Entering the Dragon's Den: Contemporary Risks and Opportunities of China's Belt and Road Initiative in Africa

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Abstract

This article attempts to identify the opportunities and risks associated with China's Belt and Road Initiative (BRI) in Africa. Given the global scope and depth of the BRI, it is of considerable importance to understand how this initiative applies to developing economies in the African context. The article provides a brief historical context of the BRI, followed by a short theoretical framework, specifically in the scholarly field of International Relations. The article then expounds on the opportunities the BRI could create for Africa, such as improving infrastructure, assisting in African industrialisation and economic advancement, as well as introducing beneficial diplomatic initiatives. The article also examines the strategic risks associated with the BRI, such as unsustainable debt concerns, concerns regarding the effect of an increasing trade deficit on domestic markets, as well as risks pertaining to large-scale infrastructure development.

Keywords: Belt and Road Initiative, China in Africa, Health Silk Road, Digital Silk Road, Debt-trap Diplomacy, Political Economy.

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1. Introduction

China's Belt and Road Initiative (BRI) is an ambitious macro plan aimed at developing two new trade routes connecting China with the rest of the world. More specifically, the BRI is a strategy employed by Beijing, which aims to connect Asia with Europe and Africa through maritime and land networks as a way of improving regional integration, stimulating economic growth and increasing trade (Dossani, Bouey and Zhu 2020, 1). It is, however, important to note that Africa sits at the periphery of the BRI. The BRI has six economic corridors, all in the Eurasian area, which constitute the core of the initiative. However, Africa is still of significant diplomatic and political importance to Beijing (Nantulya 2019). Despite public finance in the European Union (EU) and the Group of 7 (G7) aiming to compete with China in funding through A Globally Connected Europe (see Council of the European Union 2021) and the Build Back Better World initiative (B3W) (see The White House 2021), observers such as Wang (2021, 3) reason that the BRI continues to offer developmental opportunities for cooperation and financing between Beijing and African partner countries.

At least two issues are of major significance when studying the BRI as China's global infrastructure plan. Firstly, China sees itself as deserving of being a superpower (Schuman 2020). A few decades ago, China had poor infrastructure, low income levels, and a largely agrarian economy. Under Deng Xiaoping's leadership, China started to embrace economic reforms that would allow the country to reach its desired international status (Morag n.d., 8).

Secondly, the BRI plays an important role in Africa's economic development. There are currently 490 million people in Africa living in extreme poverty, an estimated 37 million more than what was projected without the COVID-19 pandemic (UNCTAD 2021). Many emerging economies that were already heavily indebted prior to the pandemic were forced to take on additional debt to support firms and households. In 2020, this resulted in an increase in the total debt burden for low- to middle-income countries of nine percentage points of GDP (World Bank 2022, 203). The BRI's prevalence in Africa means that it will inevitably influence the manner in which the continent's economy develops. Low-income countries tend to have small FDI inflows, low trade, and marginal participation in global value chains since their economies are poorly integrated into global and regional markets (World Bank 2019, 4). The emphasis placed by the BRI on increased governmental cooperation, better trade routes, and improvement of local infrastructure could help solve this dilemma (Ruta 2018, 3).

However, the BRI's lack of transparency and due diligence could increase corrupt practices and create future fiscal insecurity (Chen 2022).

Furthermore, the BRI could offer significant social and economic opportunities to Africa. The BRI is focused on infrastructure development, which has the potential to improve connectivity and enhance intra-African trade in the countries that have signed up. Free trade and related economic cooperation throughout the continent are currently among the highest priorities of the African Union. Although policy impediments such as customs delays, bureaucracy, and corruption are serious stumbling blocks (Dollar 2020), physical infrastructure deficiencies pertaining to roads, railways, ports and border posts, as well as other production-related infrastructure gaps, are also concerns. Other pertinent shortcomings are in the fields of information and communications technology, electricity, water and sewerage. Overall, it is estimated that at least US$68 billion, but as much as US$108 billion, is required to address the weak African infrastructure and related financing challenges. Against this background, the BRI presents an opportunity to African states relating to infrastructure development and associated financing that could significantly enhance connectivity across Africa and boost intra-African trade (Phiri and Mungomba 2019, 2).

