and a TIPS Research Fellow

info@tips.org.za
+27 12 433 9340
www.tips.org.za

ABSTRACT

China's Belt and Road Initiative (BRI) and its role in Africa is controversial. This paper argues that African countries should work through regional organisations, such as the African Union (AU) and the African Continental Free Trade Area (AfCFTA) to use their agency and negotiate with China to advance their own interests. The experiences of China in building regional corridors and supporting regional value chains and connectivity in Southeast Asia can provide valuable lessons for both Africa and China on how the BRI can contribute positively to developmental regionalism in Africa.

CONTENTS

ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
AIIB	Asian Infrastructure Investment Bank
AfCFTA	African Continental Free Trade Area
AU	African Union
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, and South Africa
CAFTA	China-ASEAN Free Trade Agreement
EU	European Union
FDI	Foreign Direct Investment
FOCAC	Forum on China-Africa Cooperation
FTA	Free Trade Area
GDP	Gross Domestic Product
IP	Intellectual Property
LDCs	Least Developed Countries
PPE	Personal Protective Equipment
PRC	People's Republic of China
RCEP	Regional Comprehensive Economic Partnership
RCEP	Regional Comprehensive Economic Partnership Agreement
TPP	Trans-Pacific Partnership
UNCTAD	United National Conference on Trade and Development
UK	United Kingdom
US	United States
USTR	United States Trade Representative
WTO	World Trade Organization

Developmental regionalism is defined as "cooperation among countries in a broader range of areas than just trade and trade facilitation, to include – for example – investment, research and development, as well as policies aimed at accelerating regional industrial development and regional infrastructure provision, such as the building of better networks of roads and railway" – UNCTAD, 2013.

1. INTRODUCTION

China's rise has spawned a persistent trend and trajectory for the centre of economic gravity to move from the North and West to the East and the South (Ismail, 2016). In 2013, President Xi Jinping launched the Silk Road Economic Belt and the 21st Century Maritime Silk Road, which together became known as the Belt and Road Initiative (BRI). Many writers have argued that this initiative was a strategic response to the United States (US) attempt to contain China's rise (Zhang et al, 2018). China's response, it is argued in this paper, was to expand its own free trade agreements within East Asia, with the Association of Southeast Asian Nations (ASEAN), and with its immediate neighbours, South Korea and Japan, in the Regional Comprehensive Economic Partnership (RCEP), and advance a comprehensive trade and investment programme to deepen its integration in Asia and the world through the BRI. This paper argues that China's development-friendly free trade agreements with ASEAN, and its efforts to strengthen developmental regionalism through the BRI, are two inter-related processes that should be seen in the context of China's strategy to respond to US efforts to contain it in the Asia-Pacific Region and the rest of the world, including Africa. This argument is discussed in Section two.

There is a significant academic literature and discussion in the popular press on the role of China in Africa. These debates have been revisited by some academic writers in the context of the new conditions ushered in by the COVID-19 pandemic. The COVID-19 pandemic has changed the global context for trade and investment as more than 90 member states of the World Trade Organization (WTO) have imposed temporary export restrictions on pharmaceutical products, medical equipment and personal protective equipment (PPE), and food products (ITC, 2020). Global supply chains were already being disrupted by protectionism of the major developed countries. The Economist predicts that COVID-19 will fundamentally reshape trade – accelerating the trend towards shortening supply chains. Just-in-time manufacturing using global suppliers will give way to a greater focus on use of regional supply chains (The Economist, 2020). African countries have been dependent on external trading partners, such as the European Union (EU), US, China and India for essential drugs, medical equipment and PPEs, and have been forced to turn inwards and focus on building their own regional productive capacity for these essential goods. Africa's economic prospects are also projected to be severely impacted with growth rates projected to fall to -5 percent on average and Africa's government debt-to-gross domestic product (GDP) ratio could increase from 57.6 percent in 2019 to about 85 percent in the post COVID-19 period (OECD, 2020). Beijing is the single largest creditor to Africa – holding around 20 percent of all African debt and is thus under pressure to provide debt relief to African countries (Sun, 2020).

China's rise has created both opportunities and challenges for African countries. For example, China's rise created huge opportunities for Africa to export its commodities at higher prices into the Chinese market, propelling its growth rates in the first decade of the 21st century. However, China's rise also created new challenges, such as increased competition in labour-intensive manufacturing, such as clothing and textiles, resulting in the deindustrialisation of many African countries during the same period. This paper argues that African countries should use their agency to engage with China and draw on the lessons from the experiences of East Asia with a view to ensure that China's role in Africa is mutually beneficial and enhances regional integration and the transformative industrialisation of the African continent, consistent with a developmental regionalism approach (Ismail, 2019).

This paper proceeds as follows: Section two provides a critical overview of China's free trade agreements and the role of the BR in defending China from US efforts to contain it in the Asia-Pacific region and the rest of the world, including Africa. Section three discusses the history of China's relationship with Africa and critically evaluates the implementation of the BRI in Africa. Section four provides some concluding remarks and recommendations on the future of Africa's economic relations with China in the post-COVID-19 era.

