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China's Belt and Road Initiative and Its Long-Term Impact on African Countries

This is an edited transcript of the presentation by Dr. Alexander Demissie of Ethiopia to the Nov. 25-26, 2017 Schiller Institute Conference, "Fulfilling the Dream of Mankind."

I'll begin with two or three words about myself, so you can understand why I'm here. My background is in international relations. I'm a PhD holder in China-Africa relations, and have been studying China-Africa relations since 2003, so I am quite aware of what has been happening over the last decade in this area.

Today, I will try to discuss with you the Belt and Road Initiative (BRI), and how it is connected to Africa. What kind of long-term impacts are we expecting when we talk about the BRI and Africa?

This is a map I always use in my presentations. I always ask my audiences "What do you see here?" It's a very simple question. You should see something. It's a rhetorical question. I'm not expecting you to answer. It usually takes several minutes until people realize what they see here. What you see is the absence of the American continent. [laughter] You see that the Chinese vision of the BRI is absolutely Eur-Asian oriented. Starting in China, it is primarily Eur-Asian oriented. The idea of the BRI, probably even your idea back in the 1970s, is the Land-Bridge, which we have also been discussing yesterday and today.

Within this map you will see Africa. Africa is prominent. It is not entirely in the center, but is on the left side, and should be part of the BRI idea. We know that Africa is a late-comer. It's an after-



Alexander Demissie

thought in China. It was not a primary address for the BRI. Therefore, it took people such as Professor He and Professor Justin Yifu Lin from Peking University to bring Africa into the picture. Starting in 2013-14, they were the first ones writing about Africa and that Africa should be considered as part of the BRI. They coined the term "One Belt, One Road, One Continent," to include the African continent. Later we will see that we cannot even talk about the African continent.

How do we understand the BRI from the African perspective? We see that the BRI is a very open and over-arching idea. It is open in that anybody can come in, and "dock" with it. Earlier we heard about the 16+1 initiative in the Central and Eastern European countries. This is one such idea. If it's good or bad, that's another discussion.

China's Belt and Road Initiative



How do we understand BRI in African context?

- It is primarily Eurasian oriented project (*Africa is latecomer*)
- It is an overarching & open idea providing new narratives (*re-writing of history and creation of new voices*)
- It is primarily infrastructural undertaking without political institutionalization (*fits into current African needs*)



BRI enhances existing FOCAC Ideas

- Implement China-Africa Cooperation in the fields of railway, highway, regional aviation networks and industrialization
- Give priority to the AU's *Programme for Infrastructure Development in Africa (PIDA)*
- Cooperate on planning and construction of infrastructural projects to achieve sub-regional connectivity and integration



“The Africa We Want”

AU Agenda 2063: Plan for structural transformation

Infrastructure development as aspiration for “connected infrastructure vision”



The BRI is creating a place for re-writing history, creating space for new voices which have been subdued in the last decades, but which can now come out from their hidden places and start referring to their own past histories and ideas. In the keynote speech this morning

we heard of an Indian narrative now coming out. India is partially opposing the whole idea of the BRI, but partially also coming up with their own grand history going back many years. So, we are hearing new voices. The BRI in the context of Africa is creating new voices, new ideas, new narratives—which is a good thing.

My third point: the BRI is primarily an infrastructural undertaking. We don't yet have political institutionalization. We have infrastructural ideas. We have corridors, but we don't yet have political institutions. So, if we talk about the Asian Infrastructure Investment Bank (AIIB), or the Silk Road Bank, these are just connected to infrastructure; they are not political ideas.

Interestingly, this idea fits perfectly into the current African need—infrastructure development. Africa wants infrastructure, going back here to the African Union's Agenda 2063 strategic framework that has also, coincidentally, been coming up. Together with the BRI, Africa wants a good infrastructure connection, a good internal interconnectivity. So, the idea of the BRI coming from China is perfectly fitting into the idea—actually happening or being discussed—within the African continent.

On the right side of the map you will see different corridors within Africa, which have been at various times conceived of by various players and have been thought through to some extent as very important corridors. The question remains: who is going to finance all these corridors?

Lyndon LaRouche: (interrupting from the audience): It ought to be done! What happens is, in the process of the.... [audio loss] on the development of the new [inaud] system for them. First of all, this goes way beyond anything which mankind, in Russia or elsewhere, has seen. They have no knowledge of this as such. They have now achieved, together with other people, the development of what is really a work system.

