China's $60 billion in aid and loans to Africa in context

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Earlier this month, Chinese President Xi Jinping pledged $60 billion in aid and loans to African countries over the next three years.

The expected announcement came at the opening ceremony of the 2018 Forum on China-Africa Cooperation (FOCAC) conference in Beijing on September 3-4. The event, which is held every three years, includes African heads of state and leaders of the Chinese Communist Party (CCP). It is the principal forum for Beijing to announce near-future loan and aid commitments to African countries and strengthen economic and political ties.

Following the announcement, a barrage of articles in the US and its principal allies ran articles questioning whether China's loan and aid package was a "new colonialism," in the words of the *Telegraph.* The *Washington Post*, for example, referred to unnamed "critics" who say that "China is luring needy countries into 'debt traps.'"

The *New York Times* sought to backhandedly characterize Chinese investment as fundamentally different from Western investment because it comes "without demands for safeguards against corruption, waste and environmental damage." The US is notorious for exploiting aid and loans, either directly or through the IMF and World Bank, to further its economic and strategic interests. The NYT article reflects concerns in Washington that countries can turn to China as a means of maneuvering around US demands.

China's aid package is somewhat vague and more of a target goal than a guaranteed commitment. According to Xi, the total includes $15 billion in grants, interest-free loans and concessional loans, all of which are a form of official development aid. It also includes $20 billion in commercial interest lines, a special $10 billion fund for "development financing," and another special $5 billion fund for financing imports from Africa to China.

China's role in the African economy and African development has dramatically expanded in the past 15 years. For example, its foreign direct investment (FDI) has increased from less than $US1 billion in 2003 to $40 billion in 2016. By comparison, US FDI to African countries went from $20 billion in 2003 to $69 billion in 2014, and then dropped to $52 billion in 2016. While China's FDI has increased, it lags behind that of the top three investors—the US, the UK ($58 billion, 2015), and France ($54 billion, 2015).

While China's role in Africa, specifically in energy and resources, has significantly expanded, its critics of the "new colonialism" are largely based in the old colonial powers that divided up Africa into spheres of influence more than a century ago. China's need for energy and raw materials for its industry—much of which is to supply Western corporate giants—is bringing it into collision with established powers in Africa and elsewhere. The objections to Chinese influence are aimed at defending longstanding neo-colonial interests by stoking up anti-Chinese sentiment and, ultimately, preparing for war.

While the US press whips up concerns about "China's debt trap" in Africa, the China Africa Research Initiative, run by Johns Hopkins in Washington D.C., at the heart of US imperialism, concluded earlier this year in a briefing paper, "We find that Chinese loans are not currently a major contributor to debt distress in Africa."

The paper analyzed 17 African countries that had debt distress. Of those 17 countries, eight were found to have either no debt or barely any debt from China. In six other countries, "Chinese loans are larger but the countries have also borrowed heavily from other financiers."

For example, while China has issued loans to the populous country of Ethiopia ($12.1 billion since 2000), the country has a total debt of $29 billion, with the rest of it primarily owed to the World Bank and Middle Eastern states. Or, as a second example, Ghana owes $25 billion of debt, less than $4 billion of that is towards China.

The report found that in only three of these African countries, Djibouti, Republic of Congo and Zambia, was China "the most significant contributor to high risk of actual debt distress." In the case of the Congo, the majority of Chinese investment was in mining copper and cobalt, minerals which are critical to electronics; electronics that are primarily produced in China for export by foreign companies.

The report makes clear that while Chinese loans have grown significantly and play an important role in African development, they are still dwarfed by those of the World Bank and the major imperialist powers, who are responsible for the vast majority of debt in the continent.

Another area where this is expressed is in official development assistance. In Xi's announcement this month he stated that China would give $15 billion of foreign aid over the next three years to African countries. The $5 billion per year pledge is its largest ever, however, it is still less than half that of the US, who gave $12.25 billion to African countries in 2017.

While Chinese aid has increased, its total pledge of interest-bearing loans has declined. In 2012, China committed to $35 billion of interest-bearing loans at its summit in Johannesburg. However, this year it is only committing to $20 billion.

This reflects a general decline in Chinese loans to Africa since 2013. With an important exception, Chinese loans to Africa, according to data from the China Africa Research Initiative, declined each year from $18 billion in 2013 to $9 billion in 2017. This decline reflects both the slowing down of economic growth in China as well as the slowdown of exports coming from sub-Saharan Africa.

In 2014, there was a sharp drop of sub-Saharan exports from roughly $450 billion worth of goods in 2013 to $300 billion in 2014. The decline has only marginally been reversed. The underlying reason for this drop-off was the decline in global commodity prices and the purchasing of raw materials following both a slowdown of growth in China as well as an oil glut in the US produced by widespread hydraulic-fracturing.

The resulting fall in Chinese loans to Africa highlights the complex and contradictory character of China's capitalist development, particularly its unrealized ambition to transcend its role as a cheap-labor platform.

The one exception to the decline in Chinese lending to Africa was a massive, $19 billion loan to Angola between 2015 and 2016. In 2017, Angola was the 9th largest oil exporter in the world, with over $30.5 billion worth of oil exports, almost 4 percent of the global total. It is China's third largest source of oil after Russia and Saudi Arabia.

Oil is a critical aspect of Chinese loans and development aid in Africa. Since the late 1990s, China's domestic oil supply has been unable to meet its surging demand, due, principally, to a physical lack of oil. Chinese loans to Angola, for infrastructure and to survive the commodity downturn, are paid off with oil. However, the Angolan state faces a potential crisis. Its oil production is declining, due to the aging of its fields and inadequate funds for the expensive off-shore investment needed to revitalize it.

A crisis of the Angolan state and economy would endanger the Chinese economy, or at least force it to become more reliant on oil produced by the US and its allies. China's desperate need for oil, and its difficulties in procuring supplies through its own means, likewise expresses the complex and precarious character of its capitalist development, especially in relation to the imperialist powers.