2. CHINA'S REGIONAL FREE TRADE AREAS AND BELT AND ROAD INITIATIVE

At the time of Deng Xiaoping's opening up of China to the world in 1978, China's share of world trade was just over one percent. This rose to about four percent at the time of its accession to the WTO in 2001, and by 2009 China overtook Japan, Germany and the US to become the largest exporter in the world (Ismail, 2016). The rise of China was one of the main reasons for the collapse of the WTO Ministerial Meetings in July 2008. Susan Schwab, the chief US trade negotiator (USTR) during the Bush Administration, in her critique of the Doha Round in an article in the journal *Foreign Affairs,* stated that the Doha Round had failed and put the blame squarely on the rise of the "advanced emerging countries" led by China (Schwab, 2011). In 2008 President George Bush decided to join a small group of countries in the Asia-Pacific region in a free trade arrangement called the Trans-Pacific Partnership (TPP). President Barack Obama, on assuming office in 2009, continued the talks and the TPP became the centerpiece of President Obama's "strategic pivot to Asia" (Morrison, 2019). President Obama was explicit on the main reasons for the TPP by stating that: "with the TPP, we can rewrite the rules of trade to benefit America's middle class. Because if we don't, competitors who don't share our values, like China, will step in to fill that void". In his statement on the signing of the agreement, Obama stated: "TPP allows America – and not countries like China – to write the rules of the road in the 21st century, which is especially important in a region as dynamic as the Asia-Pacific" (Obama, 2016). Several writers thus argued that the US initiative to join the TPP was an attempt to contain the rise of China (Braz, 2012; Ismail, 2020).

President Obama continued to negotiate the TPP on his assumption of the US Presidency in 2009. To mitigate the costs of trade diversion, China responded with the formation of the Regional Comprehensive Economic Partnership Agreement (RCEP). In addition, China has pushed ahead with bilateral free trade agreements of its own into strategic countries. This process of building free trade agreements stimulated a more ambitious and comprehensive complementary programme of investment in infrastructure, transport corridors and connectivity with China's neighbors and is now known as the Belt and Road Initiative. It is argued in this paper that both these inter-related processes of China's development-friendly free trade agreements with ASEAN and its attempts to build development-friendly relationships through the BRI are part of China's efforts to respond to the US strategy to isolate and contain China in the Asia-Pacific region.

China-ASEAN Free Trade Area

A year before China joined the WTO, in 2000, former Premier Zhu Rongji initiated the idea of economic cooperation between China and ASEAN. In November 2002, ASEAN and China signed the Framework Agreement on Comprehensive Economic Cooperation. This process of economic co-operation finally led to the signing of a China-ASEAN Free Trade Agreement (CAFTA) on 1 January 2010. This was a historic agreement as it was China's first free trade agreement and for ASEAN it was the first between the union and a third country (Lei Yu, 2018). Lei Yu points out that, at the time of signing this agreement, three members of ASEAN (Vietnam, Laos and Cambodia) were not members of the WTO. However, China accorded most favoured nation treatment to all the non-WTO members. China also granted the newer ASEAN members (Asean-4: Myanmar, Vietnam, Laos and Cambodia) five years longer to liberalise than the six old members (ASEAN-6: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Brunei). China agreed that special and differential treatment shall be given to Cambodia, Laos, Myanmar and Vietnam, allowing them to open fewer sectors and liberalise fewer transactions (Lei Yu, 2018). ASEAN has become a significant trading partner for China. In 2011 ASEAN replaced Japan as China's third largest trade partner.

At the 10 China-ASEAN Expo and the China-ASEAN Business and Investment Summit, held in September 2013, Premier Li Keqiang initiated an upgrade of CAFTA, and set an ambitious goal of expanding bilateral trade volume to US$1 trillion by 2020 (Lei Yu, 2018). This initiative by the Premier has induced a series of CAFTA-related economic co-operation initiatives, including the Bangladesh-India-Myanmar-China economic corridor, the Greater Mekong Subregion Economic Zone, and the 21st Century Maritime Silk Road referred to above. China had adopted a deliberately flexible and developmental approach to its economic relations with ASEAN. Former Premier Zhu Rongji urged Chinese CAFTA negotiators to abide by the principle of "giving more and taking less" and "giving first and taking later" (Lei Yu, 2018).

Regional Comprehensive Economic Partnership

China and Japan have been competing for influence in the East Asian Region. China was keen to expand the CAFTA agreement by including Japan and South Korea in an ASEAN+3 initiative. However, Japan preferred an ASEAN+6 arrangement that also included Australia, New Zealand and India. Lei Yu argues that ASEAN assumed the driving seat when, at the 19th ASEAN Summit in Bali in November 2011, it proposed its own model of the RCEP as a compromise between the Japan and China (Lei Yu, 2018). The RCEP endorsed Japan's insistence on the "10+6" formula while reaffirming the "10+3" formula as the main vehicle for building the East Asian Community.[1] China has continued to build regional free trade arrangements within the Asia-Pacific region. New Zealand was the first developed country with which China had signed a

[1] "10+3" refers to 10 ASEAN members plus China, South Korea and Japan. "10+6" is "10+3" countries plus Australia, New Zealand and India.

Free Trade Area (FTA) on 7 April 2008 after three years of negotiations. It took much longer to negotiate an FTA with Australia, but this was accomplished in November 2014. Both New Zealand and Australia are members of both the RCEP and the TPP. The China-Korea Free Trade Agreement was finalised on 13 November 2014 and the China, Japan and South Korea FTA launched its fourth round of negotiations in March 2014. The sixteenth round of China, Japan and South Korea talks were held in Seoul from 27-29 November 2019 (MOFA, 2020).