Demissie: Are you referring to the BRI?

China's (new) approach towards Africa

Goal: industrial and agricultural cooperation

Precondition: **infrastructural** and human resources development

→ Growing corridorization of China's approach towards African countries

→ Not single countries but corridors becoming more important



LaRouche: The system itself. The thing is essentially motivated by what the population has developed, what it's opened up on.

Demissie: Yes, yes.

LaRouche: Then people come in and they do some work. By this time, their mind is way beyond anything they've done before, in terms of an ongoing project. So, the job is: DO IT!

Demissie: Yes! Yes! Exactly! I'm fully with you on this. Because if you have been following the debate within Africa, or the African continent, or African institutions, the Agenda 2063, what we call "The Africa We Want," is nothing else than, literally, infrastructure development that the continent has been needing for decades actually, but has never happened.

We see now China as an actor coming in and literally taking up or doing part of those needed works. From the African perspective, this is a huge plus for many African countries. The idea of the BRI, coming only since 2013, is helping what has been taking place on the continent between China and the African countries since the year 2000, what we call the Forum on China-Africa Cooperation (FOCAC). For those who are not familiar with that forum, it is similar to the 16+1, where we have at least 48 African countries on the one side, with China on the other. Within this forum, the Chinese position has been always, not changing, but always adapting to the current needs.

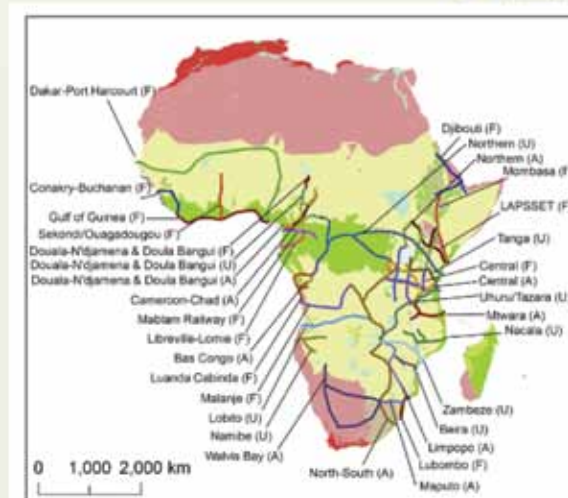
Lyndon LaRouche: You *have* to change... [inaudible]

Demissie: Yes. I will come to that point. It has changed. I will explain how it has changed. What I meant is that it is happening every three years. Every three years this forum has been adapting, gradually, in my view, to the needs of China, actually, not only to the needs of Africa.

Since the FOCAC Summit and 6th Ministerial Con-

African corridors

- Corridors as a key development tool on continental, regional and national level
- Corridors by definition link different territories or areas together
- Development & economic corridors linked to other strategic interests, such as agriculture & industrialization



ference in 2015 in Johannesburg, China has been entirely moving its priority from social-related aspects, more to hard infrastructure development aspects. China has clearly declared that they would like to see China-Africa cooperation moving into development of highways, regional aviation networks, or industrialization.

Also China has given a high priority to the African Union's program for infrastructure development. This program has approximately 51 different programs, which has translated into 400 different physical projects. I'm speaking about ports, streets, telecommunications lines—whatever is required for a nation or a continent to function.

China has also been very clear since Johannesburg in 2015 that they want to cooperate more with Africa more on infrastructural projects that create regional connectivity. That is where the BRI comes in. That's why I mentioned earlier that the BRI is primarily an infrastructure topic.

Now maybe I'm putting that emphasis here. China has also been changing its emphasis since at least 2016, clearly articulating their desire to have with Africa a cooperation on industrial and agricultural development.

Again, a physical-oriented approach. The preconditions for a developing Africa are good infrastructures in place. Good infrastructures first, and then the human resources development needs to take place at the same time.

What we see in Africa since at least two years, is a growing “corridorization” in the China-Africa relationship. By corridorization, I don’t mean that single countries are no longer important, but entire regions are becoming more important for China. This is a huge departure from the bi-lateral single-country-based approach toward corridor development. If you look at the African corridors, the map on the right, you can see right now, as we speak today, around 33 different corridors that have either been developed, are under development, or are thought out and need to be developed. Corridors do nothing else but combine two different areas, and by doing so, create a development initiative, a development paradigm.