The BRI, however, poses some significant risks for Africa and the relevant BRI partner states. African countries run the risk of being exposed to excessive debt burdens due to unfavourable loan agreements and a lack of transparency. It is important to note that the association between Chinese investments and large debts only applies to a handful of African countries. Chinese financing is merely adding to existing debt. It is in countries with already high non-Chinese debt that the additional debt becomes a burden. For example, among 17 African debt-distressed countries, Chinese loans are small in eight, substantial in six and dominant in only three (namely Djibouti, the Republic of the Congo and Zambia) (Tjønneland 2020, 6). According to Stein and Uddhammar (2021, 18), Chinese lenders often utilise collateral arrangements, such as lender-controlled revenue accounts and debt-for-equity swaps, in conjunction with acceleration, stabilisation and cancellation clauses in contracts to allow creditors to influence debtors' domestic and foreign policies. Furthermore, investment in BRI infrastructure is frequently cited as a risk, as large infrastructure projects often pose environmental, social and corruption risks (Ruta 2018, 4). Although the BRI is not limited to infrastructure projects, it does form a large part of the initiative and is therefore of major importance.

Given the above, this article attempts to discuss and answer the following research question: What are the opportunities and risks associated with the BRI? Structurally, the first part of this article provides a cursory historical overview of China's BRI, followed by theoretical reflections, specifically in the scholarly field of international relations. The article then concentrates on the opportunities the BRI could create for Africa but also examines the strategic risks associated with it.

2. Historical Overview of the BRI

The BRI was introduced in 2013 by President Xi Jinping and has expanded significantly since then (Wang 2016, 1). The BRI is a strategy for developing powerful new trade routes between China and other countries. Ultimately, this will increase trade, services, and capital flows between China and the rest of the world (Cai 2017, 4). In essence, the BRI is a global development project driven by President Xi Jinping and Beijing in the form of two economic belts: a northern economic land-based belt called the Silk Road Economic Belt and a southern maritime belt called the Maritime Silk Road. These two economic belts are aimed at the promotion of cooperation in several regions across the globe and the connection of major markets in the Middle East, Asia, Europe and Africa with China (Dollar 2019, 1). Chinese leaders describe the BRI as a national strategy that has diplomatic, economic, military and political elements (Nantulya 2019). It directly supports China's national security strategy to such an extent that it was included in the Chinese Communist Party's (CCP) constitution in 2017 (Russel and Berger 2020, 7).

Africa forms an important part of China's BRI strategy, specifically the Silk Road Economic Belt. As the Chinese economy began to bloom and capitalist values started to influence its citizens, an insatiable domestic market began to develop (Cai 2017, 2). In order to sustain its growth and provide for its growing middle-class, China needed to procure natural resources. Although natural resources were readily available on the international market, China's distrust of the West, coupled with its dedication to being self-sufficient, caused Beijing to turn to Africa (Jian 2019, 3). Africa has an abundance of natural resources, with limited potential business partners, making African partner states a good match for China's needs. Under the BRI, China has made BRI-related investments in 52 of the 54 African countries (Lokanathan 2020, 3). The BRI in Africa is very diverse in terms of projects and types of investments, but there are certain overarching trends. Firstly, China is heavily focused on investing in ports and port areas stretching from the east coast of Africa to the Gulf of Aden through the Suez Canal towards the Mediterranean Sea. China claims to have signed memorandums of understanding with nearly 70% of African countries along the coast of Africa. Secondly, the BRI is focusing significant resources on connectivity initiatives to connect its industrial and energy projects in the hinterland of Africa. Thirdly, the most significant number of BRI projects is in the infrastructure sector (Lokanathan 2020, 4).

China stands to benefit significantly from the BRI. As much as infrastructure needs are most pressing in Africa and China intends to address some of the needs on the continent, Chinese companies operating in industries like steel and cement are significantly benefiting from these projects (Lokanathan 2020, 3). In this context, many observers view the BRI as a tool for a newly powerful China to expand its global influence and diversify its trade opportunities, which is evident from the following. Firstly, the BRI aims to facilitate connectivity. The ultimate goal is to improve interconnectivity and infrastructure access between BRI countries. This will remove bottleneck points and barriers in core international transportation passages (Wang 2016, 3). Secondly, financial integration is a key strategic objective of China. China uses the BRI to enhance capital mobility across borders by creating institutions like the Silk Road Fund and the Asian Infrastructure Investment Bank (Cai 2017, 4). Another motivation is the internationalisation of the Chinese currency. As China's involvement increases in the financing of BRI projects, so will the use of the renminbi, the official currency of the People's Republic of China, increase. Lastly, the creation of trade routes via the BRI could grant China access to large international markets (Dollar 2019, 3–4).