The US joined the TPP in 2008 to try and curb the rise of China in the Asia-Pacific region. The TPP led by the United States included Brunei, Singapore, Malaysia and Vietnam, thus dividing ASEAN. CAFTA negotiated issues mainly related to trade in goods. However, the TPP included a more comprehensive set of issues in its negotiations, including the new generation issues, such as investment, competition and intellectual property (IP) rights. The most devastating blow to the US efforts to isolate China occurred when China and 15 other countries (ASEAN + Japan, South Korea, Australia, and New Zealand) signed the RCEP on 15 November 2020, creating the world's largest free trade area and the largest in history (Petri and Plummer, 2020b). India withdrew from the RECP negotiations a year earlier in November 2019, due to concerns expressed by its industrialists that China and other more competitive economies will threaten its survival. RCEP brings together 30 percent of the world's population (about 2.2 billion people). Although the RCEP is less ambitious on trade rules (such as labour, environment and state-owned enterprises) and lighter on agriculture trade than the CTPP, it does create free trade for goods (about 80-90 percent) and will facilitate regional investment through harmonised rules of origin (Petri and Plummer, 2020b; Financial Times, 2020). The 15 RCEP economies combined are about the same size as the United States (Petri and Plummer, 2020a). Petri and Plummer predict that the RCEP trade agreement could stabilise regional value chains in Southeast Asia and spur China, Japan and South Korea to conclude their ongoing tri-lateral negotiation to conclude a free trade agreement between themselves, which will be deeper than the RCEP.

China's participation in the RCEP, in which the United States does not participate, is a response to the US threat to contain China's rise in the Asian-Pacific region. Between 2000 and 2010 the US share of exports to 15 East Asian markets dropped by 42 percent (Lei Yu, 2018). One of the main objectives of the US in its strategic pivot to Asia has been to regain this market share (Lei Yu, 2018). The question raised by some academic writers is whether this effort by the Chinese is simply a "charm offensive" or a genuine effort to support developmental regionalism (Lei Yu, 2018)? This question is considered in the following subsection with a discussion on the objectives and principles of the Belt and Road Initiative.

China's Belt and Road Initiative

President Xi Jinping, in his speech at Nazarbayev University in Kazakhstan, on 7 September 2013, proposed building a Silk Road Economic Belt and a 21st Century Maritime Silk Road as a "grand cause benefiting people in regional countries along the route" (Zhang et al, 2018). Formerly known as the One Belt One Road Initiative, the programme has been known as the Belt and Road Initiative since 2016. In October 2013, Beijing proposed building an Asian Infrastructure Investment Bank (AIIB) to provide specific funds, with itself the biggest shareholder in the bank with a stake of 50 percent. Beijing proposed to build highway, port, and dam projects in the East Asian Region in an attempt to increase "infrastructure connectivity" (Zhang et al, 2018). What is the BRI and how does it contribute to global governance in China's view?

The Chinese Office of the Leading Group for Promoting the Belt and Road Initiative produced a book titled *The Belt and Road Initiative: Progress, Contributions and Prospects* (2019). The Office of the Leading Group identifies the principles of extensive consultation, joint contribution and shared benefits as priorities for the BRI. Mutual benefit and win-win outcomes, such as increased imports and outward foreign direct investment (FDI), are actively encouraged. International agreements and building international coalitions for green development within the Belt and Road are encouraged. The office identifies six pillars that define the Belt and Road Initiative: 1) policy co-ordination (including, in the United Nations; regional organisations, such as the Forum on China-Africa Cooperation (FOCAC); and on sectoral issues, such as digitalisation, standardisation, tax, IP and maritime co-operation); 2) infrastructure connectivity (such as the Greater Mekong Subregion Economic Cooperation); 3) unimpeded trade (bilateral and regional co-operation agreements; FTA such as China-ASEAN, China-Singapore, China- Pakistan); 4) financial integration (innovative investment and financing models including with cooperation between the Peoples Bank of China, the World Bank, European Bank for Reconstruction and Development, and the New Development Bank (formerly known as the BRICS Bank), bilateral currency swops and Renminbi clearing arrangements); 5) people-to-people ties (including in art, film, cultural links, education, tourism and health, and the creation of 153 Confucius Institutes); 6) industrial co-operation (industrial co-operation signed with more than 40 countries including Ethiopia and Egypt, and establishing industrial parks).

The Office of the Leading Group sets out seven concrete contributions to global governance that the Belt and Road Initiative sets out to advance (Office of the Leading Group, 2019). First, China commits to building peace and security without interfering in the internal affairs of other countries. Second, the document states that: “Development holds the master key to solving all problems. In pursuing the belt and road initiative we should focus on the fundamental issue of development, release the growth potential of participating countries, and achieve economic integration and coordinated development to the benefit of all participants”. Third, the BRI supports “free trade and an open world economy, inclusive and common development, that is rules based, open, transparent, inclusive and non-discriminatory”. Fourth, the group articulates a vision of “development that is green, low-carbon, circular and sustainable”. Fifth, the BRI will strengthen cooperation in science, technology and innovation by building a digital silk road for the 21st century (big data, cloud computing, artificial intelligence). Sixth, China argues that it will encourage the interconnectedness of diverse cultures. Seventh, China promises that the BRI will support a modern business environment that is corruption free and will build cooperation in fighting corruption (Office of the Leading Group, 2019).