China is a big player in the corridorization movement happening in Africa, the same as we have heard about earlier with Bulgaria. You also have the same type of development going on in the Central Asian countries. The BRI is supporting these existing ideas within Africa.

From the African perspective, the questions directed to China, at least from some sub-regions, are “Is our relation to China helping us to advance those infrastructure developments we are planning? Is regional interconnectivity happening with our relationship with China? And, is the industrialization process actually happening through this relationship?”

LaRouche: It’s all are the same thing. They are not separate things.

Demissie: No, it’s not.

LaRouche: You have to have these characteristics there acting, when those characteristics are coming into play. For example, I know some members of the talent there. We’ve worked on this. I’ve worked on it, in part, with my wife. The idea lying in the minds of the scientists in there, you see that the whole thing emerges in that way. The danger is that people begin to monkey around with interpretations of how this thing came about. Right now, in a short period of time, this operation has really exploded.

Demissie: True.

East Africa: Leading the corridor build-up

- ◆ LAPSET
- ◆ SGR
- ◆ Djibouti-Addis Ababa railway
- ◆ Port Djibouti
- ◆ Bagamoyo
- ◆ Transmission lines
- ◆ Oil/gas pipelines
- ◆ Special economic zones
- ◆ Telecommunication



LaRouche: It has exploded through other groups of people. There is a connection, a very important connection of relevance, not precise. You have to work on that issue, because you have to integrate what has been the modality that you get usually. You have to work it over, change it. You have to build it up, make it stronger, reinforce it. That what the [inaud] part is. There’s no magic in this thing, as such. What there is, is a hot potato, which has been ready to cook for a long period of time.

Demissie: I agree. But now China is coming in and is starting to cook that potato. That’s actually the whole story. [laughter] It’s true! We need to ask ourselves, “Why has this potato that has been lying around for ages, not been cooked until today?” In a few minutes, I’ll come to the point: who is actually losing out in this “power game.” I call it a power game. I’m just giving you a kind of introduction, and hopefully I’ll stay within my time limit.

East Africa

Let’s go one step lower, to East Africa. This is Africa (TIS) has been around for a long, long time. Its plans at least have been “in the drawer” for a long, long time. We know also that a lot of American research institutes played a very good role in creating those plans in the 1950s-60s, especially in Ethiopia. The Grand Renaissance Dam that is being built now on the Blue Nile in Ethiopia goes back to American scientists who created such ideas in the 1960s. A lot of ideas in East Africa, for example, have been on the table for decades, but no one was able or willing to pay for them. But now a lot of money is coming out of China, so these infrastructure projects can be built. This is actually the whole game-changing idea here about the BRI, when we bring Africa into the picture.

What is happening in East Africa? In East Africa we have different types of corridors that are shaping up, which will have a lot of effect on the livelihood of the people. There is the Lamu Port-South Sudan-Ethiopia Transport (LAPSSET) Corridor. The yellow and red, starting from here (Lamu Port) goes up to Nairobi, the capital and largest city in Kenya; up to Juba, the capital and largest city of South Sudan; then to Addis Ababa, the capital and largest city in Ethiopia; and then later to Djibouti, the capital of Djibouti.

A lot of Chinese companies are active in the Lamu Port development, and also in the new standard gauge railway (SGR) that now connects Kenya's port of Mombasa with Nairobi, inaugurated two months ago. It's functioning. It's happening. People can use those trains to go from A to B.

The same is happening now from the Djibouti port to Addis Ababa. These physical infrastructures are now in place. Their idea has always been around, but they are now in place. So, they are effectively there.

How this has changed the lives of the people is easily described. Transportation of cargo from the Djibouti port to Addis Ababa used to take three days. By train, it's now only 10 hours. Now we can imagine the economic activity will happen as a result of this single corridor development, or one infrastructure within this corridor. Yesterday, Mehreteab Mulugeta Haile, the Ethiopian General Consul spoke here about some aspects of this.

