Case for the Inclusion of Africa in China’s New Initiative: The One Belt one Road Initiative

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Abstract
China's vision for the global economy has shifted since President Xi Jinping initiated the concept of the “Silk Road Economic Belt” during his September 2013 visit in Kazakhstan. In a speech at the Indonesian parliament in October 2013, President Xi elaborates on the principles, framework, cooperation priorities and mechanisms in its Silk Road Economic Belt initiative. He also proposed the establishment of the Asian Infrastructure Investment Bank (AIIB) to finance infrastructure construction for regional connectivity (“Chronology of China’s ‘Belt and Road’ initiatives - Xinhua | English.news.cn,” 2015.). How could this recent progress in China affect the African continent? This paper identifies the Silk Road Economic Belt and 21st Century Maritimes Silk Road initiative by China as a significant opportunity for growth and integration of the Sub-Saharan continent into the global economy

Keywords: Silk Road, economic belt, Africa, investment, trade, South-South, One Belt, One Road

1. Introduction
Introduced in September 2013 by President Xi Jinping during a visit to Kazakhstan, the One Belt One Road often shorten as OBOR is a multinational economic development initiative proposed by the Chinese government to foster national and regional economic growth (Kaczmarski, 2015). The initiative consists of two development plans: the new Silk Road Economic Belt, which links China with Europe through Central and Western Asia at one end; and the 21st Century Maritime Silk Road, which will connect China with Southeast Asia, the Middle East, Europe, and one region of Africa.

At first, it looks as if Africa has been overlooked by China; most of its coverage from scholars, media and public opinion heavily focus on China-Asia, China-EU and what the initiative will imply for US presence in South Asia (Chin, Lau, He, & Cheung, 2015). However, recently a campaign led by Justin Yifu Lin, former chief economist of the World calls for inserting Africa in the strategy. In a post (“Industry transfer to Africa good for all,” 2015), he pointed out how China can lean on 21st Century Maritime Silk Road’s infrastructure construction and transfer its labor-intensive industries to Africa, in this time of China’s economic transformation.

The focus of this paper is to provide insights as to why the inclusion of Africa in the Silk Road Economic Belt and 21st Century Maritimes Silk Road is imperative to China through content analysis. In the following sections, we discussed first the major weaknesses and suggest a number of reasons why the focus of the OBOR initiative has not been on Africa. We then provide arguments that support inclusion of Africa in the initiative. Finally we draw conclusions regarding the benefits for both China and Africa that would likely emerge with the inclusion of Africa in the OBOR initiative.

2. The major weaknesses of Africa
A close look at the framework of the “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritimes Silk Road” by the National Development and Reform Commission, NDRC (“Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” 2015), and President Xi Jinping’s speech on March 28, 2015, show that the main focus of this initiative is on China’s immediate neighbouring countries. In this section, we will dissect how China can use the OBOR as a foreign policy tool to cure regional conflicts, a sustainable growth plan,
a domestic restructuration of an economy in transition, access trade markets.

2.1 Regional Peace Intent

The vision of the initiatives is common development, and the goal is a win-win progress through cooperation.

In the middle of continuous regional maritime and territorial conflict and with the inclusive nature of the OBOR initiative, China perceives a major opportunity for its participation in cooperative security, economic development, cooperation and collaboration, particularly in trade with the Association of Southeast Asian Nations (ASEAN) argue Alice D. Ba when she claimed “China has made the most gains in terms of its relations with Southeast Asia” in China and ASEAN: Renavigating Relations for a 21st century Asia (2003). The NRDC’s framework also stated: “The Belt and Road initiative is in line with the purposes and principles of the UN charter”. OBOR is thus perceived by China as part of the solution in an attempt to solve some of its political and border disputes with those countries. Micheal D. Swaine in Chinese Views and Commentary on the One Belt One Road (2016) is the late in date who offers similar view: “Moreover, the emphasis on building connectivity is seen by some Chinese sources as a means of addressing “a lack of balance among various sub-regions in Asia”

As a foreign policy tool, the most imminent goal of the OBOR initiative is to boost China's influence in Central Asia, a resource-rich region. The infrastructure plan reflects a diplomatic imperative to strengthen relations with the country’s neighbors (Kaczmarski, 2015). In recent years, Butan, Sri Lanka and Nepal are some of the countries that have become dependent on Chinese transport and energy infrastructure (“The New Silk Road: China’s Marshall Plan?”, 2014.). The railroad plan connecting southern China to Laos, Thailand, Malaysia, and Singapore is also a sign of future reliable collaboration between Southeast Asia and China. Thus this stronger economic ties will make it increasingly costly for Central Asian governments to oppose China in developing friendly and cooperative relations with all South Asian countries on the basis of equality and reciprocity (Garver, 2012)

The South China sea-lane is a major security policy concern in China. To power its intensive economy, China imports 14% of its crude petroleum, 5.3% of iron ore, and other raw materials from as far afield as Brazil and Saudi Arabia by sea routes (“OEC: China (CHN) Profile of Exports, Imports and Trade Partners,” 2012). Strategic thinkers such as Len view maritime energy security to be increasingly vital for China and if successful, the OBOR initiative will develop China into a maritime power, providing an answer to a growing demand of energy supply to fuel China’s economic expansion and industrialization (Len, 2015), (Wang, 2015). The general assumption is also to believe that securing navigation in the South China Sea will enable regional cooperation in combating maritime terrorism and piracy, environmental security and maritime rescue (Shicun & Keyuan, 2009), all essential for sustainable economic growth.