In light of the above, several questions have been raised regarding China's strategic motivations. Critics believe the BRI is not merely an economic construct but rather a geopolitical tool to enhance China's international influence. Furthermore, concerns have been raised as to whether the initiative really benefits partner countries (Lokanathan 2020, 1). Some of this mistrust is rooted in China's broader strategy. The country's global and hegemonic intentions have made other countries wary. The United States, specifically, has accused China of forcing other nations into suboptimal security decisions by leveraging its overseas investment. Similarly, Indian Prime Minister Narendra Modi has expressed his concern that the increased connectivity created by the BRI was undermining the sovereignty of weaker states (Russel and Berger 2020, 8). China's choice to use the term "Silk Road" references China's imperial glory. Consequently, there is a clear connection between the contemporary BRI and China's intentions to re-establish itself as a global superpower (Cai 2017, 5). These matters will be further discussed in the sections below.

3. The BRI in Africa: Relevant Theoretical Tools

Since its inception in 2013, the BRI has been the subject of intense theoretical reflections and scholarly debates. Approaches from International Relations theory, among others, have been applied to make sense of the BRI as the world's largest global financial programme. However, given the complexity of the BRI, this article argues that there is no singular theory that can properly or accurately serve as a framework for explaining and understanding this macro initiative, and therefore, multiple theories of international relations should rather be used to examine and understand the BRI. Many observers take a realist stance by perceiving China as an emerging superpower that is pursuing power through self-interested and aggressive means (Herman 2020). This view is often justified with references to the recent establishment of China's military base in Djibouti as an integral part of the BRI. Moreover, China is often viewed as a rising global power, with its relatively new military base in Djibouti the epitomising symbol of China's assertiveness—even aggression—in international politics along the Belt and Road (Risberg 2019, 44).

Liberal scholarship in international relations, which places emphasis on harmony, tends to view the BRI as a platform to enhance international cooperation (Herman 2020). From this perspective, the BRI is framed and understood as a win-win initiative or a mutually beneficial relationship, linked to the core aim of the BRI as a development strategy that aims to build connectivity and cooperation across six main economic corridors, including Africa. In fact, Beijing is often seen as promoting this narrative of the BRI and downplaying the initiative's geostrategic objectives (Jones 2019, 2). Prominent Chinese academics also tend to put the crux of the BRI on cooperation, stating, for instance, that "the basic logic of BRI is to build back partnerships between countries, continents, and civilizations" (Thiwari 2021).

A structuralist Marxist-based perspective, such as Immanuel Wallerstein's World Systems Theory, for instance, which posits that there is a world economic system in which some "core" countries benefit while "peripheral" countries are exploited, is also of relevance. It can provide insight into the potential of China to exploit weaker states in a similar fashion to how the Global North has exploited the Global South, given the North's capitalist drive for accumulation of wealth (Balaam and Dillman 2016, 132). A prominent narrative in the literature is that China "provides infrastructure funding to developing economies under opaque loan terms, only to strategically leverage the recipient country's indebtedness to China for economic, military, or political favour"

(Risberg 2019, 43). As such, Structuralist theories, such as the World Systems Theory, may hold explanatory value for a better understanding of evolving relationships between China and its periphery (Lubieniecka 2014), including debt distress in BRI partner countries.

Over and above, given the nuanced and complex nature of the BRI, this article does not side or identify with any particular theoretical paradigm in International Relations in the study of this macro plan but rather suggests the need for incorporating elements from various theoretical approaches in understanding and explaining the BRI and its unfolding on the African continent. In other words, an eclectic approach that embraces theoretical pluralism is suggested because, on the one hand, it would be wrong and even dangerous to claim that all of China's engagement along the BRI is detrimental to Africa. Yet, to ignore China's interest-driven economic practices, military expansion, and assertive—even aggressive—political and ideological approach in Africa would be equally wrong. These matters will be further explored in the sections below.

It is important to note that the BRI exhibits a top-down development strategy, given its focus on larger macro-economic factors instead of the specific needs of individual countries. This could result in significant unmet needs in partner countries despite large monetary investment, given that it does not consider the nuances implicit in individual cases (Skidmore 2022). Given that the BRI is intended to promote Chinese interests, it is unlikely that it will be developed to focus on the needs of individual partner countries. Therefore, it could be beneficial for partner countries to reconcile top-down and bottom-up development policies (see Crescenzi and Rodríguez-Pose 2011). This implies employing more situation-specific bottom-up development approaches that complement a top-down initiative such as the BRI.