Contending perspectives on China’s Belt and Road Initiative

There is a growing academic literature by both Western writers and Chinese scholars on the Belt and Road Initiative. Some writers, such as Hillman, have argued that the BRI is the most ambitious geo-economic vision in recent history. He states that the BRI covers more than 70 countries with more than two-thirds of the world’s population and Chinese investments close to US$4 trillion (Hillman, 2018). He points out that China intends to strengthen hard infrastructure with new roads and railways, soft infrastructure with trade and transportation agreements, and even cultural ties with university scholarships and other people-to-people exchanges. He argues that “in all these ways, when much of the West is looking inward, China is connecting with the world” (Hillman, 2018).

The Belt and Road Forum was launched in 2017 and held for the second time in 2019 to build transparency and support for these principles and the BRI. The first BRI Forum was attended by about 30 world leaders and representatives from 110 countries (BRI Forum, 2017). While the BRI was officially launched in 2013, many of the projects in the BRI had started much earlier as there is no official definition of what qualifies as a BRI project. Chinese companies are clearly the major beneficiaries of BRI projects. Some researchers argue that, according to Fortune 500, seven of the 10 largest construction companies in the world, by revenue, are now Chinese owned. Infrastructure investment is clearly also linked to market access as better infrastructure will facilitate trade between China and its trading partners.

The BRI has become part of China's expression of its foreign policy vision, principles and values for a new world order. President Xi Jinping expressed China's vision as follows at the 2017 BRI Forum: "We reaffirm our shared commitment to build open economy, ensure free and inclusive trade, oppose all forms of protectionism including in the framework of the Belt and Road Initiative. We endeavor to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system with WTO at its core" (BRI Forum, 2017). We uphold the spirit of peace, cooperation, openness, transparency, inclusiveness, equality, mutual learning, mutual benefit and mutual respect by strengthening cooperation on the basis of extensive consultation and the rule of law, joint efforts, shared benefits and equal opportunities for all (see the Forum Communiqué – BRI Forum, 2017).

China has also become more willing to play a leadership role and has become more assertive on the world stage. At the 2017 Davos meeting, as President Donald Trump assumed his leadership of the United States, President Xi Jinping expressed China's perspective on the challenges confronting globalisation as follows: "It is true that economic globalisation has created new problems, but this is no justification to write economic globalisation off completely. Rather, we should adapt to and guide economic globalisation, cushion its negative impact, and deliver its benefits to all countries and all nations." Reassuring his audience of China's commitment to economic globalisation and common development, President Xi closed by outlining his country's most prominent economic and trade initiatives – the RCEP (a free trade agreement centered around ASEAN + China, Japan, South Korea, Australia, New Zealand, and India); and most importantly, the BRI, which unquestionably is China's most comprehensive and most ambitious international economic initiative to date (Schortgen, 2018).

Some writers believe that the BRI can evolve into a channel to promote alternative political economy, development and governance paradigms for developing economies, and effectively usher in a post-Washington Consensus era (Schortgen, 2018; Wang, 2019). Another study states that China's growing presence on the world stage has been accompanied by its leadership creating three new global-development finance institutions: the US$100 billion AIIB, the US$100 billion New Development Bank, and the US$40 billion Silk Road Fund (McKinsey, 2017). The BRI is seen by some writers as a strategic response of China to US attempts to contain and frustrate its rise, particularly in areas of direct competition such as the new Fourth Industrial Revolution technologies. The BRI has the seeds of the emergence of a new type of globalisation, and new forms of global governance, based on cooperation, mutual benefit and development (Gao, 2018). Gao argues that the BRI is advancing a "new wave of Globalization 5.0, led by China and supported by a well-established ecosystem cultivated by China over the years, including the Asian

Infrastructure Investment Bank, the Silk Road Fund, the Regional Comprehensive Economic Partnership, the South-South Dialogue, the New Development Bank, and the Confucius Institutes" (Gao, 2018).

China's BRI has become a comprehensive response to US attempts to contain its rise in the Asia-Pacific region and the world. China's BRI has been criticised by academic writers and observers and viewed with suspicion. The BRI has been seen as a threat to the US hegemony by some US writers such as Nadège Rolland, senior fellow with the National Bureau of Asian Research, who argues that: "Taken together, BRI's different components serve Beijing's vision for regional integration under its helm. It is a top-level design for which the central government has mobilised the country's political, diplomatic, intellectual, economic and financial resources. It is mainly conceived as a response to the most pressing internal and external economic and strategic challenges faced by China, and as an instrument at the service of the PRC's [People's Republic of China] vision for itself as the uncontested leading power in the region in the coming decades. As such, it is a grand strategy" (see Morrison, 2019).

Julien Chaisse and Mitsuo Matsushita argue that the main motivation of China to initiate the BRI was fourfold: 1) internationalisation of the Chinese Yuan; 2) the effective use of China's foreign currency reserves; 3) the reduction of excess production capacities in China; and 4) the development of China's Western provinces (Chaisse and Mitsuo, 2018). These authors state that the primary purpose of the BRI is to construct basic infrastructure between China and Europe. They argue that while China's State Council did foresee that one of the goals of the BRI was to establish a BRI/Free Trade Area or Silk Road FTA this is not currently on the agenda. They argue that there is a significant different between the BRI and an FTA. This difference it is suggested is in the sequencing of the arrangements. In an FTA, the rulemaking framework is first established, and development follows; in the BRI, development and rulemaking proceed in parallel with each other. This is an important distinction that African countries embarking on the road towards a Free Trade Area in the AfCFTA should learn from.