2.2 South East Asia prosperity and Impacts on Chinese Economy

Meanwhile, domestically, the proposed infrastructures will provide better transport links that will promote growth in underdeveloped central and western regions such as Xinjiang, Gansu, Ningxia, Guangxi and Yunnan Province. That would not only boost overall China economic growth which according to experts and Chinese premier Li Keqiang "At this time, the national economy is running smoothly, but downward pressure continues to grow", could well hit a multi year low, but also reduce regional economic inequality, and thus migration into the coastal areas, a trend that may contribute to social tension. An economic boom in an area such Xinjiang is also seen as the best way to combat the rise of Islamic extremism in the region.

Moreover, there is a significant economic opportunities for Chinese enterprises. The leadership role undertaken by China for this initiatives, places Chinese companies in a driving position to land
construction and investments opportunities in central Asia, central Asia and beyond. The implementation of the “One Belt, One Road” strategy will help improve infrastructure access and interconnection with neighboring countries as well as with those along the routes. This will bring in new development opportunities for outbound investment in infrastructure, energy cooperation and advanced manufacturing sectors. The One Belt One Road initiative meets China’s sustainable economic growth plan by increasing China’s outbound investment, a major part of Beijing’s long-term economic and political agenda. The infrastructure constructions together with the Asian Infrastructure Investment Bank (AIIB) are intended to help make use of China’s enormous industrial overcapacity and ease the entry of Chinese goods into regional markets (Kaczmarski, 2015). The OBOR strategy is creating a regional emerging market league led by China, including most developing countries in Asia, Eastern Europe and North Africa. It would help China identify new growth engines through infrastructure investment and enhanced trading activities. The strategy could accelerate RMB internalization and create investment opportunities for China.

2.3 EU historical economic tie with China
At a further distance and inversely to Africa, the EU has been China’s largest trading partner since 2004, and China is the EU’s second largest trading partner (Hansakul & Levinger, 2014). This trade interdependence is a major incentive why beside Asia, China is looking for the EU to pay close attention to and engage in the OBOR project. China-EU cooperation brings mutual benefits to both parties. It enhances the potential for bi-lateral cooperation and world influence through the joint development of third-party markets, ultimately bringing regional integration and inclusive growth. The long distance between Europe and China has been a natural obstacle to strengthening bilateral trade relations. As the OBOR project concentrates on enhancing connectivity and transport infrastructure, there is huge potential to enlarge and accelerate the movements of goods between China and Europe. This is evidenced by the existing Trans-Eurasia railroad that connects the City of Chongqing in southwestern China to the German city of Duisburg. According to a CNN report, this rail route takes only 16 days, making it much faster than the lengthier shipping routes. Since its opening in 2011, China has transported $2.5 billion worth of goods to Europe via this route.

2.4.1 Lack of basic infrastructure in Africa
Although in the mix of discussion, Africa presents itself as the least appealing to China due to the lack of basic infrastructure to meet the need of self-population. Infrastructure deficit paired with inefficient functioning of ports and associated customs clearance is found to depress firm productivity by around 40 percent suggest (Escribano, Guasch, & Pena, 2009) in “Assessing the Impact of Infrastructure Quality on Firm Productivity in Africa”. According to the World Bank, the continent’s infrastructure deficit is considered one of the most significant barriers to sustaining Africa’s growth. It is estimated that the continent will need to invest nearly $93 billion per year over the next decade to bridge the deficit. Thus for Africa to fully take part in the OBOR initiative, an overhaul of inner infrastructure is must. Fortunately for the continent, growth performance has improved markedly during the last decade. Ten out of 48 countries experienced sustained economic growth in excess of 5 percent for the past three years or longer, leading to hope that economic prosperity is a reachable goal.

Even though promoting development in Asian to support a Chinese economy facing transition remains the priority, and despite the facts that EU presents a much favorable infrastructure to build on, Africa still have a key role to play in the One Belt One Road initiative. As China undergoes economic transformation and is becoming more of a consumer economy, the question of where to transfer its labor-intensive industries is of great interest for the African continent.
3. Reasons why Africa should be a focal point

The OBOR initiative is rather dismissive of the Africa continent if we consider how small the region is covered by the current map of the 21st Century Maritime road.

![One Belt One Road initiative map]("One Belt and One Road -Xinhua Finance Agency," 2015)

Projected to touch more than 4.4 billion people in more than 65 countries where the annual trade with participant nations could reach $2.5 trillion within one decade, the OBOR strategy accounts only Kenya, the littoral of Ethiopia, Egypt in Africa to reach Greece, Athens in Europe; leaving the majority of the continent unconcerned by the initiative. It is only a while ago that an awareness of the strategic role the inclusion of Africa may provide China arose among experts. The most cited voice outside the government that calls for the inclusion of Africa in China’s One Belt One Road initiative came from Justin Yifu Lin (“Silk Road connects China to the world|Business|chinadaily.com.cn,” 2015), former chief economist of the World Bank. He argues that through infrastructure development, China could present a significant opportunity for growth and integration of the Sub-Saharan continent into the global economy, and transfer its labor-intensive industries to Africa. Moreover, one-third of the world’s resource-dependent economies are in Africa.