4. Opportunities Associated with the Belt and Road Initiative

The BRI has provided certain opportunities for Africa and will continue to do so in the years to come (Adeniran et al. 2021, 6). The discussion below focuses on some of the opportunities the BRI could offer Africa. It does not aim to discuss all opportunities but rather those that could assist in addressing some of Africa's more prominent needs.

4.1 Improving Infrastructure in Africa

Africa is faced with a significant infrastructure gap. It is estimated that bridging this gap

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would require between $130 billion and $170 billion of financing per year (Adeniran et al. 2021, 7). In 2019, the World Bank estimated that the gross domestic product (GDP) per capita growth of sub-Saharan Africa could increase by 1.7% relative to the developing world median if the infrastructure gap could be closed (Edinger and Labuschagne 2019, 3). When financing constraints permit, meticulously designed fiscal policies, such as public infrastructure investments in strategic sectors, could be used to accelerate recovery by lifting aggregate demand (AfDB 2021, 34). However, Africa's track record for moving projects to financial closure is incredibly poor, with an estimated 80% of infrastructure projects failing at the business plan and feasibility stage (Ruta 2018).

The public sector is the main source of infrastructure financing in Africa. A 2018 report by the Infrastructure Consortium for Africa (ICA) found that 42% of infrastructure funding in Africa was done by governments (Lakmeeharan et al. 2020). Although governments have an array of sources to fund these infrastructure investments—such as issuing Eurobonds, issuing their own infrastructure bonds and financing through International Financial Institutions—these sources have been heavily exploited in the last decade to finance infrastructure investments and contributed to current debt distress in a number of African countries. This is problematic, given that governments simply do not have the resources and capacity to develop infrastructure at the rate needed with the resources at their disposal. A major challenge relates to the fact that, in recent years, multilateral investment has been shifted towards humanitarian aid and social priorities and that private investment on the continent has been hampered by elevated investment risk (Adeniran et al. 2021, 7). Infrastructure investment is of considerable importance given that it increases FDI in other sectors, as well as increasing business confidence. Furthermore, infrastructure investment fosters productivity and innovation while lowering trade costs (Edinger and Labuschagne 2019, 3).

Another prominent developmental issue for Africa is weak intraregional trade. It is estimated that intraregional trade accounts for 17% of Africa's exports compared to 69% in Europe and 59% in Asia (Ghandi 2019). The BRI could help in this regard by providing finance for large-scale and, in some cases, cross-country infrastructure investment projects (Coetzee 2021, 2). Examples of this are major railway projects in Gabon, Mauritania and Nigeria, and hydropower schemes in Ethiopia, Sudan and Ghana (Risberg 2019, 44). It should also be noted that only about 28% of road networks in Africa are paved (Adeniran et al. 2021, 7). According to the World Bank (2019, 6), complementary policy reforms could maximise gains from transport projects.

If countries reduce regional trade barriers while embracing the development of intra-regional transport corridors, they could see a significant improvement in their economies.

4.2 Assisting in African Industrialisation and Economic Advancement

Phiri and Mungomba (2019, 2) correctly point out that industrialisation is a key component of the ability of Africa to reach inclusive and sustainable economic growth. Technology is a critical component for long-term sustained economic growth, especially in terms of facilitating service-led growth. Service-driven economic transformation is made possible through innovation, new opportunities for scale and spillover effects (World Bank 2021). Technology transfer between China and Africa occurs in different ways, such as knowledge transfer, knowledge sharing, and technical assistance. Many of the investment projects of the BRI are done using a combination of local and Chinese manpower in conjunction with Chinese technology. This leads to the inevitable transfer of certain skills and knowledge to Africans (Adeniran et al. 2021, 18). However, this is often inadequate in light of high unemployment levels and deficient educational opportunities on the continent. Consequently, in recent BRI projects, African countries have been embracing the Chinese vocational education model as a way of developing local technical capacity. For example, Beijing has offered scholarships for Nigerian students to study railway engineering in China. Upon graduation, these students are expected to work with the China Civil Engineering Construction Corporation, a state-owned enterprise, to take co-responsibility for Beijing's megaproject in Nigeria, the Lagos–Kano Standard Gauge Railway (SGR) (Olander 2020).