This section has argued that China's multipronged strategy in the Asia-Pacific region to strengthen its economic cooperation, deepen free trade arrangements that are asymmetrical in favour of the smaller ASEAN countries, and expand its investments in regional infrastructure and industrialisation in the ASEAN region, was extended to the broader Asian region. This gained momentum as the US joined the TPP and began to divide the region through including some of the ASEAN members, creating new rules and standards on issues such as investment, competition and IP, and isolating China. This strategic engagement and competition between the US and China was extended to the rest of the Asia-Pacific region through the ASEAN+3 and ASEAN+6 negotiations that led to the RCEP. The BRI has become a comprehensive response to this process and also begun to create principles and objectives for regional and global governance.

China's role in Africa has come under much scrutiny by both African policymakers and academics world over. For this reason, the next section discusses China's evolving role in Africa and the role of the BRI.

3. CHINA-AFRICA AND THE BELT AND ROAD INITIATIVE

China's trade and economic relationship with Africa has evolved considerably since the founding of the People's Republic of China in 1949. In 1964 China provided 53 percent of the loans received by Africa and in the 1970s it financed the Tazara Railway line from Zambia's copper belt to the port of Dar es Salaam in Tanzania (Brautigam, 2009). However, since the formation of FOCAC, in 2000, this relationship has expanded rapidly. By 2009 China overtook the US to become Africa's largest trading partner (Schneidman, 2015). In 2010 China became Africa's largest export destination. In sharp contrast both the EU and the US have declined as an export destination for Africa. In 2005, 52 percent of Africa's exports went to Europe. This percentage was reduced to 36 percent in 2014, while over 27 percent of Africa's exports went to Asia in 2014 (mainly China). Similarly, only about seven percent of Africa's total exports went to North America in 2014. Pigman (2016) reports that total goods trade between the US and Africa had reached a peak of US$100 billion in 2008 and was valued at US$50 billion in 2014. In sharp contrast, two-way trade between China and Africa was valued at US$210 billion in 2013 but had fallen to US$152 billion in 2014 (with Asia) (Schneidman, 2015; WTO, 2015).

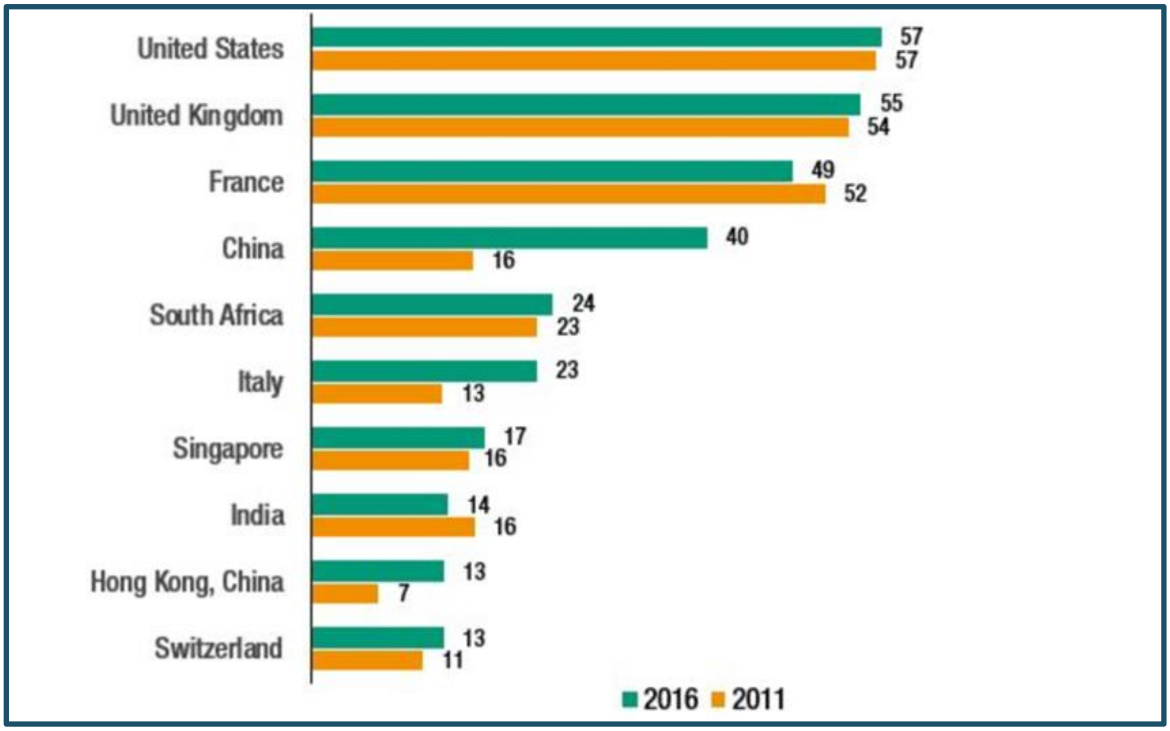
FOCAC has met every three years at ministerial and presidential levels and made a large number of commitments to enhance its support to Africa in a number of areas, including opening its market up to 95 percent for Least Developed Countries (LDCs); providing concessional loans and grants; support for infrastructure; and generous debt relief (UNCTAD, 2010). At the 6th FOCAC meeting, held in Johannesburg on 4-5 December 2015, President Xi Jinping announced a big package that covers the areas of industrialisation, agricultural modernisation, infrastructure, financial services, green development, trade and investment facilitation, poverty reduction and public welfare, public health, people-to-people exchanges, and peace and security. The package included US$60 billion of funding support (Xinhua News, 2015). The Beijing Summit of FOCAC in 2018 saw 53 of the 55 African countries represented, reflecting the convening power and influence of China in Africa (Oyewole, 2019).