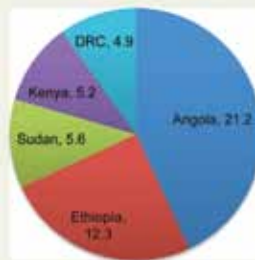
Looking at other development corridors: In Tanzania, there is the Port of Bagamoyo, approved only two weeks ago, being built with a consortium of Chinese actors with funding by Kuwait. When completed, it will be the largest port in East Africa.

The reason I mention these big projects is just to show you the kind of change they can bring into the entire region, not only to the port, but to the hinterlands behind the port. Here, again, Chinese actors are really at the forefront, changing the narrative within the African countries.

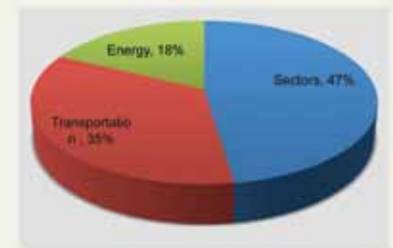
East Africa is for me the main entry point into Africa, when it comes to the BRI. I know that Egypt and

Chinese loans to African countries

Top 5 recipient of Chinese loans in Africa 2000-14, bn \$



Which sectors receive the loans?



Ethiopia: A demonstration country: Transport and Industry



Morocco have also a big stake in the BRI, but looking at the entire development of the BRI, I consider that the East African region, starting from Djibouti in the north, down to Mozambique, will have a bigger impact on how the BRI will be coming into the African continent.

The reason why the Chinese attitude towards the African countries is also changing, is easily explained. Since 2016, China has grouped some African countries according to two classifications: "industrial cooperation demonstration and pioneering countries," that includes Tanzania, Kenya, Republic of Congo, and Ethiopia; and "priority partners for production capacity cooperation countries," that includes Egypt, Angola, and Mozambique. Very interesting wording. The point here, is that these countries will become *primus inter pares*; they will become a bit better than the others.

We observe the emergence of a two-phase China-Africa relationship. I might get some objection to this from my Chinese colleagues, but that's what we are observing from within Africa. We don't have the kind of big forum where every country is equal. We don't have

Special Economic Zones

- SEZ act as “places of exception” along the infrastructural corridors
- important “attraction nodes” for Chinese companies following BRI promises into the African Region
- Supporting China’s relocation strategy towards Africa



nya, Kenya-Tanzania—so that the entire sub-region hopefully will be industrialized at some point.

Ethiopia has 22 separate industrial parks that are either planned, built, or under construction. Most are built by Chinese state-owned enterprises. This is the main point here. Special Economic Zones (SEZ) and industrial parks exist not only in Ethiopia, but are also in Kenya and Tanzania. Other countries such as Rwanda or even Senegal are following in these footsteps. They are becoming important “attraction-nauts.” That’s how I call them, attraction-nauts within the BRI for Chinese companies that want to go out to African countries.

Without those industrial parks, there would not be so many Chinese companies in Africa.

Another area which I want to quickly show you, concerns energy production. Who is building the energy for African countries? Again, we see a lot of involvement by Chinese companies. East Africa is predominantly active in this area. “Energy” consists of anything from power plants, renewables, dams, etc. East Africa is really hard at work here. In the distribution of Chinese projects and power capacity, by sub-region until 2020, you can see that southern and eastern Africa has received quite a number of these projects.

What is the impact for African countries? Chinese actions are increasingly controlling the East African corridor development. This is one takeaway we need to make. They are working on the design, the implementation, and the financing, so the entire supply chain is controlled by Chinese actors. What I call the “infrastructure-industrial complex” is creating for African countries a very interesting mix. First, it is creating jobs. A lot of people now are getting work because of these development projects. But at the same time we see the first signs of dependency coming up. It is really important to know this. We also observe a new relation forming between increasingly powerful Chinese companies and African states. So, how do we manage those into action? Here, I’m talking about industrial capital accumulations. We heard earlier that the money that comes from China is put into the productive sectors; its not speculation money, but money that has a long time horizon, that can stay a long time in Africa. Actually, the only source currently that can have this kind of time horizon. This is distinctly different from the fast-paced speculative money coming from western countries.

any differentiation taking place, because of those corridorizations and the BRI entry points.

Another idea I want to give you: Where is all the Chinese money? One of the questions today was “Where do the Chinese get all their money?” That’s one question. But where is the money going that flows to Africa? To which sectors? Data from 2016 shows that most of the money goes to transportation and energy. Transportation is a big receiver of money from China. It encompasses trains, roads, ports, etc. This is a hint for you of where the story goes.