The BRI prioritises cooperation in manufacturing equipment and building production capacity and can therefore be used to develop production capacity in Africa and consequently attract Chinese FDI. Bluhm et al. (2018, 1) found that Chinese transportation projects in particular, and Chinese development projects in general, reduced economic inequality in low- to medium-income regions. Their results also suggest that Chinese investments in connective infrastructure produce positive economic spillover. While there are undoubtedly substantial risks, the BRI's impact on Africa has positive implications. By investing in both human capital and infrastructure, the BRI can allow African countries to develop and diversify their economies. This drastically improves domestic economic stability and allows countries to integrate better into the global economy. The BRI's shift towards high-tech communication infrastructure furthermore enables African countries to participate effectively in the international economy (Habibi and Zhu 2021, 1). This presents the opportunity for full digital value-chain activity and brings digital firms, such as Alibaba, Tencent and Huawei, to Africa (Boo et al. 2020, 3).

4.3 Emerging Diplomatic Initiatives: The Health Silk Road

The Health Silk Road (HSR) provides an opportunity for deeper diplomatic ties between China and Africa. According to the party secretary of the CCP committee of the Ministry of Foreign Affairs, Qi Yu, the HSR was originally designed as a component of the BRI under the pillar of people–people bonds but has since developed into an emerging diplomatic initiative aimed at promoting health cooperation (Ministry of Foreign Affairs of the People's Republic of China 2021). In contrast to the hard infrastructure division of the BRI, the HSR represents increased prioritisation of the global soft power of Beijing (Tillman, Ye and Jian 2021, 1). The HSR was developed in 2015 but has evolved significantly since the outbreak of the COVID-19 pandemic and is currently a tool to strengthen economic and investment relationships between China and BRI countries (Habibi and Zhu 2021, 2). According to Cao (2020, 2), the COVID-19 pandemic has triggered the largest global recession of the past 50 years while causing the deaths of thousands of people and jeopardising the developmental gains made by African countries.

Africa is faced with multiple challenges in obtaining the required number of COVID-19 vaccines to reach herd immunity. By May 2022, only 17% of Africans had been fully vaccinated as opposed to the global average of 59.79% (Our World in Data 2022). This means the BRI could serve as a channel for the distribution of aid to combat the pandemic. According to Coetzee (2021, 4), China has donated vaccines to African countries ranging from Somalia to Cameroon while promising many more doses to other countries. Even though there is no doubt that China is employing the HSR as a tool to increase its global influence and to demonstrate and increase its soft power in Africa, as well as diplomatically supporting its vision of a "community of shared futures for mankind" (Machacha 2021), the HSR, as a component of the BRI, certainly plays a key role in African efforts to obtain COVID-19 vaccines (Coetzee 2021, 4).

In addition to providing physical health infrastructure, the HSR also assists in capacity building by providing training for local professionals and establishing pharmaceutical trade networks. For example, New South Group's dihydroartemisinin, artesunate and related products have become Africa's top choice for malaria treatment (Habibi and Zhu 2021, 5). According to Aiping (2021), the HSR is more systemic and larger in scale compared to traditional health cooperation. The initiative's focus on developing manufacturing capacity gives it the potential to make a more sustainable impact than traditional aid programmes since it empowers countries to further develop their healthcare sectors. Africa is currently importing over 90% of its health needs with regard to medical equipment and pharmaceuticals (Songwe 2022). Bausch and Wiysonge (2022) reason that weak health systems in Africa provide ample opportunities for the spread of dangerous pathogens. According to these authors, increased manufacturing capacity is a critical part of strengthening the continent's healthcare systems. The HSR can thus be leveraged to improve the capacity of Africa's healthcare system.

5. Risks Associated with the Belt and Road Initiative

As much as the BRI poses significant opportunities for Africa, some pertinent risks are also of interest. In order to embrace the opportunities posed by the BRI effectively, these risks need to be analysed and mitigated by African governments. In the discussion below, three important risks with a broader application to African countries in general will be under review.