China's rise has created both opportunities and challenges for African countries. Huge opportunities for Africa to export its commodities at higher prices into the Chinese market propelling its growth rates. However, China's rise has also created the challenge for Africa to manage the impact of the increasing competitiveness of China's labour-intensive manufactured products on its own nascent labour-intensive manufacturing sectors, such as clothing and textiles, leather and footwear, electronics, and furniture (Ismail, 2011). In the first decade of China's entry into the WTO, African countries were increasingly under siege as China's exports of manufactures caused many factory closures and deindustrialisation of several African countries. Interestingly, as China's own wage levels have begun to rise, it has begun to sub-contract out the labour-intensive parts of production to lower-wage regions, mainly in South and Southeast Asia. More recently, African countries, such as Ethiopia, have begun to tap into this opportunity and succeeded in attracting Chinese investors to build industrial capacity and manufacture in the low-value sectors of clothing and textiles, electronics and footwear (World Bank, 2013). In addition, unlike the private sector investors in the US and the EU, the Chinese state-owned enterprises have taken a longer view of their investments in Africa and have begun to invest in infrastructure, such as energy, road and rail transport, port development and logistics.

The African Development Bank argues that Africa will need to leverage its abundant natural resources, and the growing size of its middle class that has made it an attractive consumer market, to negotiate a more mutually beneficial relationship with China.

There is a growing academic literature and commentary in the popular press that is critical of China's role in Africa. According to a recent survey of this literature, the key concerns and complaints against the Chinese aid and investment approach include 1) encouraging poor governance and aiding corruption; 2) lax borrowing rules that increases the debt profile of African countries and dependence; 3) dumping of Chinese goods in African markets; 4) employing Chinese workers instead of African local labour; and 5) damaging the environment of African countries (Oyewole, 2019).

Figure 1: Top investor economies in Africa, 2011 and 2016 (billions of dollars)



Source: UNCTAD, 2018

Note: Numbers resented in this figure are based on the FDI stock data of partner countries.

There are also many myths about the role of China in Africa. For example, while Chinese investment in Africa has been increasing exponentially, the share of Chinese investment in Africa's total inward investment is relatively small relative to the US, United Kingdom (UK) and France. FDI inflows from China rose from US$21 million in 2005 to US$1.44 billion in 2015, which may reflect China's involvement in large infrastructure projects (road and building construction) and in the financial and telecommunications sectors. However, China's share of FDI in 2013 and 2014 was only 4.4 percent of the total (Dollar, 2016). China's share of infrastructure investment was about one sixth of the total of 30 billion dollars that China received in the period before 2016 (Dollar, 2016).

Another study finds that China accounted for only around five percent of global FDI into Africa in 2015 (Brautigam et al, 2017). This argues that China still has a very small presence in these countries' manufacturing sectors and that Chinese investment in Africa is not large enough to be either a calamity or panacea. A Brookings Institute study (Dollar, 2016) on China's relationship with Africa supports this finding and finds that the Chinese share of the total infrastructure finance coming into Africa was only one sixth of the total of US$30 billion per annum. The study argues that "the notion that China has provided an overwhelming amount of finance and is buying up the whole continent is inaccurate" (Dollar, 2016).

The evidence from Ethiopia indicates that countries can harness China's investment potential to achieve meaningful growth in jobs and productivity (Brautigam et al, 2017). The study by Brautigam et al finds that while Chinese investment in Africa (2013, 2014 and 2015) was still in mining, its investment in manufacturing was rising. The study also found that in Ethiopia, Chinese firms in its manufacturing sector employed a little over 5 000 workers, the vast majority being Ethiopian, and that Chinese firms source roughly 70 percent of their inputs locally.

