CHINA REPORT

The Silk Road Reaches Africa

We present here an edited version of Chapter Two, "The Silk Road Reaches Africa," from the 246 page Special Report Extending the New Silk Road to West Asia and Africa—A vision of an Economic Renaissance*, published by the Schiller Institute in November 2017. The full Special Report is available for purchase at http://newparadigm.schillerinstitute.com/extending-new-silk-road-west-asia-africa/*

China News

Chinese Premier Li Keqiang speaking at a joint press conference with East African leaders in Nairobi on May 11, 2014.

In May 2014, while on a tour to several African nations, Chinese Premier Li Keqiang projected an optimistic vision of Chinese-aided industrial and infrastructural growth for the African continent. His tour started in Ethiopia, ended in Kenya, and included Angola, China's biggest African trading partner, and Nigeria, its third-biggest. Contrary to frustrated and nervous reporting in Western media and think tanks, Li was not on a shopping spree for raw materials.[1] Rather, he advocated an increase in Chinese industrial investment in Africa, and Chinese-aided infrastructure construction, policies that will raise standards of living, and propel Africa into a new economic platform.

Speaking at the African Union headquarters in Addis Ababa, Ethiopia, on May 5, Li emphasized that one of China's goals is to fulfill the dream of connecting all African capitals with high-speed rail, to boost pan-African communication and development. Li emphasized that China has developed world-class technologies in this field.

This is the first time that a leading nation has advocated a plan for extensive industrial and infrastructural development of Africa, since Lyndon LaRouche initiated a study in 1979 calling for the rapid development of infrastructure, including a continent-wide rail network, ambitious water projects, nuclear power, and industrialization.

China has taken the lead in building transport and power infrastructure throughout Africa. One of the most significant outcomes during Li's tour was the signing by the China Railway Construction Corp of a $13.1 billion deal with the Nigerian Ministry of Transport to build a coastal railway in Nigeria, from Lagos to Calabar, reported by the May 10 *People's Daily Online* to be one of the largest foreign railway projects China has ever signed.[2] The report cited the head of the Rail-

1. See, for example, the commentary by Dr. Alex Vines, published by the British Chatham House, "Premier Li Keqiang in Africa: The Importance of Angola for China." (https://www.chathamhouse.org/expert/comment/14134) Another, more hostile article in the *New York Review of Books* titled, "The Chinese Invade Africa," stated: "Groups such as Human Rights Watch have detailed labor abuses and shown how China's limits on free speech at home have been exported abroad, especially to dependent states in regions like Africa. The economic ties are sometimes portrayed as under-the-table deals cut between Beijing and corrupt leaders in Africa. Instead of helping to build civil society, these deals are said to hurt Africa's long-term interests, reinforcing the tendency of corrupt elites to secure resources at a low price." (http://www.nybooks.com/articles/2014/09/25/chinese-invade-africa/)

2. Lu Yanan, "China and Nigeria sign a $13.1 billion rail deal," http://en.people.cn/business/8623229.html

PSCU/Charles Kimani

Launch of the standard gauge Mombasa to Nairobi railway, in Mombasa, May 2017.

way Bureau of Nigeria, who said that the company will build a 1,385 km single-track line for trains that will run at up to 120 km per hour. The Lagos-Kano Standard Gauge Railway was officially opened in July 2016, and work on the Lagos-Ibadan section began in March 2017.

Another major development was the agreement reached in Kenya on May 11, 2014 between the Chinese delegation and the leaders of the East African Community (EAC), to build a $3.8 billion rail link between Kenya's Indian Ocean port city of Mombasa and the capital, Nairobi, as the first stage of a line that will eventually link Uganda, Rwanda, Burundi, South Sudan and Ethiopia. Under the terms of the agreement, the Exim Bank of China provided 90% of the cost to replace the crumbling British colonial-era line, the "Lunatic Express," with a 609.3 km modern standard-gauge railway. The remaining 10% is Kenya's responsibility. Construction began in late October 2014 with China Communications Construction Company as the lead contractor, and the line was completed nearly a year ahead of schedule, in May 2017.

The new Mombasa-Nairobi (Kenya) line has cut passenger travel time from twelve hours to around four.