5.1 Unsustainable Debt Concerns

A narrative has emerged that often associates the BRI with promoting debt-trap diplomacy in developing countries. The notion of Chinese debt-trap diplomacy was coined by a think tank in India in 2017. This narrative spread through Western governments, media and intelligence circles, and within a year, it generated nearly 2 million search results on Google in 0.52 seconds (Brautigam 2019, 1). The debt-for-equity swap of Hambantota Port in Sri Lanka is typically cited as an example of this. In 2017, China excused Sri Lanka's $8 billion debt in exchange for a 99-year lease on a strategic port in the country (Risberg 2019, 43). These concerns are vastly exaggerated; however, the lack of transparency in agreements and other technicalities of loans is concerning. Chinese state-owned lenders act as surrogates of the state and consequently act in a profit-maximising manner. Interest rates and grace periods are, therefore, not particularly generous (Malik et al. 2021, 1). According to Stein and

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Uddhammar (2021, 18), Chinese lenders often utilise collateral arrangements, such as lender-controlled revenue accounts and debt-for-equity swaps, in conjunction with acceleration, stabilisation and cancellation clauses in contracts to give creditors an opportunity to influence debtors' domestic and foreign policies. By making provision for the exclusion of collective restructuring, such as prohibiting Paris Club clauses, these contracts could put African countries in a difficult position (Seleshie 2021). Structural problems and market failures in infrastructure investment, particularly in the transport and energy sectors, elevate the risk of contingent liabilities. If a government guarantees loans contracted by a state-owned enterprise and then defaults on the loan, it will likely borrow more, thereby increasing its debt stock (AfDB 2021, 54).

The lack of transparency in BRI projects is particularly problematic, and given the strict control Beijing has over the flow of information within China, it is difficult to gauge the true amount of debt African countries have accumulated. This lack of transparency poses a risk for African countries (Risberg 2019, 44). Secret deals conceal the true costs of borrowing, which is important to analyse whether the investment increases welfare or not. In addition, if the interest rate charged is higher than alternative sources of funding, it will crowd out other public activities. Debt transparency is needed so that borrowers and creditors can make informed decisions with regard to safeguarding debt sustainability and using available financing efficiently. Without transparency, it is difficult for civil society to hold governments accountable for how they choose to distribute funds (Bandiera and Vasileios 2019, 35). A lack of transparency, therefore, hampers debt sustainability assessments, complicates asset pricing by private investors, and ultimately becomes an obstacle that complicates the future of the BRI in Africa (Stein and Uddhammar 2021, 19).

Since the inception of the BRI in 2013, there has been a major transition in how China conducts overseas lending. Before the BRI, the majority of lending was directed towards sovereign borrowers. Nearly 70% of overseas lending by China is directed at state-owned banks, state-owned companies, private sector institutions, joint ventures and special purpose vehicles (Malik et al. 2021, 1). Consequently, these debts often do not appear on government balance sheets (Phiri and Mungomba 2019, 3). This blurs the lines between private and public debt and has introduced substantial public financial management challenges for host governments. The inclusion of confidentiality clauses in Chinese contracts contributes to this lack of transparency, barring countries from disclosing even the existence of debt (Stein and Uddhammar 2021, 18). According to Malik et al. (2021, 2), Chinese debt burdens are therefore significantly larger than previously understood. It is estimated that 42 countries have levels of public debt exposure to China exceeding 10% of their GDP and that there are approximately $385 billion in underreported debts.

It is not lack of access but rather disproportionate costs of borrowing that affect African economies. Bandiera and Vasileios (2019, 33) report that by 2019, 28% of BRI investment recipients were likely to experience increased debt vulnerability in the medium term due to the BRI. Given the weak socio-economic conditions and unstable political environments with which many African countries struggle, these countries are often seen as high-risk investments. This limits their ability to secure affordable financing for necessary projects (Seleshie 2021). The political and economic costs attached to Western and international market funding further discourage African countries from securing alternative sources of financing such as Eurobonds. For example, Eurobonds are offered at high interest rates, high-coupon payments and shorter debt maturities for African countries. This means that the government has a shorter period to use the costly funds and will also be paying periodic interest. The average interest for Africa's bonds is 5% to 16%, with a tenor of 10 years (Mutize 2021). Because of this lack of competition, China has the ability to negotiate financing deals that benefit it significantly more than the host country (Nyabiage 2021). For example, by 2019, China was the principal creditor of Congo-Brazzaville, Djibouti and Zambia, while about 20% of all African debt was owed to the Chinese government (Risberg 2019, 44).

5.2 Impact of Increasing Trade Deficit on Domestic Markets

Trade between Africa and China rose by 35% from 2020 to $254 billion in 2021 (General Administration of Customs of the People's Republic of China 2022). This increase is significant given that it occurred during the COVID-19 pandemic-induced economic downturn. According to Lokanathan (2020, 7–8), one of the primary drivers of the BRI is the need to find new emerging markets for Chinese industrial overcapacity to counteract a slowing domestic economy in China. It is estimated that sub-Saharan Africa will have the largest working-age population in the world in the next 20 years. Consequently, the coming decades will see a considerable increase in potential consumers in the region (Stein and Uddhammar 2021, 33). Chinese exports to Africa mainly consist of manufactured consumer goods and capital equipment, whereas African exports to China are predominately resource-based. By 2019, the trade deficit between Africa and China was more than $17 billion (Adeshokan 2021).