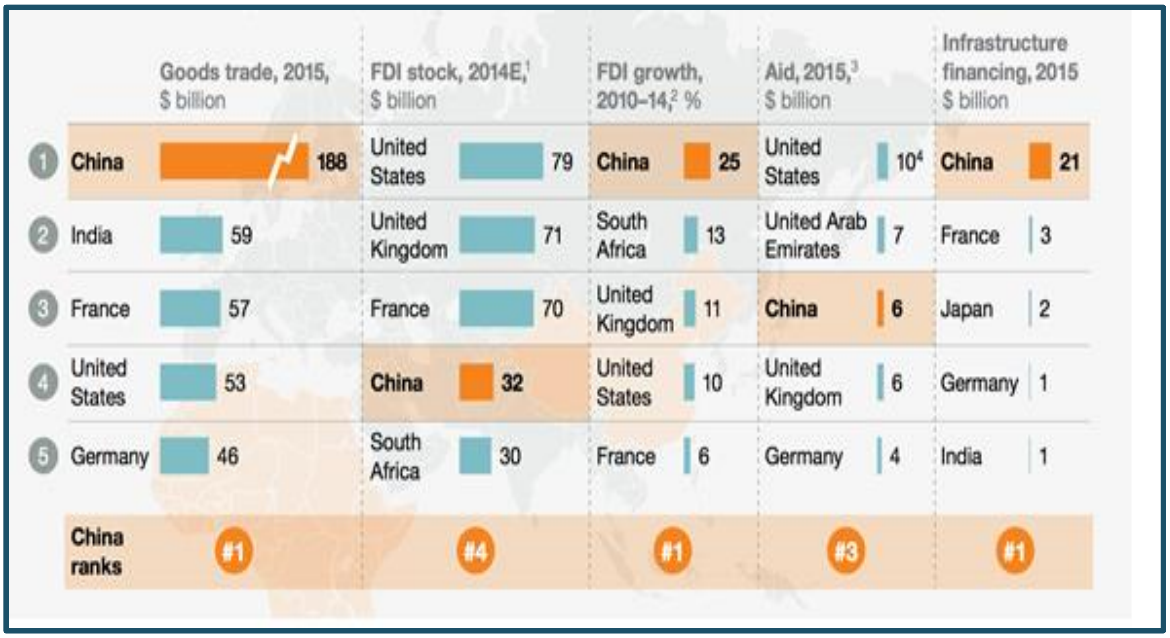
A recent study of the China-Africa economic relationship undertaken by the global accounting and consulting firm McKinsey & Company confirms the study by Brautigam et al that China is a relatively small investor, compared to the US, UK and France. However, the McKinsey study finds that the growth of China's investments, the extent of its infrastructure financing, and the volume of its trade is far greater than these major powers. McKinsey evaluated Africa's economic partnerships with the rest of the world across five dimensions: trade, investment stock, investment growth, infrastructure financing, and aid. McKinsey finds that China is in the top four partners for Africa in all these dimensions with no other country matching this depth and breadth of engagement (McKinsey, 2017). The study finds that there are more than 10 000 Chinese-owned firms operating in Africa with 90 percent of these firms being privately owned. McKinsey argues that Africa-China trade increased from US$13 billion in 2001 to US$188 billion in 2015 – an average annual growth rate of 21 percent, while FDI has grown even faster, from US$1 billion in 2004 to US$35 billion in 2015, according to official figures. This represents a breakneck average annual growth rate of 40 percent (McKinsey, 2017). McKinsey's research found that about 12 percent of Africa's industrial production and nearly 50 percent of Africa's foreign construction market are led by Chinese firms. Contrary to the prevailing myths, the study found that Chinese investment was responsible for significant job creation and skills development, transfer of new technology and knowledge, and financing and development of infrastructure, resulting in the employment of several million African jobs.

In just more than a decade, China has become Africa's most important economic partner (see Figure 2). Chinese "dragons"— firms of every size and sector—are bringing capital investment, management know-how, and entrepreneurial energy to every corner of the continent — and in so doing they are helping to accelerate the progress of Africa's "lions," as its economies are often referred to (McKinsey, 2017).

The McKinsey study finds that Chinese firms invested in the largest steel plant in West Africa, the largest ceramic tile factory in East Africa, and the largest bank in all of Africa. The Chinese telecommunications giants Huawei and ZTE built most of Africa's telecoms infrastructure. Chinese contractors built the US$1.2 billion Tanzania Gas Field Development Project in 2015;

the US$3.4 billion 75-kilometre Ethiopia-Djibouti Railway in 2016; and the US$3.8 billion 750-kilometre Standard Gauge Railway in Kenya in 2017.

Figure 2: China is now Africa's biggest economic partner



Source: McKinsey, 2017

Debates about the role of China in Africa are taking place in countries outside Africa and within Africa itself. A Pew Global Attitudes Survey undertaken in 2015 found that China was more popular in Africa than in any other region (Dollar, 2016).

The well-known Zambian economist, Dambisa Moyo, is quoted as stating that "The evidence does not support the claim that Africans feel exploited. To the contrary China's role is broadly welcomed across the continent" (Dollar, 2016). The same study also quotes the former Nigerian central bank governor, Lamido Sanusi, who was critical of China's trade with Africa and is quoted as stating that "China takes our primary goods and sells us manufactured ones. This was also the essence of colonialism" (Dollar, 2016).

How should African countries engage with China's BRI?

First, African countries need to use their agency and collective negotiating power through the African Union, the African Development Bank and the Economic Commission for Africa and Regional Economic Communities to negotiate mutually beneficial trade and investment deals with China that advance the AfCFTA and "developmental regionalism" in Africa (Ismail, 2019).

Second, African countries should leverage the resources and financing facilities, such as the AIIB, created by the Belt and Road Initiative, to support their infrastructure investment needs.

Third, China's cooperation programmes on Industrial Parks and Free Trade Zones offer African countries opportunities to mobilise investment to industrialise and build their regional value chains.

Fourth, the lessons from China and ASEAN, such as the experience of the Greater Mekong

Subregion, can offer African countries valuable insights into how to build their own regional integration in the AfCFTA in a way that is inclusive, mutually beneficial, and builds cross-border infrastructure and industrialisation across the African Continent.