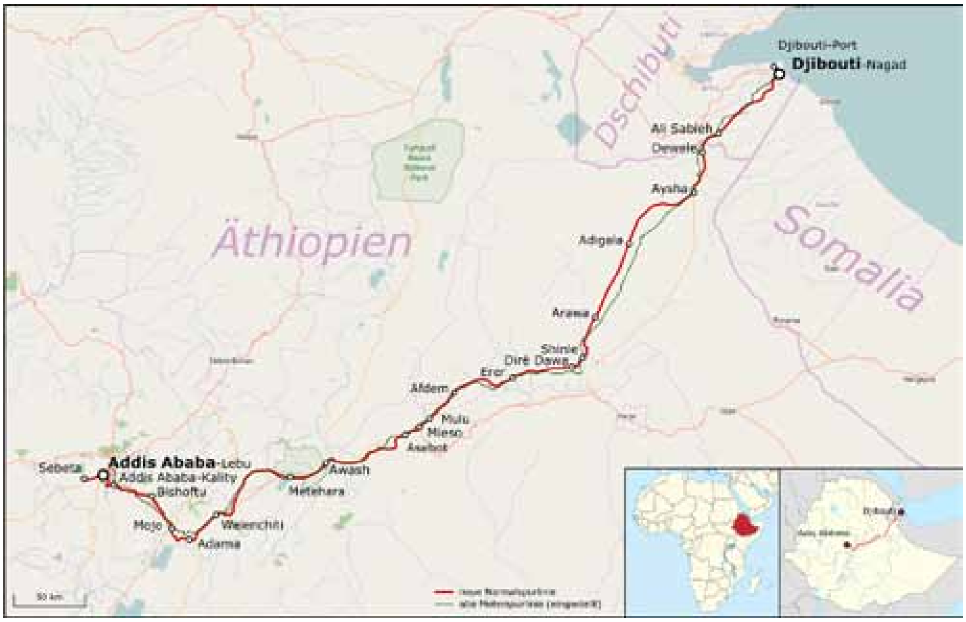
The signing ceremony for this rail line agreement was attended by Premier Li, Kenya's President Uhuru Kenyatta, Uganda's President Yoweri Museveni, Rwanda's President Paul Kagame, South Sudan's President Salva Kiir, and high-level representatives of Burundi and Tanzania. "This project demonstrates that there is equal cooperation and mutual benefit between China and the East African countries, and the railway is a very important part of transport infrastructure development," Premier Li said. Kenyatta hailed the booming relationship with China, calling it one "based on mutual trust," and saying Kenya "has found an honorable partner in China." President Museveni took a shot at Western powers saying, "We are happy to see that China is concentrating on the real issues of development. They don't give lectures on how to run local governments."

This agreement is just one of a series—there are similar agreements with Nigeria, Angola, and Tanzania, for railways, ports, power generation, and industrial projects—that China has signed to connect Africa to the BRI and build development corridors that can propel the economies of Africa into the 21st Century.

Another landmark achievement in Africa was the completion of the Addis Ababa-Djibouti 750 km electrified Standard Gauge Railway in October 2016. It connects land-locked Ethiopia and its 90 million population to world transport routes and the Maritime Silk Road through the Port of Djibouti. Construction was started after an agreement was signed in 2011 between the Ethiopian Railway Corporation and the Chinese construction corporations CREC and CRCC. The project was financed with a $3 billion loan extended by the Exim Bank of China. This railway is part of a very ambitious Ethiopian plan for industrialization, the Growth and Transformation Plan, which includes a national railway network connecting the major cities of the country, the development of five major industrial zones, and water, power and agricultural projects.

China in Africa: Myths or Facts

A June 2017 report by the global consultancy McKinsey & Company revealed stunning facts about China's level of economic engagement with Africa, and refuted many myths about that involvement. The report,



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The Addis Ababa-Djibouti rail line.

titled *Dance of the Lions and Dragons*,[3] is based on surveys of 1,000 Chinese firms in eight African countries.

The study reported the following:

• China's involvement in Africa far exceeds estimates provided by Chinese official statistics.

• In the past two decades, China has become Africa's largest economic partner, with annual goods trade in 2015 reaching $180 billion, compared to the other large partners of Africa: India (59 billion), France (57 billion), the United States (53 billion), and Germany (46 billion). Trade has been growing at approximately 20 percent per year.

• Chinese foreign direct investment has grown even faster over the past decade, with an annual growth rate of 40 percent.

• China is also a large and fast-growing source of aid.

• China is the largest source of "construction financing for many of Africa's most ambitious infrastructure developments in recent years."

• Ten thousand Chinese firms are active in Africa. Around 90 percent of these firms are privately owned, contrary to the reports that giant state-owned firms are dominant.

• A third of these firms are involved in manufacturing, handling an "estimated 12 percent of Africa's industrial production—valued at some $500 billion a year in total."

• Contrary to allegations of Chinese grabbing of African natural resources, the study shows that the activity of these firms is not focused on exporting goods out of Africa, but rather producing to meet the growing demand in Africa itself.

• In infrastructure, Chinese firms handle 50 percent of Africa's internationally contracted construction market.

• The common perception of Chinese firms bringing hundreds of thousands of Chinese laborers to Africa, rather than employing locals, is refuted. Among the 1,000 Chinese companies surveyed, 89% of the employees were African, adding up to nearly 300,000 jobs for African workers. Projecting these figures to all 10,000 Chinese firms in Africa, this suggests that Chinese-owned businesses employ several million Africans!

• Furthermore, 44% of the managers at these firms are Africans.

• Some form of skills training is provided by 64% of the Chinese employers. In companies engaged in construction and manufacturing, where skilled labor is a necessity, half offer apprenticeship training.

• Chinese companies are actively transferring technology to Africa, and in many cases are lowering the prices of sophisticated technology and machinery by as much as 40%, making them affordable in Africa.

Unfortunately, and in a way that reveals the currently dominant mindset of Western financial institutions, the same McKinsey & Company report itself, after having detailed all the fascinating things China has accomplished through state-backed public credit, recommends that this form of financing should be abandoned, and instead African nations and China should "Switch to PPP" (public private partnership) financing.[4]

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3. McKinsey & Company, *Dance of the Lions and Dragons: How are Africa and China engaging, and how will the partnership evolve?*, June 2017 (http://www.mckinsey.com/global-themes/middle-east-and-africa/the-closest-look-yet-at-chinese- economic-engagement-in-africa)

4. Ibid., page 69, Exhibit 21, key recommendation number 10. We discuss the problematic PPP model of financing infrastructure in Chapter 4.