If we go to East Africa, we see that Ethiopia is receiving a lot of money from China, and Ethiopia is putting this money into productive sectors. They are building dams, streets, industrial parks. These are all preconditions that are required to grow faster and farther. If you don’t put the money you receive (from any source) into your productive sector, then probably you will not fly very far.

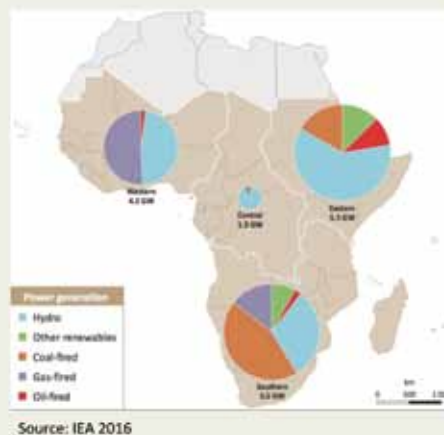
Looking then at Ethiopia, shown here is the planned train connectivities within the country. Ethiopia is planning on different train routes, one of which I just mentioned, from Djibouti to Addis Ababa, has already been constructed. But there are in total eight different routes to be constructed at some point that are planned by the government. There are others in the system, such as Turkish actors, and also interest from Indian actors, but predominantly these systems will be built by Chinese enterprises.

At the same time, if you see these routes, you’ll see also the proliferation of industrial zones, industrial parks within Ethiopia, all of which are being built along those train routes: infrastructural corridors. At the end, we will have “production corridors” going between various countries—Djibouti-Ethiopia, Ethiopia-Ke-

Greenfield power project contracted to Chinese companies 2010-2020



Distribution of Chinese projects in power capacity by sub-region 2010-2020



New market-allocation mechanisms increasingly are making it difficult for companies from the traditional partner countries to even enter the market. Even when they want to compete, they cannot compete anymore, because they are excluded from the markets. They cannot beat the competition, based on prices. So what happens when you don't even have a chance to enter the market? We see this development happening in the telecom sector and with the buildup of other infrastructure. For example, all

China's money which is coming into African countries is not only creating industrial capital accumulations, but another "contradiction," or question for African countries: "How do you organize the labor power of people when you employ them; and how do you organize your space?" So, space organization and labor vs. money coming from China. This is one aspect we need to think really hard about.

And then, the new production centers—those industrial zones I mentioned earlier—are also creating a new interaction against traditional partners, traditional trade regimes. They are being questioned. Which is good. With the term "traditional partners," I'm referring actually directly to European actors. [laughs] Traditional development trade partners are increasingly losing out to new forms of manufacturing, capital, and location, especially coming from Asia, from China. But if China can design, finance, and implement those production centers, then that means they can also put in new rules that can exclude, easily, people they don't want. It's very easy. All this means that capital allocation will determine the kind of companies that will come in to those centers and produce.

The problem as I see it, is that the traditional partners are still in the old paradigm in their thinking. They still think with traditional assumptions: Africa is seen as an aid-dependent continent, not as a continent full of opportunities. It is still seen with the wrong mind-set. That is one of the biggest problems, and it has to change.

the dam-building process in Africa right now is taking place only through Chinese enterprises. There are no other specialized players here.

One question that we have been discussing recently with our Chinese colleagues is "Could a trilateral corporation—'trilateral' meaning bringing in the traditional (European) actors, Chinese actors and African actors—be a solution to this dilemma, especially for European players?" On the one hand, we can say, "Yes, it could be possible, especially if European players can use already existing Chinese-built structures, for example the special economic zones or industrial zones, to start producing in Africa as well."

We think that the traditional partners need to produce a paradigm shift in their thinking toward Africa. If they persist in thinking that Africa is just an aid-recipient continent and not a continent of opportunities, then we believe they might not have a lot of success in the coming years.

On the other hand, we need also to acknowledge that China and the African countries are not necessarily *keen* in working with European partners. If there is no paradigm shift, why should they, especially if things are working fine without them.

We see, geopolitically, a big shift happening through the BRI on the African continent that is actually affecting European actors.

That what I have from my side. Thank you very much for your time. [applause]