Fifth, African countries should be insisting that China's BRI supports the effective implementation of the AfCFTA that is consistent with their own vision for a "developmental regionalism" approach to regional integration (Ismail, 2019).

Sixth, new opportunities and challenges are also arising from the COVID-19 crisis. COVID-19 has brought to the fore the over-reliance and dependence of Europe, America and Japan on China for vital supply lines and has prompted them to begin a process of reshoring and restructuring their supply of intermediate inputs, in pharmaceutical products, medical equipment and consumer goods (Gopaldas, 2020). Major producers such as Wistron Corporation, an iPhone assembler, Samsung, Toyota and Honda, have indicated their intention to restructure their production processes from China. These new trends provide African countries with new opportunities to attract these investors to support their efforts to industrialise and transform their economies.

Seventh, one of the largest fallouts will be the management of the high levels of African Debt owed to China. The G20 group of countries, including China, have agreed to suspend all debt payments until 2021. China, however, is cautious about creating a precedent and it excluded its BRI Infrastructure loans provided by the China Export-Import Bank from the suspension a few days after the G20 announcement (Mills and Van der Merwe, 2020). China has been accused by critics in the US and EU of practicing debt-trap diplomacy by lending countries in Africa more money than they can afford to repay, thus placing these countries in its debt. China holds about one third of Africa's sovereign debt and has lent African countries about US$150 billion over the past two decades, funding Africa's infrastructure projects in electricity generation, ports, roads, rail, and dams (Kynge and Yu, 2020). African countries should use the collective institutions of the African Union to negotiate debt forgiveness and restructuring of the debt as part of their post-COVID-19 economic recovery programme.

4. CONCLUSION

This paper argues that the Belt and Road Initiative is a comprehensive response of the Chinese Government to the US attempts to contain China's rise in its own region (Southeast Asia) and in other parts of the world, including Africa. While most elements of the BRI have been applied mainly in Southeast Asia, the BRI has a strong footprint in Africa. China's development-friendly efforts in Southeast Asia, of building regional integration and development corridors, reflects an approach that could be associated with developmental regionalism. It also argues that the lessons from the experiences of China-ASEAN can offer African countries valuable insights to build their own regional integration in the AfCFTA in a way that is inclusive, mutually beneficial, and strengthens investment in cross-border infrastructure and industrialisation across the African Continent. African countries should use their agency and insist that China's BRI supports African countries to implement the AfCFTA with a developmental regionalism approach similar to the efforts it has undertaken in the Greater Mekong Subregion.

President Xi Jinping made a number of promises to African countries when he chaired the extraordinary China-Africa summit on solidarity against COVID-19 in June 2020 (FOCAC, 2020).

President Xi Jinping promised to support Africa's health care system and provide medical supplies to combat Covid-19, provide debt relief to African countries most in need and support Africa's AfCFTA by building regional supply chains and connectivity. He also alluded to the xenophobia displayed by some Chinese citizens in Wuhan when he stated that China is opposed to racial discrimination (FOCAC, 2020). China's soft power was also on display as part of its efforts to defuse the anger of African countries, when Chinese businessman Jack Ma provided over 100 000 corona virus testing kits, 500 ventilators and 100 tons of PPEs to Ethiopia for distribution to all the member states of the African Union (Gopaldas, 2020). While China has responded positively to addressing the impact of COVID-19 on African countries, there two significant challenges that it could contribute to as a way of strengthening its relationship with Africa.

First, China's negotiations on Africa's debt in the post COVID-19 period will provide it with a major opportunity to reflect on its commitment to mutually beneficial trade and investment relations as has called for in several documents of the BRI (Office of the Leading Group, 2019). However China's efforts at debt relief for African countries will need to go beyond the current approach of China to debt relief (Bilal and Tadesse, 2020). China's approach tends to be one of bilateral engagement, which creates a lack of transparency and reduces African countries' bargaining power. In addition, since most of the debt of African countries to China are commercial loans, China should work with other creditor countries in the OECD to find multilateral solutions to debt relief that provides a sustainable solution for Africa's debt.

Second, while China's support for Africa's immediate needs to combat COVID-19 is laudable, it should contribute to building productive capacity in Africa that reindustrialises the continent and reduces its dependence on imports for up to 94 percent of its pharmaceutical consumption (ECA, 2020). China can play a huge role in Africa's industrialisation by investing in value-adding processes within Africa of the resources that it imports. This should be done in the spirit of solidarity expressed by China's leaders towards Africa and compensation for the deindustrialisation of many African countries caused by China's rise in the first decade of the new millennium.

Third, African countries have embarked on an ambitious process to build a regional integration process based on the AfCFTA agreement.

The agreement was concluded in March 2018 and officially entered into force at the Summit of the AU on 7 July 2019 in Niamy, Niger. At this summit, Nigeria and Benin signed the AfCFTA. However, the onset of the COVID-19 pandemic in 2020 led to a delay with the agreement set to be implemented in 2021.

African countries working through their regional organisations, such as the African Union and the AfCFTA, should use their agency and negotiate with China to advance these aims. The experiences of China in building regional corridors, supporting regional value chains and connectivity in Southeast Asia can provide valuable lessons for both Africa and China on how the BRI can contribute positively to developmental regionalism in Africa (Ismail, 2019).

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