Furthermore, export diversification plays a critical role in the ability of an economy to absorb shocks and recover quickly. Reliance on a narrow range of export products, therefore, amplifies the impact of external shocks on Africa. Consequently, economic diversification is an important part of building shock absorption capacity in Africa (AfDB 2021, 34). Therefore, it is problematic if trade relations encourage the disproportionate concentration of economic activity in the primary sector.

Africa finds it challenging to compete with China, both regionally and on a global scale. The majority of BRI projects in Africa help to create industry, infrastructure and connectivity across Africa, but these projects largely also serve the function of building capacity so that Chinese businesses can further infiltrate the African market (Lokanathan 2020, 8). Chinese manufacturing firms could displace domestic competitors that produce similar goods due to domestic exchange rate over-evaluations and low-cost competition from China. This applies in particular to footwear, ceramic products, textiles and furniture. Either African exports to third markets, such as America or Europe, could be displaced, or Chinese firms could contest domestic suppliers (Busse, Erdogan, and Mühlen 2014, 2). This has been observed in countries such as Nigeria, Rwanda and Ethiopia. The import of cheaper Chinese products and the establishment of Chinese factories in special economic zones in these regions have a devastating effect on local manufacturing capacity (Feng and Pilling 2019). Industrial projects also predominately employ skilled labour from China and a few African locals as low-end employment (Lokanathan 2020, 8). This minimises positive spillover effects on domestic economies.

5.3 Large-Scale Infrastructure Investment

In recent times, the BRI has focused on large-scale infrastructure projects that are very expensive and predominately financed by Beijing. The way the coastal areas of East Africa are being looped into China's maritime belt is especially relevant, relating to a variety of financial and construction activities by Chinese financiers and constructors. In fact, countries in East and North Africa have been among the largest recipients of Chinese investment in megaprojects in recent years. One striking example is the Doraleh Multipurpose Port in the Gulf of Aden, Djibouti's largest mega project (Coetzee 2021, 10). Other examples are the construction of railway lines linking regional hinterlands to coastal ports. The two most notable projects in this regard are the Addis Ababa–Djibouti Railway and the Nairobi–Mombasa Railway (Irandu and Owilla 2020).

As mentioned in the preceding discussions, in several African countries, the BRI focus on large-scale infrastructure adds to African countries' existing debt burdens (Habibi and Zhu 2021, 4). Furthermore, Beijing's approach of focusing on infrastructure-led growth does not necessarily translate into social and economic development (Appleyard and Field 2017, 603). It should also be noted that, by financing infrastructure development in Africa, China is creating an increase in demand for Chinese services and goods in the relevant African states, resulting in a rise in the Chinese domestic GDP. It is not uncommon for countries to start sourcing goods and services almost exclusively from China after a loan has been granted. Regardless of whether or not the infrastructure investment was redundant in the host country, China still stands to gain diplomatic inroads as well as new markets in host countries (McGregor and Havenga 2019).

Large infrastructure projects also present certain inherent challenges. A mega-project can be seen as an infrastructure investment of $1 billion or more. An example of this is a $12 billion investment by China Railway Construction to build a 1 402-km railway line along the coast of Nigeria linking Lagos with Calabar, as well as a $2.5 billion agreement between Liberia and China Road and Bridge Corporation for building roads and electricity supply infrastructure (McGregor and Havenga 2019). While all infrastructure project financing could affect fiscal risks and sustainability, megaprojects pose more risks. These projects are especially prone to severe delays and large cost overruns, which in turn could become liabilities for governments by limiting other spending as debt servicing rises. This creates challenges for the implementation of fiscal policy and monetary and exchange rate policy (Bandiera and Vasileios 2019, 31).

