

Why China's audacious building plans could be a major strain on African economies

By [Ricardo Reboredo](#)

7 Sep 2017

It has been described by Chinese president Xi Jinping as the “[project of the century](#)”. And the [One Belt One Road](#) (OBOR) initiative is certainly ambitious. A massive infrastructural development program that will potentially span 60 countries, and cost [an estimated \\$5tn](#), it will mean building new rail networks, roadways, and pipelines across Asia, Europe, and Africa.



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First proposed in 2013, [OBOR](#) is the latest in a line of projects designed to increase China’s economic reach. Though its scale is unprecedented, OBOR’s basic objective is the geographical expansion of Chinese capitalism.

The initiative is part of a massive restructuring of the Chinese economy as the country seeks to move from a “newly-industrialised” economy to a “fully-developed” one. The old drivers of development such as low wage, low-end export manufacturing have been wildly successful. But the system has essentially run its course. Overproduction and cyclical crises have led to [social and economic problems](#) such as unemployment, increasing income disparity, and an overheated housing market.

Simply put, capital accumulation and expansion under the old export-oriented model is no longer sustainable. The Chinese economy needs to move towards the production of higher value goods, an expanded services sector, and increased domestic consumption.

OBOR represents the latest, and most aggressive, step in this shift.

From Africa's point of view, OBOR presents a mixture of challenges and opportunities. Few African leaders made it to the Belt and Road Forum in Beijing [earlier this year](#), and there remain big questions about how the initiative will affect projects throughout the continent.

East African nations such as Kenya, Tanzania, and Ethiopia are seemingly the focus for China. But related projects have [popped up everywhere](#) from Cameroon to Namibia and Nigeria.

For many African states, the main question will be how they can leverage the vast sums of money behind OBOR to grow their own economies. They will be wary of an infrastructure heavy agenda resulting in a return to a colonial-style situation in which transport links are simply created to shuttle resources out of the host country, without creating opportunities for growth.

Additionally, OBOR may open up African markets to a wide variety of cheap Chinese goods, undercutting local manufacturers, and stymieing the prospects for large scale industrialisation of their own.

States throughout Africa already have infrastructure projects that they understandably wish to prioritise. Will OBOR interfere with these or cause them to be dropped altogether in favour of Chinese plans?

A fork in the road

The enormous project brings with it many vital questions, and, currently, few clear answers. What will the negotiations with Africa look like and who will be represented? How will financing be deployed and debt managed? How will land acquisition take place, will there be large scale land grabs such as [those seen](#) in Ethiopia and Uganda? Will OBOR reinforce the political and economic status quo within participating African states or will it lead to substantial change?

The prospect of unsustainable debt presents another serious issue. Projects already underway such as the [Standard Gauge Railway](#) and the [Addis Ababa-Djibouti Railway](#) have required host countries to take out billions of dollars worth of loans, largely from Chinese state banks.

Debt accumulation is unlikely to slow, yet there are a number of problems with current borrowing practices. Sub-par domestic revenue generation and falling commodity prices can compromise the ability of governments to service debts. Since 2013, for instance, Kenya's debt-to-GDP ratio has [risen from 40% to 53%](#), far above the government-set preference of 45%.

While investment is sorely needed throughout Africa, [some have argued](#) that infrastructure deficits are symptomatic of broader societal and economic problems. Simply contracting outside parties to construct new infrastructure will not ameliorate the conditions that led to the deficits in the first place. Additionally, over-investing in physical infrastructure without establishing corresponding governmental institutions and legal structures can lead to economic and financial fragility.

OBOR investments will bring much needed capital to the continent, yet they must be carefully supervised. Under performing infrastructure projects, slumping commodity prices, and rising debt levels are a recipe for crisis. The situation will be further complicated by China's own [uncertain economic prospects](#). If the OBOR gamble fails, China could take Africa down with it.

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