3.1 Africa, future of low cost labor

China has a large-scale labor-intensive industry to relocate to new places, because the rise in labor costs is weakening its industry's comparative advantage. Such industry transfer has happened several times in the past century. But the transfer from China is on a much larger scale. China has about 124 million people working in manufacturing industries, 12 times that of Japan when Japan sought to move its industries to foreign countries in the 1980s. Only Africa has the space and labor to receive such a large-scale industry. Africa has 1 billion people and a large surplus of young laborers in the countryside; whose wages are only 10 percent to 20 percent of their counterparts in China. Africa is of vital importance for China's foreign investment and economic transformation (Calderón & Servén, 2008)(Jarossi, 2009). With almost 200 million people aged between 15 and 24 years of age, Africa has the youngest population in the world and could double by 2045. As a matter of fact, Africa could emulate a period of growth similar to what Asian powerhouses such as China, South Korea and Vietnam experienced a decade ago (Engelman, Rosen, & Wong, 2014). As an example, the continent’s labour force will be 1 billion stronger by 2040, making it the largest in the world, surpassing both China and India (Roxburgh, 2010).

3.2 Africa, the richest continent

While Africa’s economic development patterns have become widely diverse, less known are the
enabling factors. 
Africa is a resource- and environment-rich continent. One-third of the world’s resource-dependent economies are in Africa. The continent is blessed with valuable natural resources, which include renewable resources (water, forestry, and fisheries) and non-renewable resources (minerals, coal, gas and oil). The necessity of securing strategic assets is on display with China growing demand in energy-resources to fuel its economy, as China becomes part of the global economy. Yet even excluding the oil-rich countries, the once described in 2001 by The Economist as the “hopeless continent” is now perceived as a consumer boom market with the continent’s top 18 cities projected to have a combined spending power of USD1.3 trillion by 2030 and by 2050, 63% of Africa’s population will be urban (Economist Intelligence Unit, 2012). This offers an alternative to China, which suffers from industrial over-production and market saturation in variety of sectors, including textiles, footwear and electronics. 
Africa is quite diverse in other aspects as well. Geographically, Africa is endowed with productive lands. Government actions to end political conflicts, improve macroeconomic conditions, and create better business climate will also play a huge factor in shaping the next stage of the global economy.

3.3 Advantage of south-to-south partnership 
The South-South cooperation is such an important element of international cooperation and development that September 12th of each year is designated to commemorating the adoption of the “Buenos Aires Plan of Actions for Promoting and Implementing Technical Cooperation among Developing Countries” (“United Nations Day for South-South Cooperation - 12 September 1994”). While China’s increasing interest in trade and investment with Africa presents significant opportunity for growth and integration of the Sub-Saharan continent into the global economy by pushing the sectors of apparel, food processing, retail ventures, fisheries and seafood farming, commercial real estate and transport construction, tourism, power plants, telecommunications and more; as illustrated in Africa’s Silk Road: China and India’s New Economic Frontier (Broadman, 2007), a potential to become the next China or India of the world, China is also answering its need of “Going global” and the growing demand for import of not only natural resources but also agricultural goods and more diversified, non-traditional exports such as processed commodities, light manufactured products, household consumer goods, food and tourism. According to Jing Gu and Richard Schiere (2011), the top five motives in order of importance for China to invest in Africa are 1) access to local African market, 2) intense competition on domestic Chinese markets, 3) transfer abroad of excessive domestic production capability, 4) entry into a new foreign markets via exports from host and 5) utilizing African regional or international trade agreements.
Today Africa is in favor of China, a developing country and aid recipient itself. Based on experience and similarity between Africa and China post civil war and Japanese occupation, and in contrast with the West, China offers a mix of aids to address short term and long term needs; a balanced of technical training, key projects in agriculture argue Beborah (Bräutigam, 2010).

4. Conclusion
The OBOR strategy is good for developing the world economy and most importantly stabilizing a declining Chinese economy.
Investing in Africa’s infrastructure development is challenging for China but will prove to enable China industry transfer and provide additional momentum to enhance the scope and depth of China’s economic initiatives in Africa.
Africa in return will also greatly benefit from Chinese infrastructure projects and labor-intensive industries transfer with job creation, lift in continental economy and pave the way for integrating the global economy. Africa has growing demand for Asia’s manufactured goods and machinery, and demand in Asia’s developing economies is growing for Africa’s natural resources, and increasingly for labor-intensive goods. Factor endowments and other economic resources will likely continue to yield these strong country-level African-Asian complementarities, indicating the likely sustainability of the current African-Asian trade boom. Thus the One Belt One Road initiative can only be of positive impact and of great interest for both China and Africa if successfully expand to Sub-Saharan continent.

References