In addition to the above, large infrastructure projects often create governance risks, such as failures in public procurement and corruption. Despite BRI projects being executed in conjunction with local governments, bidding processes are often opaque (Lokanathan 2020, 4–5). Similarly, corruption in BRI projects tends to correlate with the corruption levels of host countries (World Bank 2019, 7). This is problematic given that Transparency International's (2021, 4) Corruption Perceptions Index indicates that sub-Saharan Africa is the worst-performing region, with an average score of 43/100. The BRI lacks effective mechanisms to counteract corrupt activities, such as mismanagement of funds and Chinese firms bribing African officials. Large infrastructure projects could therefore lead to higher levels of corruption in countries where weak institutional capacity prevails (World Bank 2019, 7). The BRI is based mainly on soft law regulations, such as non-binding declarations, agreements and

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memorandums of understanding, and is not encapsulated by any single treaty. A lack of uniform or standardised regulation presents difficulties and challenges relating to inconsistency, a lack of predictability, and a lack of transparency (Coetzee 2021, 27–28).

6. Conclusion

The aim of this article is to assess and evaluate the risks and opportunities associated with the BRI. The study commenced by contextualising the background to and current foundation of the BRI. A historical overview of the BRI illustrated how it developed alongside Beijing's domestic policies. The study submits that China's strategic motivations and objectives are fundamentally rooted in supporting and sustaining its partner countries' domestic economic growth challenges. Given the complex nature of the BRI, the article further maintains that the best theoretical approach underlying a study of this kind is an eclectic approach or theoretical pluralism. This is motivated by the following: there can be no doubt that the BRI serves Beijing's global agenda in general and its strategic interests in Africa in particular. At the same time, the BRI aims to strengthen China's connectivity with the world and is specifically aimed at expanding relationships and cooperation between China and partner countries, including those on the African continent, specifically by creating a vast network of railways, energy pipelines, highways and streamlined border crossings. As such, there are mutual benefits. But the BRI is often regarded as a case of Chinese debt-trap diplomacy, which some structuralist theorists link to an exploitation strategy followed by China in a similar fashion to how the Global North has historically exploited the Global South for the accumulation of wealth. The research in this article suggests that studying the BRI in Africa reveals a nuanced reality of how the BRI functions in the developing world in general and on the continent in particular. The study consequently argues that there is not a singular international relations theory that can examine and explain the BRI sufficiently and that a rigid theoretical approach is not suited to a proper explanation and understanding of the BRI.

This study further argues that the BRI has the potential to be an important aspect of development in Africa. The South-South cooperation promoted by the initiative could help create an international system in which African countries could become more competitive international actors. The opportunities associated with the BRI are not limited to the initiative itself but instead stem from increased inclusion in global value chains. Consequently, the BRI offers the opportunity and has the potential to provide African partner countries and the African continent as a whole with the tools needed to uplift itself instead of adopting a paternalistic approach and forcing foreign development models on the continent. In other words, the BRI's focus on infrastructure development and capacity building through educational and health initiatives could help Africa develop economically, as suggested by liberal scholars in International Relations.

It is, however, also clear that the BRI is not without risks for African countries. In fact, it is important for African role players to have a good understanding of the relevant risks with a view to mitigating them. First and foremost are the challenges associated with unsustainable debt burdens that have emerged because of the lending practices associated with the BRI. In this regard, unsustainable debt could allow China undue influence if these challenges are not managed well by African governments and relevant role players. In addition, investment in infrastructure often poses governance challenges and environmental, social and corruption risks. Moreover, the lack of transparency in the BRI makes it incredibly challenging to gauge the true amount of debt created by it or the terms on which loans were granted. Another problem is the trade deficit between China and Africa.

Yet it would be wrong to claim that all of China's engagement along the BRI is detrimental to the relevant African partner states and the continent as a whole. The BRI should therefore be acknowledged for what it is—potentially one of the largest infrastructure initiatives in the contemporary global economy and by far the most significant contemporary macro-project on the African continent and for many years to come. Although many critics and observers, especially from the realist paradigm, have expressed valid reservations and criticism about the BRI, it cannot be denied that Africa, as the world's least developed continent, could potentially benefit significantly from China's BRI. This does not imply that other large top-down infrastructure and development initiatives such as B3W and Globally Connected Europe, as well as smaller, local bottom-up alternatives, should be dismissed as opportunities to fuel Africa's development. Given the diversity of the African continent, a myriad of solutions could be employed. This study merely concludes that the BRI has the potential to make a positive impact on the continent's development. However, the initiative's success will largely depend on African governments' ability to utilise it to their advantage. Collective bargaining through institutions such as the AU and further research into both Africa's needs and the BRI's risks and opportunities could empower African countries to enter the dragon's den with more confidence and increase their chances of ultimately securing a better future for the continent as a whole.

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